



The Influence of Work Environment on Employee Retention: Empirical Evidence from Banking Institutions in Dar Es Salaam, Tanzania

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Abstract: This study aimed at investigating the influence of work environment on employee retention in the banking institutions of Tanzania, particularly in Dar es Salaam region. A survey design was employed in the study. Stratified sampling was used to ensure representativeness of banks classified in terms of bank category. Eleven banks were purposely selected and simple random sampling was applied to draw a sample of 370 employees. The quantitative data were collected using questionnaire and analyzed using Binary logistic regression. The results indicated that work environment significantly influenced employee retention with a 'p' value of 0.001. It was further revealed that work environment attributes (responsibility for the job and bank reputation) have significant influence on employee retention. The study recommends to the bank managers to develop and implement retention policies that contemplate responsibility and bank reputation as these were the most valued attributes. The bank managers also need to pay attention to the right retention policies in order to improve retention of employees.

Keywords: Work environment, Employee retention, Banking institution

1. INTRODUCTION

Employee retention has become a major concern in many organizations in recent years (Manogharan, et al., 2018). Mir and Mufeed (2016) contend that today's business environment is very competitive thus making skilled and experienced employees important to organizations. Thirupathy and Dhayalan (2016) argued that skilled employees are the major differentiating factor for most organizations in today's competitive business environment. Samuel and Chipunza (2009) indicated that retention of skilled employees is important for sustaining competition and ensuring effective and efficient service delivery in organizations. On the other hand, Ibidunni, et al. (2016) argued that, employee retention helps in improving organizational performance. Hence, employee retention is regarded as crucial for organizational performance as well as competitiveness in today's world of competition in business.

In Tanzania, competition in banking business started to emerge soon after liberalization of the economy in 1980s and financial sector reforms in 1990s which allowed private banks to operate in the country. As a result, the number of banks increased from four prior liberalization (Mboya, 2012) to fifty eight by the end of December 2017 (Bank of Tanzania, 2017). The increase of banks particularly in Dar es Salaam region, resulted a competitive business environment and dynamic market in the banking industry in Tanzania. This in turn resulted a problem in retaining employees especially reputable ones (Mboya, 2012; Kweka and Sedoyeka, 2014). Many organizations including banking institutions have taken initiatives in order to improve employee retention (Ibidunni, et al., 2016; Msisiri and Juma, 2017) after realizing the importance of employee retention and its benefits such as improved organizational performance. Banking institutions in Tanzania also took initiatives and adopted various retention strategies to ensure their employees are retained.

Despite available evidence on the benefits of employee retention from empirical literature and initiatives taken by organizations/banks in improving employee retention, still there is a problem of retaining desirable employees. This may suggest that the initiatives taken and the implemented retention strategies might have been done with limited understanding of the key factors of employee

retention in the context of banking industry in Tanzania. If the problem of retaining desirable employees is not resolved, it has many negative consequences in the performance and operation of the bank. For instance, in the Indian context, Shahin (2017) contended that poor employee retention can lead to many operational problems, decreasing morale and increase in cost to the organization due to new recruitments and training new employees. In the Tanzanian context, Oyagi and Kembu (2014) argued that poor retention of employees imposes many costs such as costs of recruitment, training new employees and additional burden of work on remaining employees. Based on this perspective, it is important to understand the factors that influence employee retention among banks. This study therefore, intended to understand the influence of work environment on employee retention among banking institutions in Dar es Salaam region.

However the benefits and impact associated with employee retention, many banks in Tanzania, especially in Dar es Salaam region are experiencing problem in retaining employees (Mboya, 2012; Mwita, et al., 2018). Despite the problem which affects banking performance, little has been done in empirical literature in addressing employee retention issues related to work environment. Even those few studies that were done in the country, most of them came up with different attributes of work environment that influence employee retention. For instance, Muhoho (2014) revealed that organizational justice and organizational prestige as work environment attributes that strongly influenced employee retention but neglected other attributes such as work life balance and recognition that were identified by Msisiri and Juma (2017).

Given the inconsistency findings in the literature and the problem of retaining employees which affects negatively the banking performance, the current study fills this gap by investigating the influence of work environment on employee retention among banking institutions in Dar es Salaam. The study also shed light on the inconsistency conclusions on the attributes of work environment drawn in the previous studies on employee retention. Hence, the current study formulated one research hypothesis to be addressed, that is, “*Work environment has a significant influence on employee retention among banking institutions in Dar es Salaam region*”.

2. LITERATURE REVIEW

2.1. Theoretical Literature Review

The concept of employee retention has been defined by several scholars to fit their context of study. Zareen, et al. (2013) defined employee retention as the ability of an organization to retain its employees. Other scholars like Msengeti and Obwogi (2015) defined employee retention as the efforts by any business or organization to develop strategies and initiatives that support current staff into remaining with the organization. The current study adopted the definition introduced by Gayathri, et al. (2012) who defined employee retention as a process in which employees are encouraged to stay with the organization for the maximum period of time or until the completion of the project. Despite the literature clearly evidenced that there is no single factor for employee retention (Regina and Rosalia, 2015), this study focused on investigating the influence of work environment on employee retention among banking institutions in Dar es Salaam region, Tanzania.

Jain and Kaur (2014) stated that work environment involves all the physical, psychological and social aspects which act and react on the body and mind of an employee. Other scholars such as Markey, et al. (2012), expressed that, work environment encompasses the physical aspects, psycho-social and organizational surroundings of work but does not focus on individual employee or job characteristics. Basing on these definitions of work environment, the construct can be broken down into work environment attributes such as communication, stress, work pressure, creativity, fairness, recognition, co-worker relation, supervisor relation, control over work, flexible working, performance appraisal, working conditions, responsibility for the job, supervision, job security, work itself, organization reputation, policies and administration, etc. These attributes of work environment can have influence on employee retention in an organization. This pushes organizations to ensure that good work environment is maintained in order to influence employees to stay instead of leaving. These attributes can therefore be selected and used to measure the construct.

Herzberg (1966) two factor theory provided a theoretical background for this study as the factor, that is, work environment was borrowed from the theory. The theory states that there are certain factors in

the workplace that cause job satisfaction (and motivation) while a separate set of factors that cause dissatisfaction. According to Herzberg (1966) two factor theory, motivation of employees at workplace would occur only as a result of the use of motivators such as achievement, responsibility, the work itself, recognition, advancement and growth.

This is contrasted with a second set of factors called hygiene factors such as company policy and administration, interpersonal relations, salary, supervision, job security and working conditions, as the use of these factors at workplace would not motivate or create satisfaction to employees. Instead it would result in a neutral state (Herzberg, 1966). Despite that Herzberg two factor theory is a motivation theory which was developed to study employee motivation at workplaces, but in the current study the theory was considered relevant on studying employee retention. The relevance of this theory was based on evidence from the empirical literature (Motlou and Karodia, 2016; Waweru and Kagiri, 2018) that when employees are motivated or satisfied at work, they are likely to stay in the organization.

A number of empirical studies (Thirupathy and Dhayalan, 2016; Chen, et al., 2017) have well evidenced the applicability of Herzberg (1966) two factor theory in studying employee retention. For example, Chen, et al. (2017) studied employee retention in Malaysia using Herzberg two factor theory, and indicated pay and compensation, and career advancement as important predictors that influenced employee retention. Adzei and Atinga (2012) who applied Herzberg two factor theory to study the link between motivation and employee retention, indicated a strong link between the two. The study by Oyagi and Kembu (2014) in Tanzania grounded on Herzberg two factor theory found that motivational variables like work environment have positive and significant influence on retention of academic staff. This theory therefore, helped to inform the study on the influence of work environment on employee retention at the banking institutions in Dar es Salaam region.

2.2. Empirical Literature Review

2.2.1. Work Environment and Employee Retention

In the Pakistan context, Kanwal and Majid (2013) who studied retention management in banking system of Multan in Pakistan, revealed that, long working hours and lack of effective communication between employees and employers at the work place have significant impact on employee retention. Gangwani and Dubey (2016) carried out a study on influence of working environment on employee retention in India. Using regression analysis, the study revealed a positive relationship between work environment and employee retention. Ahmada, et al. (2015) indicated that recognition and annual performance appraisal significantly contributed on retention of employees in the banking sector of Pakistan. The study also recommended that, more flexible working hours and safer good working environment be established by the management in order to retain employees.

Tansuria and Nelwan (2018) indicated that performance management, employee engagement, social support, organizational culture and work environment significantly contribute in retention of employees at the university in East Indonesia. The study applied purposive sampling in selecting research participants, and this type of non-probability sampling may have not represented enough the Indonesian population working in tertiary educational institutions. To avoid this kind of weakness of non-probability sampling which was used by the study, the current study used stratified sampling and simple random sampling. It was considered that these sampling techniques can provide more reliable results based on a more representative sample to the population.

Other scholars (Patel and Patel, 2014) also showed that work environment is significantly related to employee retention. Nasir and Mahmood (2016) researched on determinants of employee retention in Pakistan and argued that work-life balance, job satisfaction, work environment, recognition and supervisor support are significantly correlated with employee retention. Roy (2018) who did a study in the banking industry in India, revealed a significant relationship between work-life balance and employee retention. In the context of Pakistan, Malik, et al. (2018) argued that co-worker support and supervisor support have significant and direct relationship with employee retention. Hong, et al. (2012) observed a significant relationship between performance appraisal and employee retention. In contrary, Imna and Hassan (2015) revealed insignificant influence of performance appraisal on employee retention. These studies indicated different attributes of work environment that influence

retention while some studies revealed insignificant influence of the attributes on employee retention. This contradiction in the findings calls for more research in the subject area to establish what might have contributed to these contradictions.

In the African perspective, Reddy and Govender (2014) revealed that flexible working hours and a more meaningful and challenging work environment as important in retaining workers at a leading bank in South Africa. In a banking context of Sudan, Mohamed, et al. (2017) revealed that work environment contributes to employee retention. In the Tanzanian context, Oyagi and Kembu (2014) found that recognition, job security and work environment have positive and significant influence on employee retention. In a related perspective, Msisiri and Juma (2017) found a significant relationship between work environment, work-life balance and recognition and employee retention in CRDB bank in Arusha region, Tanzania. The review of these empirical studies, have evidenced a relationship between work environment and employee retention.

Most previous studies as cited above have indicated the relationship between work environment with employee retention. However, contrary results from empirical studies which indicated insignificant influence of some work environment attributes like performance appraisal on employee retention were also observed. These contrary results might have been due to the fact that sensitivity levels, satisfaction levels, perceptions, attitudes, behaviours and needs of every employee are different (Zareen et al., 2013). This may imply that more research is needed with careful selection of indicator variables in studying the influence of work environment on employee retention. This may also raise a need for investigating further the needs, perceptions, sensitivity levels and satisfaction levels of employees as these also can have impact with respect to employee retention. For example, some employees are very sensitive, so they can be very difficult to retain in an organization.

2.3. Conceptual Framework

The study developed a conceptual framework based on the literature review above. One dependent variable namely Employee Retention (ER) and one independent variable namely Work Environment (WE) were used to develop a conceptual framework as described in figure 1.0 below.

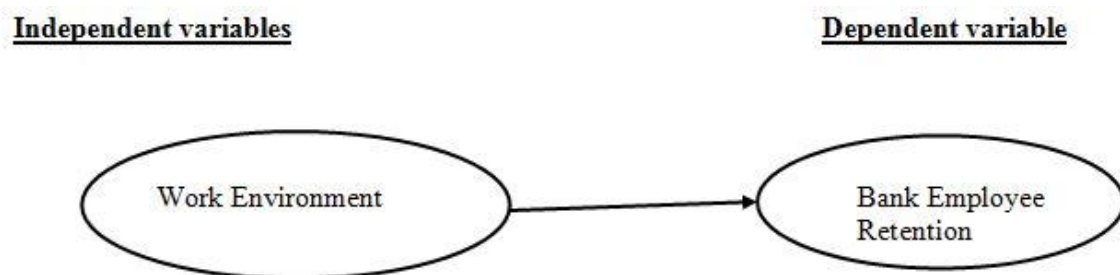


Figure1. *Conceptual Framework for the study*

Source: *Author based on literature review (2020)*

3. RESEARCH METHODOLOGY

Quantitative method was used in this study. The positivism philosophy was also adopted in the study as the developed hypothesis and proposed model can be tested to explain the influence of work environment on employee retention among banking institutions in Dar es Salaam region. According to Lancaster (2005) positivism philosophy assumes that the researcher is independent, concentrates on facts by testing hypothesis and there are no human interests on the study. The study used the survey strategy and employed explanatory research design. The explanatory design helped to test the existence of relationships among variables and validated a model which can be used to explain employee retention in the banks. The rationale to use explanatory design was based on its usefulness in explaining causal relationship among variables and to produce a model for these relationships.

Data was collected in Dar es Salaam region. The selected study area was based on the reason that all banking institutions are operating in the region and that there is no any other region in the country where all these banks are operating. High competition in banking business was also experienced in the study area which in turn influences competition in retaining skilled bankers. So, the study managed to

get required data to understand the influence of work environment on employee retention among the banks.

Stratified sampling was used to ensure representativeness of banks classified in terms of bank category. Eleven banks were selected purposely to ensure representation of each category in the sample. Simple random sampling was then used to draw a sample of 370 employees from selected sample banks. The overall sample size was allocated proportionally among the eleven sampled banks depending on their number of employees.

To ensure the suitability of data collection instrument, the study conducted a pilot study before the main survey. Data analysis was done using both descriptive and inferential analysis. Binary logistic regression analysis was used to test a hypothesis and to develop a model on work environment that can explain employee retention among banking institutions in Dar es Salaam.

4. FINDINGS

4.1. Descriptive Data Analysis

The frequency and percentage were used in the descriptive data analysis in order to profile and gain an understanding of various respondents' characteristics.

Gender of the Respondents

The findings on gender of the respondents indicated that female respondents were slightly higher than male respondents as among the 326 respondents contacted, 41.1% were male and 58.9 % were female. This proportional of the percentage indicates representation of gender in the study as the data captured in figure 2.0.

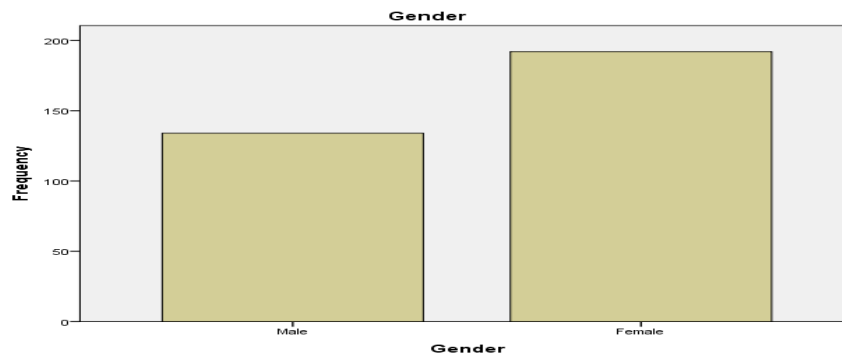


Figure2. Gender representation

Age of the Respondents

The age groups were as follows; 30.7% were aged between 20-30 years, 48.5% were aged between 30 - 40 years, 14.7% were aged between 40 - 50 years and 6.1% were aged between 50 - 60 years as indicated in figure 3.0.

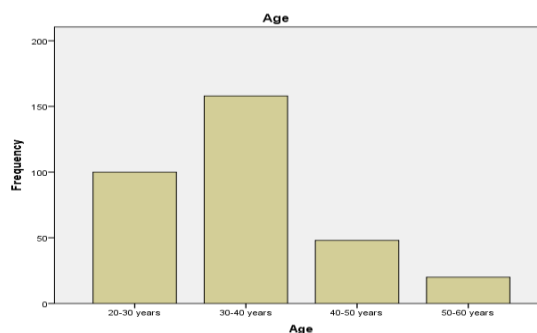


Figure3. Age frequencies

The Respondents' Level of Education

The findings on the level of education indicated that the majority (66.6%) had first degree or its equivalent (Bachelor’s degree), (27%) had postgraduate degrees, (4.6%) had qualification higher than secondary schools (Diploma) while a few (1.8%) had secondary education qualifications. Majority of the respondents involved had good level of education as summarised in figure 4.0.

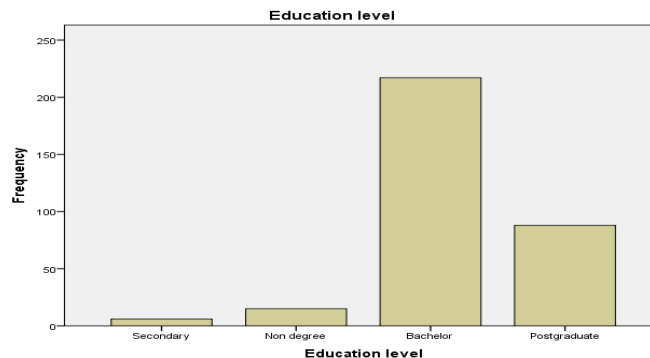


Figure4. Respondents education level

Marital Status of the Respondents

The study revealed that 57.7% were married, 38% were single, 2.1% were widow and 2.1% were divorced/separated. Majority of respondents were married and single, however the proportional of the percentage indicated representation as shown in figure 5.0.

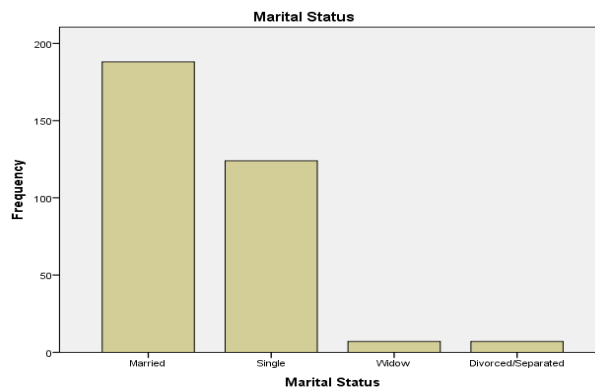


Figure5. Respondent's marital status

Management Level of the respondents

The findings indicated that majority of the banks staff (60.4%) were non-management employees, (37.1%) were mid-level management employees while a few (2.5%) were top management employees. Each management level was involved in the study as it was considered that each tier may have different need that may influence a decision to stay (Uitzinger, et al., 2016) as summarized in figure 6.0.

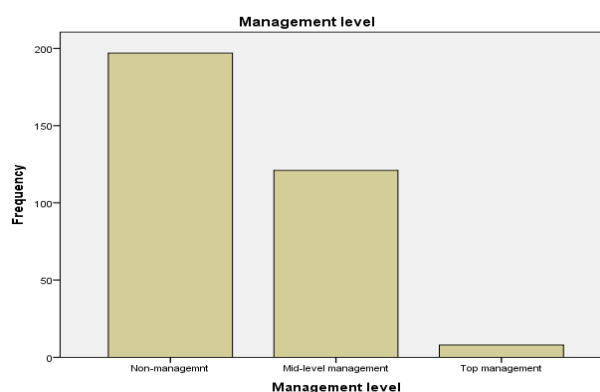


Figure6. The banks management levels

The Banks Respondents Work Experiences

The study results revealed that out of 326 respondents, 5.2% had worked less than 1 year, 46.9% had worked from 1 to less than 5 years, 29.4% have worked from 5 to less than 10 years and 18.4% have worked above 10 years. The data covered each group category as the study considered that the number of years an employee has worked may have influence on their decision to stay as argued by (Agyeman and Ponniah, 2014). Figure 7.0 shows frequencies for the banks employees working experiences.

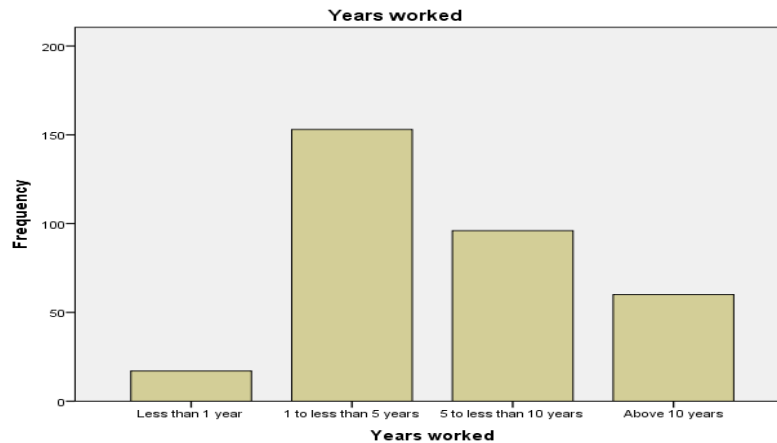


Figure7. Bank respondents work experiences

4.2. Validity and Reliability

Validity and reliability issues were considered in testing the trustworthiness of the measurement instrument (Ihantola and Kihn, 2011). Content validity, construct validity and criterion validity were observed in ensuring validity (Drost, 2011). A pilot study of survey instrument was done in order to ensure that the items in the questionnaire accurately reflect the theoretical domain of the latent construct it claims to measure. This involved few experts in human resource especially in work environment aspects and few respondents as a sample population to help the study to strengthen the measurement instrument.

To ensure construct validity, correct operational measures for the work environment (WE) construct were identified. To ensure criterion validity, the data collection instrument was drawn and developed by considering strong validated literature and expert panels. Kimberlin and Winterstein (2008) argue that criterion validity provides evidence about how well scores on the new measure correlate with other measures of the same construct or very similar underlying constructs that theoretically should be related.

The paper also gave careful consideration on reliability by first ensuring that the data collection instrument was suitable to respondents, and second, assessing the internal consistency of the scale using Cronbach’s Alpha. It was ensured that the language used in the questionnaire was clear to the respondents and hence the measurement instrument was suitable to them. A reliability analysis on the work environmentscale comprising five items showed that the questionnaire attained an acceptable reliability with Alpha coefficient (α) equal to 0.832 as indicated in table 1.0. The obtained Alpha was within the acceptable range as it was between 0.7 and 0.9 as suggested by Streiner (2003). Streiner (2003) recommended a maximum value of Alpha coefficient (α) of 0.9 as when it is above that it can be too high and point to redundancy among the items.

Table1. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.832	.833	5

It was further checked if Alpha coefficient could increase by removing some items in the questionnaire. The study retained all items as any deletion of an item would have resulted in a decrease in the Alpha coefficient. This is as postulated at Cronbach's Alpha if item deleted column in table 2.0.

Table2. *Item-Total Statistics*

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
WE4	14.31	10.160	.651	.427	.792
WE10	14.41	10.139	.699	.515	.780
WE11	14.65	10.395	.612	.430	.804
WE13	14.34	9.648	.641	.413	.796
WE2	14.48	10.663	.558	.330	.818

Keynote: WE2=Control over work, WE4 = Supervisor relationship, WE10 = Responsibility, WE11 = Work itself, WE13 = Bank Reputation

4.3 Hypothesis testing

The objective of the paper was to test the hypothesis which state; *Work Environment has significant influence on employee retention at the banking institutions in Dar es Salaam.* Findings using binary logistic regression are as presented in the following tables.

Table3. *Variables in the Equation*

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 0	Constant	-.360	.113	10.209	1	.001	.698

Table 3 pointed out a significant value (p) equal to 0.001 which is less than 0.05. This implies that the predictor (work environment) makes a significant contribution in predicting employee retention. Hence, the hypothesis H is accepted. Further results of the study were also presented in table 4.

Table4. *Variables in the Equation*

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1 ^a	WE4	-.158	.158	.994	1	.319	.854	.626	1.165
	WE10	-.502	.183	7.489	1	.006	.605	.423	.867
	WE13	-.379	.142	7.122	1	.008	.685	.519	.904
	WE11	.092	.163	.317	1	.574	1.096	.796	1.510
	WE2	.093	.152	.373	1	.542	1.097	.815	1.478
Constant		2.782	.618	20.268	1	.000	16.155		

a. Variable(s) entered on step 1: WE4, WE10, WE13, WE11, WE2.

Keynote: WE2 =Control over work, WE4 = Supervisor relationship, WE10 = Responsibility, WE11 = Work itself, WE13 = Bank Reputation

The results provided in Table 4.0 showed that out of five indicators (indicator variables) only two indicators known as WE10 (responsibility) and WE13 (bank reputation) were statistically significant. From these results you can see that WE10 (p = .006) and WE13 (p = .008) added significantly to the model/prediction, but WE4 (p = .319), WE11 (p = .574) and WE2 (p = .542) did not add significantly to the model. Therefore, the hypothesis which state that, work environment has significant influence on employee retention is accepted. The hypothetical model developed from the findings is indicated in figure 2.0.

The insignificant attributes (indicators) of work environment were included in the derived model as these also can have influence on employee retention as some employees are very sensitive. This is due to the fact that employees are not the same as they have different sensitivity levels, satisfaction levels, altitudes, behaviours and perceptions as argued by Zareen, et al. (2013). Babyak (2004) suggest that non-significant values based on p-value alone does not mean no effect and that insignificant values can be important in some situations for example in deciding which parameters to include or not to include in an intervention programme to a public health problem. Similarly, Hirpara, et al. (2015)

argued that the presence of statistical significance does not necessarily mean clinically important when interpreting clinical research as the size of effect is the one that determines it.

Wald Chi-Squared Test for the insignificant attributes was also not zero as shown in table 4.0, this indicated that each insignificant attribute had some contribution to the model despite that it is small (Agresti, 1990, 2013). Hence, deleting insignificant indicator variables in the model would have resulted overfitting. Harrell Jr and Slaughter (2008) argued that removing indicators with little influence from the model results overfitting and hence an overfitted model. Similarly, Babyak (2004) contended that overfitting yields overly optimistic model results and the findings from the overfitted model do not really exist in the population and hence can't be replicated.

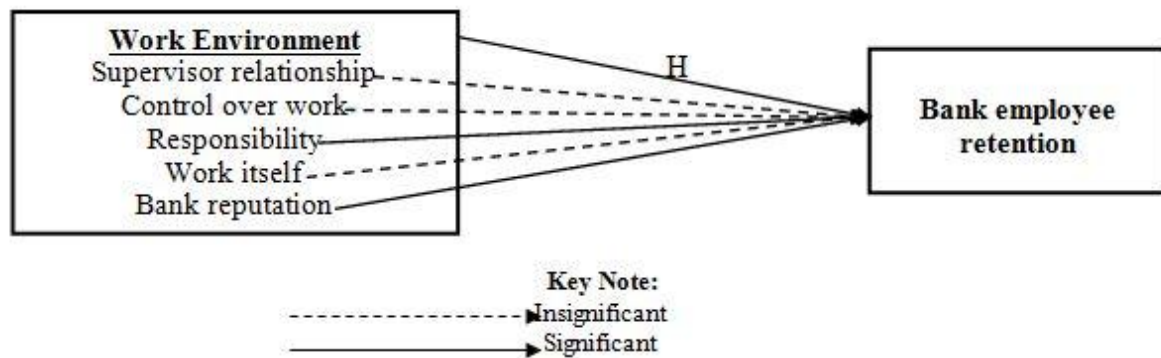


Figure 8. Hypothetical Model of the Study

5. DISCUSSION

It was hypothesized by the study that work environment is significantly related to bank employee retention. In evaluating the relationship, the results yielded a significant value (p) of 0.001 for work environment. This indicates that work environment is significantly related to employee retention in the banking institutions in Dar es Salaam. The results of the study support the argument made based on Herzberg two factor theory that motivational factors such as work environment have positive and significant relationship on employee retention. In the same vein, the findings support the claims made by Oyagi and Kembu (2014) grounded on Herzberg two factor theory that motivational variables like work environment have positive and significant influence on retention of academic staff.

The findings corroborate with what Pek-Greer and Wallace (2017) who found that work environment has a significant influence on employee retention. Similarly, Mohamed, et al. (2017) indicated that work environment has strong influence on employee retention at an Agricultural Bank in Sudan. This implies that when employees are provided with conducive work environment at the work place, they are likely to stay instead of leaving the employing organization/bank. Therefore, the attributes of work environment that are most valued by employees in a particular organization/bank may be applied in encouraging employees to remain.

Previous studies by Patel and Patel (2014) and Gangwani and Dubey (2016) established a significant relationship between work environment and employee retention. This study shares some similar findings that, there is a link between work environment attributes such as responsibility for the job, control over work, supervisor relationship, work itself and bank reputation with employee retention. The results differ in respect of some of the variables. For instance, Msengeti and Obwogi (2015) found and reported the significant influence of work environment attributes, namely, supervisor relationship, opportunities to use initiatives and talents, working conditions and work- life balance while in the current study the opportunities to use initiatives and talents, working conditions and work- life balance were not supported.

The findings also show that not all elements of the work environment reward banks in retaining employees. For example, Jain and Kaur (2014) found that among eight work environment attributes, only five, that is, duties and responsibilities, refreshment and recreation facility, grievance handling, fun at workplace and health and safety facility were elements that influenced employee retention while attitude of supervisor, workload and overtime, job fatigue and boredom, showed no significant contribution in retaining employees.

This implies that despite the significant influence of work environment on bank employee retention, but not all attributes that build up the work environment can have a significant influence on bank employees. The significant influence of the work environment depends on the degree to which those attributes reflect a particular environment. In this study, only two attributes of work environment, that is, responsibility (with p-value= .006) and bank reputation (with p-value = .008) were identified by the research model to explain bank employee retention whereas attributes namely control over work, supervisor relationship and work itself were found to be insignificantly related to employee retention. Results by Sharma, et al. (2018) indicated that responsibility has a positive impact on employee retention as when employees become more responsible for the job, they are motivated to stay in the organization. On the other hand, Gupta, et al. (2018) established a positive and significant relationship between organizational reputation and employee retention.

6. CONCLUSION AND RECOMMENDATION

The hypothesis on the influence of work environment on employee retention in the banking institutions in Dar es Salaam was tested and the model that can be used to explain employee retention specifically on work environment facets was developed. Grounded on employee retention literature, the study borrowed a factor from Herzberg dual factor theory to study employee retention in the banking institutions. This paper confirms that work environment has significant influence on employee retention. This result can help bank managers who are looking forward to retain employees especially on work environment aspects. The paper reveals further that responsibility for the job and bank reputation are the most important attributes due to its significant contribution on employee retention. The bank management can consider this fact in developing and implementing work environment policies. Additional research on the influence of work environment on employee retention can be conducted in other regions. The use of other data analysis techniques such as multiple regression and structural equation modeling can also be applied to study other parameters of employee retention.

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