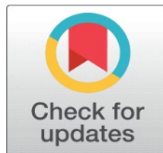# A STUDY ON FACTORS AFFECTING EMPLOYEE RETENTION RATIO IN IT COMPANIES IN INDIA

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ABSTRACT

The Information Technology (IT) Industry is the fastest-growing industry. In India after 2002 is growing day by day. This is made up of the software industry and the ITES industry and these industries contribute to our Indian economy. It creates employment, revenue, and other benefits for our country. On the basis of the March 2022 report, almost 5 million people are working in the IT sector in India, and for any organization, employees are the lifeblood.

1. INTRODUCTION

The Information Technology (IT) Industry is the fastest-growing industry. In India after 2002 is growing day by day. This is made up of the software industry and the ITES industry and these industries contribute to our Indian economy. It creates employment, revenue, and other benefits for our country. On the basis of the March 2022 report, almost 5 million people are working in the IT sector in India, and for any organization, employees are the lifeblood.

IT industries are playing a vital role in various important sectors, especially in Corona Pandemic like the Banking sector (Digital Transaction), the Education sector (Online classes, Online examinations), Online Work Culture (Video conferencing), the medical sector (Online Doctors consultation), and E-commerce sector (Sell and Purchase products).

This research study proceeds with section 2, which covers a literature review, and the study's objectives are section 3. Section 4 presents the hypotheses of the study and section 5 presents the research design and methods. Analysis and interpretation are presented in Section 6. Sections 7 and 8 discuss the conclusions and discussion, presenting Policy Implications. This is followed by the limitations of the study.

2. LITERATURE REVIEW

Table 1: Literature Review

Authors Name	Year	Findings and Results
Sue	2001	Employee retention (ER) is synonymous with employee motivation. A motivated employee will be satisfied, more productive, and more likely to stay within the organization, all other things being equal. Therefore, a key issue to address when retaining employees is motivating them. Employee retention can determine the success of the organization or otherwise. If the best staff is not retained then the organization cannot retain its key clients and customers. Keeping valuable employees can be a source of competitive advantage. An
		organization needs to attract good people, use them effectively and reward them so it can keep the staff it wants. It costs money to keep them but failing to deal with employee retention can potentially affect the financial performance, and reduce the organization's profit. In a service delivery organization, people tend to lose their trust in the organization and its integrity suffers.
DeMers	2002	Organizations spend a lot of money in grooming the new joiners so as to make them fit their work culture and environment. This is done with an expectation that the employee will stay with the firm for a maximum period of time and the organization may get a good return on what they have spent on grooming the employee. But it doesn't happen every time. Employees put at risk the organization by leaving them and joining the competitor. Good performers who leave the firm and join the competitor create a situation where the previous organization has to be ready for the consequences that may arise due to the loss of important information about the firm.
Tammy C. Morse	2009	the purpose of this conceptual and practical paper is to explore the extent to which the use of appropriate humor relates to employee retention and satisfaction, which can enhance the commitment, cohesiveness, and performance of a company's
		workforce. Another objective is to explore and emphasize the importance of humor and employee retention in the workplace.
		The paper provides practical recommendations for today's managers and offers a focus for future researchers to empirically test the use of humor and its relationship to employee retention and employee satisfaction.
Mitchell	2018	conducted another research on Indian companies. The study elucidated the aspects leading to attrition, such as low incentives, below expectation salary, and relationship with the superior. Others are lack of appreciation, skills recognition, and unsatisfied work culture.
Sila et.al.	2019	focused on identifying which factors related to the employees and which factors related to the companies are determinants of retaining employees and reducing the rate of turnover.
Hokanson et al.	2011	in their study, have shown the importance of some
		organizational characteristics (internal career opportunities, size, organizational climate, etc.) and environmental variables (available employment alternatives, economic and market conditions, etc.) which highly affect the turnover rates. A company's reputation also helps a lot in retaining the best employees of the organization.
Maliku	2016	The employee retention concept has been linked with employee rewards, welfare policies, employee development,
		and technology. Employee retention practices have been discussed under recruitment and selection, career advancement, effective communication, training and development, supervisor support, compensation and reward, work environment and socialization, and organization culture.
Messmer	2000	Researcher found that organizations that provide a workplace culture with then psychological conditions of meaningfulness (job enrichment, work-role fit), safety (supportive management and co-workers), and availability (resources available) are more likely to have engaged and committed employees and therefore employee retention.
		This research closely looked at the following broad factors: development opportunities, compensation, work-life balance, management/leadership, work environment, social support, autonomy, training, and development. The study reached the conclusion that further investigations need to be conducted regarding employee retention to better comprehend this complex field of human resource management.
Stauss et al.	2001	found that the opportunities in the market are increasing every day and the employees are fearful of losing their jobs. Before the organizations lay off the employees, the employees themselves leave the organization if they are not satisfied with the job. Some of the major reasons why employees leave the

		organization or hiring practices are managerial style, lack of recognition, compensation system, lack of job security, inadequate training and development, etc. There are both intrinsic and extrinsic factors that motivate an employee to stay with the organization (Chafetz et al., 2009). These factors help managers to retain employees. However, the managers have failed to identify and use these variables to retain the employees. Attrition is not only destructive but also very costly. There is a direct and indirect costs involved in recruiting a new employee. When a productive employee leaves the organization, social capital loss is faced by the organization.
Hillary et al.	2005	opined that academic staffs are somewhat less satisfied with their jobs than those in the workforce as a whole since they consider salary and ability to earn money from additional work, qualitative dimensions of their job and longer term factors such as promotions and job security.
Sharma and Singh	2010	examines the phenomenon of Employee Retention in the ITeS sector in the Tri-City of Chandigarh, Mohali and Panchkula in order to develop appropriate strategies, which can help the organizations in this sector to retain their valuable talent. The main objective of this study is employee retention strategies followed in the ITeS industry in the Tri-city of Chandigarh, Mohali and Panchkula; significance of select HR practices in
		the attainment of job satisfaction amongst the employees of the industry; extent of employee attrition prevalent; significance of individual, organizational and industry related factors in determining employee retention; correlation between job satisfaction and employee retention; prevalence of Talent Management System and identify different strategies adopted to reduce the monotony of work for the executive positions. In this study t-test, chi square test and correlation test is used for evaluation of the data and found as no single factor can be considered detrimental for attaining high rate of employee retention, it is recommended that the organizations should look for variety of effective and suitable employee retention strategies and practices so that their combined effect can enable the organizations in the ITeS sector to retain their employees.
Salunkhe	2018	The research was carried out in three stages. To improve the retention rate, efforts were made to first, predict the employee attrition; secondly, decide on which employees are valuable and their retention is profitable to the company. Finally, the factors that influence the employee's intention to resign from a company is found out and provided to the HR and Project managers through the HR Analytical application developed using R and Shiny R framework.
		Using the R condition statements, the dashboard was developed which shows all the factors influencing employee attrition so that HR and Project managers can use them accordingly retaining valuable employee.
Sharma et.al.,	2022	intended to predict which employee would prefer a job change and which employee would stay in a company and hence, help constitutes as an active research domain is how AI based intelligence can be interpreted and utilized assess the input resources required to put in an employee. They propose used natural language processing, opinion mining, fuzzy logic and various widely used classifiers namely Random Forest (RF), Cat Boost Classifier, Support Vector Machine (SVM), and Naïve Bayes (NB).
McKeen et al,.	2009	stated the importance of IT staffing practices in hiring, retention, career development and training, and performance, promotion, and succession planning. The IT profession is unique although the world is witnessing technological development, the old technology never seems to go away. Today, organizations are also found to be using older languages to operate systems and applications which are coded in the old languages. This confirms that as long as the organizations are using the older technology, people with
		experience with old technology are required by the organization.
Gurunathan and Vijayalakshmi	2012	studied to analyze and enhance employee retention practices, overall satisfaction in work environment culture, training and development of improved technical skills and analyze rewards and compensation. They found that employees are more focused on monetary benefits and career development. The suggestions are obtained from both management and employee perspective. It states recreation facilities, sharing of innovative ideas; competitive compensation package helps to retain employees. Based on the result of 500 respondents study concludes that identifying employees' needs with respect to career, education, and family increases employee retention.
Wheeler and Allen	2013	many firms are reluctant to fund training and professional development. Still, IT employees have a fervent desire to keep pace with the latest technology to avoid stagnancy. Not remaining technologically current could easily result in reduced company marketability, the fear of the company outsourcing the function, and laying off employees without the skill set needed to acquire another position within the IT field.

Holtgrewe	2014	suggested having a better understanding of career paths that drive IT employees in the various job types, employers can optimize their strategies to retain and recruit their valued
		employees. There are also characteristics that influence the IT profession. The rapid technological change (e. g. shift to mobile devices and applications) results in a fast obsolescence of IT skills, so there is a constant need for the development of skills for these employees.

3. OBJECTIVE OF THE STUDY

O1. To examine the employee retention ratio in IT sector in MNCs in India.

O2. To analyze factors affecting employee retention.

4. RESEARCH DESIGN AND METHODS

4.1 Target population and sample size covered:

In this study, samples have been drawn from the IT company's employees in India. The selfquestionnaire has been divided into three sections, first section is demographic factors, next section is related to factors affecting employee retention and last section is employee retention. There was total 61 questions in the questionnaire out of which 14 were related to demographic information, 43 questions were related to factors affecting employee retention and 4 questions were related to employee retention. A five-point likert scale has been used for the questions in second and third section of the questionnaire. The respondents were asked to rate the questions on a scale of 1–5, with 1 as strongly disagree and 5 strongly agree. This was used to measure the influence of various factors specified in these sections. The questionnaires were filled out by IT company employees in India. Almost 700 questionnaires were distributed through email to in all 700 questionnaires were distributed to IT company employees, of which 606 filled questionnaires were received. This paper used SPSS (Statistical Package for the Social Sciences). IBM SPSS Modeler is a leading visual data science and machine learning (ML) solution designed to help enterprises accelerate time to value by speeding up operational tasks for data scientists.

O1. To examine the employee retention ratio in IT sector in MNCs in India.

In this objective we analyze location wise employee retention ratio in IT sector. The study taken three states which are Chennai, Bangalore and Noida. On the basis of 606 respondents' data the employee retention ratio is given in below Table 2. and Fig.1 which shows Noida (3.47) Chennai (3.35) and Bangalore (3.27).

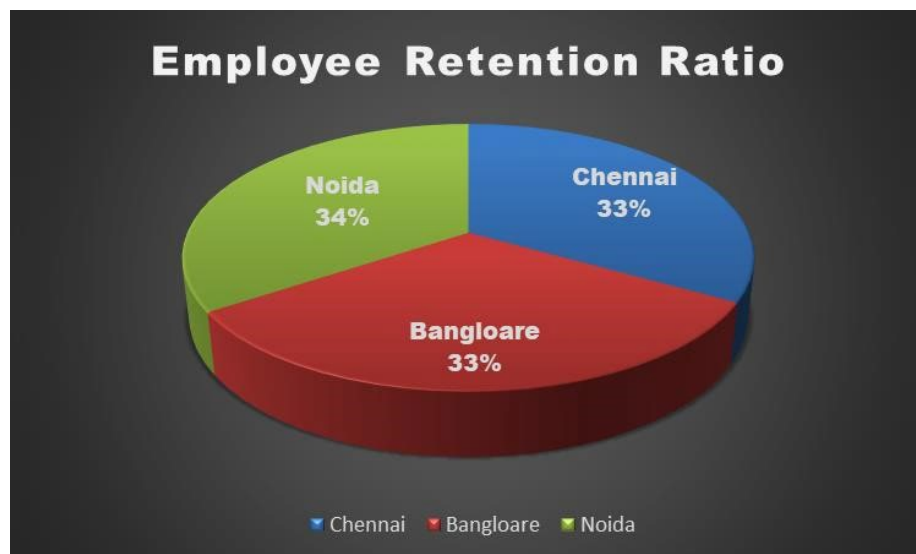Hence the employee retention ratio of Noida is very high compare to Chennai and Bangalore.

Fig. 1. Location wise Retention Ratio

Table 2. Location wise Retention Ratio

Location	Retention Ratio
Chennai	3.35
Bangalore	3.27
Noida	3.47

Source: Authors compilation

Objective 2 (O2): To analyze factors affecting employee retention.

After investigation of demographic profile, the study moves to analyses main objectives. The table 3 shows the Std. Deviation value of Monitory Benefits is 0.76 which is very high and the mean value is 2.94. after that Career Growth (0.75 & 3.33), Superior-Subordinate Relationship (0.74 &

3.17), Job Flexibility (0.71 & 3.14), Learning & Working Environment (0.69 & 3.08), Job Satisfaction (0.65 & 3.40) and last one is Skill Development (0.60 & 3.34).

Monitory Benefits factor is the main factor which affecting employee retention then Career

Growth, Superior-Subordinate Relationship, Job Flexibility, Learning & Working Environment, Job Satisfaction and Skill Development.

Table 3. Descriptive Statistics of Factors

Descriptive Statistics	Mean	Std. Deviation
Learning & Working Environment	3.08	0.69
Job Flexibility	3.14	0.71
Monitory Benefits	2.94	0.76
Superior-Subordinate Relationship	3.17	0.74
Career Growth	3.33	0.75
Job Satisfaction	3.40	0.65
Skill Development	3.34	0.60

Source: Authors compilation

This study has been carried out by collecting primary data through a self-structured questionnaire from IT company employees in India. This self-structured questionnaire deals with various aspects related to employee retention viz., Individual factors (Monitory Benefits, Job Satisfaction, Skill Development, and Career Growth). The main objective of this paper is to investigate factors affecting employee retention in IT Sectors and also examine the employee retention ratio in IT sector in MNCs in India.

Employee retention in MNCs is one of the biggest challenges faced by companies in the competitive environment. The big business challenge is to align your goals with the growing demand for a balanced organizational climate that meets basic human needs and where work is synonymous with personal fulfillment (Teixeira & França, 2013). Job

satisfaction depicts how contented an employee is with his or her job. It is the sum of pleasure or contentment associated with a job. Predictive analytics is a field of study in which data is analyzed using numerical methods, such as data mining, statistics, machine learning, and artificial intelligence, while also making estimations about future events (Gandomi and Haider, 2015).

CONFLICT OF INTERESTS

None.

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