Influence of HRM Practices on Employee Retention: The Mediating Role of Employee Engagement in Non-Managerial Roles within Colombo District's Private Banking Sector

Received 24 September 2025
Revised 09 November 2025
Accepted 06 February 2026
Published (Online) 20 February 2026

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Abstract

Employee engagement and retention are critical to organizational success, as engaged employees are more productive, innovative, and committed, fostering a positive culture and improved customer satisfaction, while retention ensures workforce stability by reducing turnover costs and preserving institutional knowledge. Together, these factors enhance performance, morale, and organizational resilience. Accordingly, this study examines the impact of Human Resource Management (HRM) practices on the retention of non-managerial employees in a selected private bank, with a particular focus on the mediating role of employee engagement. The study seeks to identify the HRM practices that most significantly influence employee engagement and retention and to provide practical insights into organizational decision-making. The research was conducted in a private banking network in the Colombo South branches of Sri Lanka among non-managerial employees. Data was collected through an online questionnaire distributed to a convenience sample of 140 employees, of which 116 responses were received. Data analysis was performed using SPSS version 25.0, applying multiple regression analysis and the Hayes SPSS Process Macro to test mediation effects. The findings indicate that rewards and compensation are the most influential HRM practices affecting employee retention. In addition, HRM practices positively influence employee engagement, which mediates the relationship between rewards and compensation and employee retention.

Keywords: Human resource management practices, Employee engagement, Employee retention, Non-managerial employees, Rewards and compensation

SLJMS
Sri Lanka Journal of Management Studies
Vol. 7 – Issue II, 2025
pp, 136 –175
ISSN (Print): 2682-7298
ISSN (Online): 2792-1093
https://doi.org/10.4038/sljms.v7i2.192

Introduction

Employers are the key players in any industry, especially in Service organizations; highly service-oriented Banks rely heavily on the skills and commitment of their human resources (Rajapaksha, 2015). The employees of an organization become particularly valuable once they acquire the skills and expertise. Experience plays a big role in how employees build their skills, but it isn’t the only influence. When a company struggles with high staff turnover, it loses the chance to build a strong base of talent. This constant loss of people not only lowers productivity but also makes it harder and slower for the organization to reach its goals (Rajapaksha, 2015). Therefore, retaining them in the workplace for a longer period would provide many financial and non-financial benefits to the respective organization(s). For the betterment of the organization, employee retention requires taking calculated steps to maintain motivation and attention so that workers can choose to stay on staff and continue to be completely productive. The main components of retention strategies are employee engagement considerations (Gupta & Sharma, 2021).

Background of study

Sri Lanka's banking sector consists of Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs), which dominate the financial system and account for the majority of total assets. Furthermore, banks are vital to Sri Lanka's financial system, as they provide liquidity to the entire economy and adjust the risk characteristics of assets. According to the CBSL (2022/23) annual report, there are 24 Licensed Commercial Banks & 6 Licensed Special Banks in Sri Lanka. The selected private bank of this study is one of the domestically significant, premier commercial banks, which holds 133 years of track record of inclusive banking in Sri Lanka, which has 5156 employees and 250+ branches all island. According to the Annual Report for the year 2022, the total number of workforces is 5156, and 4548 staff are from the permanent category, and women make up 46% and Men make up 54% of their workforce.

Employing the best up-to-date Human Resources practices is beneficial for both the employer and employee, and it plays a prominent role in building constructive growth of the organization (Sayeeduzzafer, 2014). They are essential for firms’ performance. Organizations have used HR practices in their performance, especially in reducing employee turnover and retaining employees. The term "HRM practices" refers to the management of people within an organization's internal environment, including the procedures, policies, and activities involved in organizing, hiring, training, employing, assessing, retaining, and acquiring the right number and skill set of workers to meet organizational goals (Sayeeduzzafer, 2014). Engaged employees are inspired to go above and beyond the call of duty to help achieve the business goals (Allen & Meyer, 1996)). Meanwhile, Human Resource Practices are vital for the development of the organization (Schaufeli, 2006; Paul & Anantharaman, 2003). Flexible, innovative HRM practices are advantageous in gaining a competitive advantage through effective employees. This study focuses on key HRM practices such, Training and Development, Rewards and Compensation, and Career Development. Employee engagement is chosen as the HRM intervening in the study to gain a better understanding of nature and the impact on the HRM practices as the observed variable of firms’ retention rates. Therefore, understanding the impact of HRM practices on retention with the mediating effect of employee engagement would serve as a platform for managers in organizations by assisting them in achieving high retention and reducing employee turnover rate in their respective organizations.

Problem Statement

Employee turnover, both voluntary and involuntary, poses significant challenges for organizations, particularly in human resource management(Armstrong & Taylor, 2014) . Voluntary turnover, in which employees choose to leave, is particularly costly. In Sri Lanka, turnover in both private and public sectors results in financial losses and service disruptions (Storey, 2001; Hossain et al., 2017)For for-profit organizations, turnover costs can reach up to 150% of an employee's annual remuneration.

Despite the high costs, organizations often focus more on attracting talent than retaining it, resulting in recurrent recruitment expenditures and loss of institutional knowledge (Fernando, 2020). This trend is evident in both private and government banks, with increasing staff resignations in the private banking sector (Fernando, 2020).

The number of resignations per month is on an increasing trend, and the management seeks a solution to retain the skilled workforce (Rajapaksha, 2015). The purpose of doing this research is to identify the most suitable & influential human resource practice(s) that establish high employee engagement levels of employees to their retention rates in the selected private bank.

Table 1. Employee Turnover by Demographic Factors

Year	**Retention Rates of Selected Private Bank**	**Turnover Rate**
Demography		***Exit Rate***
Gender	Male	51%
	Female	49%
Age	Below 30	58%
	30-50	22%
	Over 50	20%
Province(s)	Western	88%
	Other	12.5%

Source: Annual Report SPB 2022/23

According to the selected private Bank's Annual Report 2019 the employee turnover rate was 6.9% in total 3.3% permanent category, in 2020 the employee turnover rate was 6% which the highest turnover levels recorded in the fixed term clerical staff category, who were less than 30 years old (Selected Private Bank, 2020). .Moreover, it is revealed that in 2022 the turnover rate has spiked due to the headhunting tactics of competitors (Selected Private Bank, 2022/23) and it also was among the permanent clerical staff who were under 30 years old in numbers it was revealed to be 501. Total turnover for the year 2022-23 was 814.

Table 2. Trend of Employee Retention and Turnover Rates

Year	Retention Rates of Selected Private Bank	Turnover Rate
2017	96.1%	3.9%
2018	93.6%	6.4%
2019	93.1%	6.9%
2020	94.0%	6.0%
2021	91.0%	9.0%
2022	90.5%	9.5%

Source: Annual Report SPB 2017/2022

The data indicates a relatively stable retention pattern up to 2019, followed by a sharp decline from 2020 onwards. Specifically, employee retention fell from 94 per cent in 2019 to 91 per cent in 2020, and further to 89 per cent in 2021. Correspondingly, turnover increased from 6 per cent in 2020 to 9 per cent in 2021 and 2022. This sustained rise suggests growing instability in the workforce and points to challenges in retaining skilled and experienced employees. Such shifts are consistent with broader macroeconomic pressures and evolving labour market conditions, which have intensified competition for talent within Sri Lanka's banking industry. The issue of employee turnover has also been acknowledged at the national level. Data from the Central Bank of Sri Lanka (CBSL) confirm that the post-crisis period led to increased migration and labour mobility among banking professionals. According to the CBSL Annual Report 2022, "the banking sector witnessed increased employee turnover during the year, particularly among experienced and skilled staff, as many sought overseas employment opportunities due to the challenging domestic economic environment" (Central Bank of Sri Lanka, 2023, p. 162). The subsequent CBSL Annual Report 2023 reiterates this concern, noting that "banks continued to experience challenges in retaining skilled employees, with turnover remaining high amidst increased labour mobility and emigration" (Central Bank of Sri Lanka, 2024, p. 170). These reports collectively underscore the rising difficulty in retaining qualified employees within Sri Lanka's private banking sector, particularly in the Colombo District, where most head offices and high-turnover departments are concentrated.

Despite the growing relevance of this issue, there remains a notable gap in the empirical literature on how HRM practices influence employee retention through the mediating role of employee engagement. While global research highlights that effective HRM strategies such as training and development, performance-based rewards, and career advancement opportunities enhance retention through greater engagement, empirical validation of these relationships in Sri Lanka's private banking context remains limited. Iddagoda and Dissanayake (2022) provides a comprehensive review of existing employee engagement studies in Sri Lanka, highlighting that the concept remains underexplored and fragmented, particularly in key service sectors such as banking and finance. Moreover, few studies have focused on non-managerial employees, who are most affected by turnover pressures. Therefore, this study seeks to investigate the influence of HRM practices on employee retention, with particular emphasis on the mediating role of employee engagement among non-managerial employees in the private banking sector of the Colombo District.

Research Questions

1. How HR practice(s) influence employee retention of non-managerial employees in a selected private bank?
2. How do different HR practices comparatively impact employee engagement in the selected private bank?
3. Is there a significant impact on employee retention by employee engagement?
4. Does employee engagement mediate the impact of HRM practices on employee retention?

Research Objectives

1. To analyze the role and relationship between HRM practices and employee retention.
2. To evaluate the comparative importance of essential HR practices for employee engagement.
3. To determine the significance of the impact of employee engagement on employee retention.
4. To examine the mediating effect of employee engagement on the impact of HRM practices on employee retention.

Significance of the study

The Sri Lankan banking sector faces persistent challenges related to employee turnover, particularly in private commercial banks (Fernando, 2020). Retention has been cited as a top workforce management challenge, with 47% of HR professionals identifying it as a critical issue in global surveys ((Society for Human Resource Management [SHRM], 2020, Globoforce, 2018). Employee engagement, a long-term construct linked to organizational culture, values, and leadership philosophy, has been shown to reduce turnover and increase retention (Mehta & Mehta, 2013). According to Robinson et al.(2004), HR practices such as training, career development, and compensation significantly enhance engagement, with even a 2% increase in engagement reducing turnover by 0.86%. Engagement is associated with employees feeling valued and involved, exceeding mere commitment, and directly influencing retention decisions.

By investigating the impact of HRM practices on employee retention through the mediating role of engagement, this study will provide practical insights for HR managers in the banking sector to improve retention strategies, reduce turnover costs, and maintain a skilled workforce for sustained organizational performance.

Literature Review

Human Resource Practices, Employee Engagement, and Employee Retention

Human resources represent the skills, abilities, and knowledge that individuals contribute to achieving organizational goals (Alzyoud, 2018). Schultz (1961) emphasized that investing in talented employees is essential for productive work, while Hussein (2009) argued that HR professionals must move beyond administrative tasks toward strategic objectives, including the retention of key employees. Similarly, McDonnell et al. (2010) highlighted that developing and managing robust HR strategies for retention has become an integral part of HR roles. When HR practices are implemented systematically, employees perceive organizational support, which fosters engagement and encourages long-term retention (Chughtai, 2013).

Employee retention refers to an organization's ability to maintain its workforce over time (Kossivi et al, 2016). Research indicates that specific HR practices, such as training, empowerment, rewards, and career development, significantly enhance both employee engagement and retention. Madhushani & Mudalige (2020) identifies training, empowerment, and reward systems as key contributors to performance and workplace engagement. Fernando (2020) similarly emphasizes the importance of HR practices, including recruitment, employee development, and compensation in promoting retention. Shao & Hanif (2013) further highlights that competitive salary packages, skill development, performance appraisal, and fair benefits are critical retention factors.

HR practices such as training and development, rewards, and recognition not only enhance employees' skills but also increase their engagement. Engaged employees are less likely to leave voluntarily, reducing turnover risks and improving overall organizational retention (Chughtai, 2013). The interrelationship between HR practices, engagement, and retention underscores the strategic importance of human resource management in sustaining a committed and productive workforce.

Human Resource Practices and Employee Retention

The retention of skilled employees is the most important, crucial challenge faced by many organizations. Most of the organizations are spending finances and trying various methods to address the shortage of human resources, which arises due to voluntary withdrawals. It has become a threat to organizations since it will largely affect the accomplishment of an organization's strategic plans and goals, which have to be implemented by the human resources itself (Salleh & Memon, 2015).

According to a study by Herman & Gioia (2001), losing employees is a cost that either directly or indirectly impacts the company since it causes instability in the workforce, which lowers effectiveness and production, and lowers employee morale. Thus, employee retention is the most significant factor and (Kaitake, 2013) has discovered that HR strategic practices stimulate employee retention, especially in the banking sector. In this situation organization's employee retention will be protected.

Accordingly, effective HR practices can be recognized as an employee retention strategy. But according to the study of Wijesiri et al., 2018, identified that HR practices had low impact on retention but their study analyzed three BPO sector organizations and the results were contradicting as one showed weak but positive relationship between HR practices and retention, whereas second and third companies showed a strong, positive relationship with HR practices and retention, especially with the variables Compensation and Rewards, Training, and Career development. These differences were due to policies and procedures, and only the interview method was adapted for data collection. Similarly, it may be due to the limited number of HR practices and dimensions of retention and there may be other practices and factors which can have a higher impact on retention.

According to Madhushani & Mudalige (2020), practices such as career development, comprehensive training, and development-oriented appraisals improve employee organizational engagement and thus raise retention rates. Furthermore, Paul (2004) and James & Mathew. (2012) found that retention methods like rewards and recognition, training and development, and annual performance reviews have a beneficial impact on employees' intentions to stay in the IT business. Human resource management practices such as training and development, compensation, and career development highly contribute to the retention of employees in an organization.

HR practices and employee retention have a significant link. Training and development and other factors are the predictors of employee retention. Providing competitive and high compensation nourishes the spirit of employees and it contributes towards their loyalty, dedication, and engagement, etc. Likewise, training and development is an important factor in retaining key employees as they increase their morale and efficiency. Moreover, employees become more loyal and engaged towards their job and organization when the organization tends to contribute to the long-term career development of the employee (Haider et al., 2015)

Human Resource Practices and Employee Engagement

Social Exchange Theory (SET) can help researchers investigate the relationship between HRM practices and employee engagement. It is a sociological and psychological theory that describes an economic relationship between two parties, such as an employer-employee relationship, in which they accept responsibility for one another and rely on one another. Five of the eight workplace resources identified by the theoretical analysis, namely mission, vision, and values, opportunities for professional progression, supportive leadership, job resources, and teamwork, are proposed to be traded for engagement. Following an empirical assessment of IBM NZ data, three linked qualities were discovered: training and development, as well as vision and purpose, were identified as the two strongest drivers of employee engagement. This provides early support for the resource theory's applicability to engagement (Cooper-Thomas, 2018).

Social Exchange Theory explains how HRM practices influence employee perceptions of corporate support and engagement. Employees regard HRM procedures such as recruitment, training, performance management, and reward systems to be indicators of organizational support and retention. Furthermore, Social Exchange Theory emphasizes the need of trust and reciprocity in encouraging employee engagement with their professions (Espinoza et al., 2025).

According to Schaufeli (2001) Work engagement is defined as a "Positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Research has shown that the decision to stay in an organization is supported by predetermined employees' commitment to the job. Alzyoud (2018), added that highly engaged employees are more likely to please in terms of their needs and desires that ultimately lead to their satisfaction and retention.

According to the statistical results of the study Alzyoud (2018), the findings gave good explanations for how HRM practices affect employee engagement. While hiring and retaining important employees has become a major task, it has gotten even more difficult due to increased competition for skilled workers. Employees feel that effective HR procedures (employee development, awards, and recognition) foster a direct and positive interaction with an engaged workforce.

The study by Hossain et al.,(2017) determined that in order to meet the needs of various employee groups and encourage positive employee behavior, such as employee engagement, top management needs to exercise great caution while implementing proper human resource strategies.

A study conducted by De Silva & Tharanganie (2018) identified that, In the banking sector of Sri Lanka pointed that talented and skilled bankers feel esteemed and valued when their organization takes step to implement training and development practices, creating career development plans and creating career growth opportunities, providing fair compensation packages etc., since employees feel that their organization dedicate more time and make great efforts for employees' betterment and they are being given importance. Thus, employees develop a sense of engagement towards their work role and organization.

Training and Development, Employee Engagement and Employee Retention

Training refers to the teaching of specific knowledge and skills required for the individual's present job. The term development refers to the growth of the individual and preparations for higher-level jobs (Kirkpatrick, 1993; Somasundaram & Egan, 2004). According to a study by Cloutier et al. (2015), training and development foster a cohesive team and encourage employees to remain with the company. Furthermore, this study suggests that a company's financial success depends on its ability to retain valued staff. It is costly to replace experienced, competent workers. The expenses incurred by an organization include the search and hiring process to fill the open position, as well as the necessary orientation and ongoing training to maintain job skills. As a result, creating a training program for staff members at all levels is advised. Including outside resources is also a crucial way to boost productivity and staff performance. All employees should have access to formal, job-related training as a choice. Furthermore, according to this survey, training and development opportunities should be a part of employee retention tactics. The study of Heathfield (2008) substantiates the need for continuous support in employee training and development, and it states that it is the most sophisticated employee retention strategy. According to Chandani et al. (2016), providing proper employee development through training, skills, and learning can lead to employees becoming more engaged with their jobs and the organization.

According to Jain & Khurana, (2017), there is a significant impact of training and development practices on job satisfaction, organizational commitment, advocacy and intent to stay, and overall employee engagement. It also states that Organizations that invest in their employees' development are likely to have better-engaged employees. Training and development practices make employees feel that they are very much part of the organization and get absorbed, since they feel they are valued (Chughtai, 2013).

Study of Kataike's (2013) study states that internal and external training are the most important factors to retain employees. The guideline report by SHRM foundations states that Training and Development serves as an additional level of enhancing engagement and commitment. It also states that, when new and current employees are trained, they acquire new knowledge and skills which help them to perform their tasks and job. This will eventually lead to their enhancement of skills, which will help them to fully engage in their work, and they subsequently try to master new tasks. This will help them to realize their value to themselves and discourage turnover. For example, when new hires are given orientation, it encourages them to absorb things and dedicate themselves to work since they are explained the benefits and briefed about their job contributions, organizational goals, along with pay, and other basic amenity briefings such as work schedules and company policies (Vance, 2006) etc.

Research held at the telecommunication industry of Pakistan revealed that there is a significant relationship between training and development and employee engagement and ensures that all kinds of training and development activities have a positive impact on employee engagement (Azeem, et al., 2013). The study of Ibrahim et al. (2021) states that their analysis shows that Training and development have a significant impact on Employee Engagement. They further articulate that, when an employee, especially of the Banking sector, participates in a training program which is conducted by their organization, the workers get more committed, feel content, are inspired, and start to get more involved and eventually develop engagement towards their job (Ibrahim, et al., 2021). The article by (Siddiqui & Sahar, 2019) also emphasizes that training and development programs increase the engagement of employees in banking organizations of Karachi, Pakistan.

Rewards and Compensation, Employee Engagement, and Employee Retention

The term rewards, defined as the financial, non-financial, and psychological benefits that an organization provides to workers in return for their contributions and efforts (Bratton, 2003). Over time, the reward system has gradually changed over time to include more than just basic pay. Accordingly, rewards can be intrinsic (internal to an individual), extrinsic (external to an individual), monetary (financial), non-monetary (nonfinancial), and direct (compensation for work conducted) or indirect (additional benefits), and may be used for a multitude of reasons and purposes (Victor & Hoole, 2017). Weatherly (2002); Osa (2014) have mentioned those monetary rewards are tangible, such as financial and money-driven incentives used to reward employee performance. Examples of these types of rewards include pay, promotion (which incorporates a pay increase), and bonuses. Non-monetary rewards, on the other hand, are intangible and non-financial incentives such as fringe benefits and contingent rewards, which comprise praise and personal recognition (Sajuyigbe et al, 2013). Intrinsic rewards are commonly defined as the rewards that are generally obtained from an employee's involvement in tasks and activities (Byars, 2011). Total rewards are a holistic approach, and it include monetary, non-monetary, intrinsic, and extrinsic rewards, which is received by employees for their time, efforts, energy, and talents in their work (Victor & Hoole, 2017).

Moreover, another study states that research gap of conceptualizing reward and compensation and employee retention with employee engagement as a mediator (Salleh & Memon, 2015). This study further states that past studies have revealed that rewards and compensation, especially pay, have always been a key deciding factor of individuals' voluntary quits. Thus, this study explored more into the topic, and it suggests that Employee Engagement is a 'significant intermediary mechanism' which connects employees' pay gratification with their intention to quit. Moreover, this paper manifests that highly engaged employees feel more attached and involved towards their job and organization, and they are less likely to quit and move out (Salleh & Memon, 2015).

When there is better compensation provided by the company to its employees, it will eventually increase their level of employee engagement, which will increase retention rates of employees by influencing the turnover intention (Zahari, et al., 2020).

The relationship between monetary, non-monetary rewards and employee engagement is not explored in developing countries as much as it has been explored in developed nations (Waqas & Saleem, 2014). Nonetheless, in the context of South Asia, which consists of most of the developing countries, the monetary (pay, bonuses, incentives etc.) and non-monetary rewards (recognition, intrinsic rewards) are triggering stimulus for high employee engagement. Planning appropriate monetary and non-monetary rewards and monitoring them will help employees to be dedicated to their job (Waqas & Saleem, 2014).

According to Victor & Hoole (2017), different types of organizational rewards, both intrinsic and extrinsic, have a statistically and practically positive relationship with work engagement. Based on the result, it can be concluded that employees will be more engaged at work if they receive a higher organizational reward. The study also found that the strongest association between work engagement and intrinsic rewards is present. Higher levels of intrinsic rewards encourage employees to work more, be more committed, and be more involved.

The study held in the public sector of Uganda found that both intrinsic and extrinsic rewards had a strong predictive role in determining employee engagement in the public sector of Uganda. It also suggests that, while rewards increase employee engagement, employee engagement will increase the capacity of human resources to serve the organization and customers. It further emphasizes that both intrinsic and extrinsic rewards are key factors in attracting and retaining employees in an organization; providing attractive and competitive reward packages will benefit in enhancing employee engagement (Obicci, 2015).

Highly engaged employees are well devoted and attached to their jobs, and they will be reluctant to leave their organization even if they are offered attractive positions at other competitive organizations. Employee engagement at work is the actual mechanism that interconnects pay satisfaction and turnover intention of employees. When equal rewards are given for matching performances, the engagement of employees will increase as well, and the retention rate of employees will grow (Memon,2021). An attractive and competitive pay structure, workplace flexibility, paid holidays, or vacation help to deactivate any negative thoughts of employees regarding the organization or their role. Meanwhile, apt recognition will make them realize that their hard work is being valued and acknowledged by the management, which will escalate their attachment and engagement towards their role and organization. It triggers their loyalty, and they tend to stay in the organization in the long run (Chughtai, 2013).

The study of Kaitake (2013), states that transparent and clear salary structures are important to retain employees. Fernando (2021), states that HR practices such as total reward perceptions can influence work engagement, resulting in positive workplace outcomes as employee retention. The study recommends that total rewards should include monetary, material, and non-monetary rewards to build a more committed workplace. Therefore, particular focus should be given to improving both the non-monetary benefits like job stability, a great work environment, challenging tasks, and acknowledgment at work, as well as the material rewards like compensation and incentives. According to this study, employee retention and perceptions of total rewards are mediated by work engagement.

Career Development, Employee Engagement, and Employee Retention

Career development can be defined as training and planned experience deliberately acquired to assist individuals in maximizing their potential and contributions to employing organizations (Armstrong, 1996; Rajamanthiri, 2000). Career development is the process of developing a person's abilities in anticipation of future possibilities to achieve career goals. The findings of the study by Khadka & Singh, (2020) show that employees' level of engagement increases and they plan to stay with the company for a longer amount of time if they are given proper HRM practices, particularly career development. Fernando (2020) found that the rationale behind HR strategies and employee retention is that when employees are provided with career development, they are likely to build long-term relationships with the organization.

There are two major reasons for organizations to refocus on employee career development. According to Knight, 2014, to enhance engagement and maintain short-term productivity, particularly during challenging periods, by providing employees with a constructive focus on their work. Additionally, this focus helps prevent the significant costs associated with losing valuable employees who may leave if they perceive limited opportunities for future career growth. Businesses with highly engaged workers give their employees lots of prospects to grow as individuals, learn new skills, gain knowledge, and realize their full potential; Career development strategies aid in the retention of skilled workers and offer chances for individual growth (Chandani et al., 2016). Banks are well-trained organizations. Properly planned training and development, which is associated with career development activities, will enhance the level of employee engagement of an employee (Afroz, 2018). If Human resources practices, such as career development practice, i.e., creating bright opportunities for future career growth, are satisfactory and fulfilled appropriately, the employees grow more attached towards their work and organization, and eventually they tend to persist in the same company for a long period (Alias, 2014).

Career development has a major and significant impact on the retention of employees who belong to the 'Shariah Mandiri' Bank of Indonesia. It further states that when employees are allowed to progress in their career ladder, then it increases employee engagement, and Employee Engagement will play the role of mediator between career development and employee retention, then it will reduce the turnover intention of workers and increase the retention rate (Zahari, et al., 2020).

Employee Engagement and Employee Retention

Bhatnagar (2007) identified that employee engagement is a vital tool of employee retention. Employee engagement is another important and critical element for a long-term retention strategy. Employers can encourage employee engagement in a number of ways, including conveying that they appreciate their work and making sure that workers are aware of and committed to the company's objective. Maintaining the connection and engagement of the workforce may also require investments in team-building and solid relationships across the entire organization. It offers a way to establish connections with individuals, spot talent and potential, organize learning and development activities, and maximize the organization's talent (Gupte, 2020). Moreover, the results of this study imply that effective retention management practices will have an impact on retention rates. Employee engagement has a significant role in retaining employees in an organization. Study of Naufer & Kumar (2020), state that employee development, rewards, and recognition are pivotal for engaging employees; to increase the level of employee engagement, which eventually will lead to employee retention (Tangthong, et al., 2014). Similarly, this study has found that compensation, benefits management, reward system, training and development variables hold the most significant roles in retention, and employee engagement plays an intervening role between HR practices and retention.

Another study found an association between employee engagement and employees' decision to stay with the firm. It indicated that employee engagement has the greatest influence on employee retention in the banking sector. Employees' psychological presence in their unique organizational roles will result in increased commitment and intention to stay, which is critical for the organization's ability to retain brilliant employees. Furthermore, this study demonstrated that the synchronization of HR procedures with employee engagement activities by the firm is crucial for employee retention (Pandita & Ray, 2018). When employees are drawn and engaged towards their work, they intend to stay longer period. According to the research held in MTN Uganda, the researchers found that MTN followed employee engagement as a retention strategy along with HR practices. It was also found that HR strategies like recruiting the best talent, providing satisfactory rewards and recognition, good pay, and appraising the performance, etc., can maintain active engagement of employees and help them to remain loyal to the company. Optimization of employee engagement will produce improvements in employee productivity and their retention (Akunda, 2018).

Theoretical Framework

This study is grounded in Social Exchange Theory (SET), which provides a foundation for understanding how human resource management (HRM) practices influence employee engagement and retention. SET, developed by Blau (1964), explains that relationships are guided by the principle of reciprocity, in which individuals invest their time, skills, and effort with the expectation of receiving valued returns. In organizational settings, employees contribute labor, loyalty, and commitment with the anticipation that the organization will reciprocate through fair compensation, career opportunities, recognition, and supportive working conditions

(Cropanzano & Mitchell, 2005). When employees perceive that these exchanges are fair and balanced, they are more likely to demonstrate motivation, trust, and commitment. On the other hand, when organizational practices are perceived as inadequate or inequitable, employees may experience dissatisfaction and an increased intention to leave (Rofcanin et al., 2017).

Within this perspective, HRM practices such as training and development, rewards and recognition, and career development operate as signals of organizational support. Training and development initiatives, for example, enhance employees' competence and confidence, reinforcing the perception that the organization invests in their growth (Karatepe & Olugbade, 2017). Equitable systems of rewards and recognition not only meet extrinsic needs but also foster intrinsic motivation by acknowledging employees' contributions and achievements (Alfes, 2017). Likewise, career development opportunities communicate a long-term organizational commitment to employees' professional advancement, which is particularly critical in high-demand industries such as banking (Memon, 2021).

These HRM practices are closely associated with employee engagement, which is commonly defined as a positive, work-related state characterized by vigor, dedication, and absorption (Schaufeli et al., 2002). Engagement reflects employees' willingness to invest discretionary effort and emotional energy in their work and has been recognized as a central mechanism through which HRM practices shape behavioral outcomes (Saks, 2006). Recent research shows that supportive HR practices enhance engagement by fulfilling employees' psychological needs for competence, autonomy, and relatedness—factors essential for sustaining motivation and commitment (Albrecht et al., 2021; Shuck et al., 2017). In the banking sector, where non-managerial employees often encounter long hours, demanding customers, and high-performance expectations, engagement is particularly valuable as it helps buffer stress and supports long-term retention (Pandita, 2020).

From the standpoint of SET, engagement functions as a mediating mechanism between HRM practices and employee retention. Employees who feel engaged tend to interpret the employment relationship as mutually beneficial, reducing the likelihood of seeking opportunities elsewhere (Kaliannan & Adjovu, 2015). Conversely, when HR practices are perceived as inconsistent or unsupportive, employees are more likely to disengage, weakening the exchange relationship and increasing turnover intentions (Agarwal & Gupta, 2018). Thus, retention is influenced not only by the existence of HRM practices but also by the degree to which these practices succeed in fostering meaningful engagement.

Empirical evidence supports this theorization. Robinson et al. (2004) and Chughtai (2013) highlighted that effective HRM practices foster engagement and, in turn, reduce turnover. More recent work provides similar insights: Memon et al. (2021) demonstrated that career development opportunities improve retention outcomes through engagement, while Albrecht et al. (2021) emphasized that HRM practices achieve their strongest impact when they stimulate engagement as a psychological resource. In service industries across Asia, research further shows that engaged employees are more likely to remain with their organizations, even when financial incentives are not the primary driver, because of the psychological and relational value created by supportive HR environments (Karatepe & Olugbade, 2017; Agarwal & Gupta, 2018).

Building on this literature, the theoretical framework underpinning the present study positions HRM practices as antecedents that influence employees' perceptions of organizational support and reciprocity. These perceptions, in turn, foster engagement, which mediates the relationship between HRM practices and employee retention. Applying SET to the context of non-managerial employees in Colombo District's private banking sector allows for a clearer understanding of how reciprocal exchanges, shaped through HRM practices, can sustain engagement and strengthen retention in a sector where workforce stability is a strategic priority.

Research Methodology

This study is grounded in positivism, meaning it begins with a clear hypothesis and applies a deductive approach where theories are tested systematically (Saunders, 2009). The research takes quantitative form, using a survey method to gather data (Fernando, 2020). This approach is practical and cost-effective, as it enables the collection of data from a large group within a short time frame (Saunders, 2009). The study is also cross-sectional, focusing on information from multiple cases at a single point in time rather than over a long period (Saunders, 2009).

Conceptual Framework

Employee engagement is the mediating variable in this study, while employee retention is the dependent variable. The independent variables are Human Resource Management Practices: Training and Development, Career Development, and Rewards and Compensation.

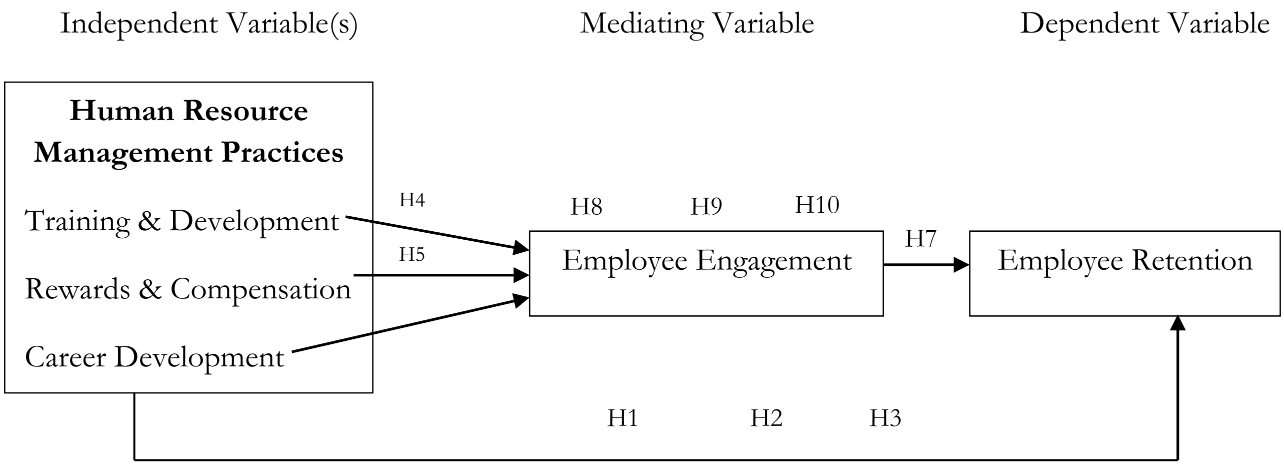

Figure 1. Conceptual Framework

Source: Author's presentation

Development of Hypothesis

H1: Training and Development have a significant impact on Employee Retention

The top managers and HR managers should prioritize employee retention as a key strategy for business growth and profitability. This can be achieved through customized training programs tailored to individual employee needs and job requirements (Elsafty & Oraby, 2022).

H2: Rewards and Compensation have a significant impact on Employee Retention

The non-monetary perks have a moderate link with employee retention, whereas monetary benefits have a substantial positive correlation. The authors suggest that management should concentrate on both kinds of benefit plans to successfully encourage skilled workers to remain with a company (Sorno, et al., 2023)

H3: Career Development have a significant impact on Employee Retention

Employee retention is positively impacted by companies that prioritize career development for their staff because long-term goals and objectives have a greater effect on employee satisfaction. Training and development, career ladders, and organizational goals all have an impact on employee satisfaction, which in turn supports the growth of organizational effectiveness. The study found that organizational career development planning is linked to employee retention. Individual career planning will have an impact on employee satisfaction, leading to a range of satisfaction levels among employees. One benefit of organizational performance is that it allows individuals to take part in career planning. They put their all into their work so they can advance their careers, and the business benefits from their efforts (Thwin, et al., 2023).

H4: Training and Development have a significant impact on Employee Engagement

There is a substantial association between Training and Development and employee engagement, especially in the Banking sector. Since banks are heavily focused on staff training and development, this is a beneficial activity for both individuals and the firm. Most of the staff are engaged, driven, and happy to work for such banks. Employees who are engaged work harder and provide greater value to the organization. This suggests the organization's responsibility to provide suitable facilities to increase employee involvement in their discovered a substantial positive association between employee training opportunities and job engagement (Chovarda, 2021).

H5: Rewards and Compensation have a significant impact on Employee Engagement

Designing appropriate reward models is a part of employee engagement strategies. Customization of reward and benefit programs could offer more value to employees. It is critical to grasp the complexities of the compensation, reward-engagement relationship and how to use reward systems to effectively meet the needs and goals of both the organization and its employees. Certain rewards predict employee engagement more accurately than others, emphasizing that firms should avoid one-size-fits-all reward programs (Hoole & Hotz, 2016).

H6: Career Development has a significant impact on Employee Engagement.

Career development undoubtedly provides a solid foundation for dynamic organization and the management of a creative culture that may promote the abilities and competencies of employees. The strategic impact of career development on the employees helps them to engage and prioritize acquiring competitive advantages. The HR manager should focus more on career development, because it increases employee retention and productivity of an organization. It also improves employee skills. This leads to the construction of an exceptional emotional relationship between the employees and the employer. Furthermore, the level of engagement in employees goes around it. Findings of several studies theoretically argue that career development in companies has huge opportunities. contributed to employee variables (Semwal & Dhyani, 2017).

H7: Employee engagement has a significant impact on employee retention

Once an emotional connection between employees and their job is created, it becomes easier to retain employees in the organization for a longer period and avoid voluntary resignations and the retention rate increases eventually. (Reina et al., 2018).

H8: Employee engagement mediates Training and Development and Employee Retention

In the long run of an organization the employee engagement significantly effects the relationship between the Training programs and the retention rate of employees. When the training and development programs are satisfactory to the employees; it leads to high engagement, and they eventually want to stay in an organization for a long time (Alias, 2014).

H9: Employee engagement mediates Rewards and Compensation and Employee Retention

Employee engagement is crucial in linking reward programs to employee retention. Fair and competitive rewards enhance engagement, foster commitment and emotional connection to the organization. Research highlights that effective reward systems drive satisfaction, trust, and belonging, reducing turnover and improving retention rates. By aligning rewards with employee expectations and nurturing engagement, organizations create a motivated workforce, boosting productivity and ensuring long-term success.

H10: Employee engagement mediates Career Development and Employee Retention

A study by Chen, 2021, found that employees who view their career development opportunities as favorable are more likely to experience heightened engagement levels. This engagement fosters emotional attachment and loyalty, leading to better retention rates. (Hom, et al., 2019) highlighted that employees are more likely to remain in organizations that invest in their professional growth. However, the engagement factor amplifies this effect by creating a strong sense of purpose and satisfaction in their roles. Research by Lee & Bruvold, (2003) demonstrated that career development contributes to employees' intrinsic motivation, which boosts engagement and, subsequently, retention rates.

Data Collection

The research data were gathered and analyzed at the organizational level, focusing on a private commercial banking organization network within eight Colombo South branches. To ensure organizational confidentiality, the bank is referred to using a pseudonym. The annual report cited corresponds to the organization under study but is anonymized. Non-probability sampling method was utilized, employing a convenience sampling approach. This method was chosen for its cost-effectiveness and flexibility, allowing the researcher to select samples easily within a manageable timeframe, thereby facilitating swift data collection (Fernando, 2020; Saunders, 2009). A convenience sampling approach was adopted for this study due to the practical constraints of accessing the entire workforce of the selected private bank. Given that branch operations are geographically dispersed and subject to strict data protection and operational guidelines, obtaining a random sample of employees was not feasible. Convenience sampling allowed the researcher to collect data efficiently from readily available non-managerial employees within the Colombo South region, who were accessible through organizational networks and internal communication channels.

According to Saunders et al. (2019) and Etikan et al. (2016), convenience sampling is appropriate for exploratory, cross-sectional studies conducted within organizational contexts where access to the full population is restricted. The goal of this research was to identify relationships rather than make broad generalizations, which supports the use of this pragmatic approach. Nonetheless, limitations associated with potential sampling bias and limited generalizability are acknowledged.

The target population consisted of non-managerial employees working at the operational level, including These employees included Customer service assistants, Banking assistants, Junior Executives, Supervisors, Clerical Staff, and confirmed Trainees/Interns. Non-managerial employees were chosen for this study due to higher turnover rates observed at this level. Given the focus on employee retention, only permanent, non-managerial employees were included in the sample. Due to limitations in conducting the study across all island-wide branches, specific branches in areas with higher concentrations of Junior Executives, Clerical, and Supervisory staff were selected.

Even though the total number of employees of this bank was approximately 5156 distributed across 250+ branches island wide. However, due to institutional access restrictions, the bank designated only eight branches within the Colombo South region for participation in this study. These eight branches collectively employed around 220 non-managerial staff, forming the accessible population for data collection. Based on the Krejcie and Morgan table, a population of 220 requires a sample size of 140 to ensure representativeness at a 95% confidence level. (Krejcie & Morgan, 1970). Accordingly, 140 questionnaires were distributed, and 116 valid responses were received, yielding an 82.85% response rate. This response rate was achieved through a controlled internal distribution process and organizational support and endorsement obtained through the organization's HR Head and Department. Data Collection was facilitated through internal communication, and employees were encouraged to participate with managerial consent, which increased accessibility and completion. To minimize response bias, respondents were assured of confidentiality and informed that their responses would be used only for academic purposes.

According to Hair et al. (2019), a minimum of 10–15 observations per variable is adequate for regression-based analyses; with five major constructs in this study, the achieved sample size exceeds this threshold. Therefore, the obtained sample is considered statistically sufficient for the intended analyses while acknowledging limitations regarding generalizability due to the restricted sampling frame.

The Primary Data was collected through a structured online survey questionnaire. Also, an online questionnaire can be distributed conveniently, it's less time-consuming, provides real-time access, a good response rate can be obtained, and it can be designed flexibly (Saunders, 2009). Thus, online questionnaires were prepared using Google Forms and distributed via email and WhatsApp. The links were shared with the employees by the branch Managers as the emails of employees were not shared directly with the author due to the strict safety and privacy policy adhered to by the respective bank. The Bank Managers and Assistant Managers were given authority by the Head of HR Operations of the Head Office of this Particular Bank. The secondary data were collected from the official website, Earlier research, Annual Reports of selected private banks, Journals/Books, etc. The questionnaire consisted demographic factors such as Gender, age, years of experience, education level, and designation of employees or respondents etc. which was measured with scales and nominal scales, along with questions which enquired the impact and relationship between Human resource practices (training and development, rewards and compensation and career development), employee retention and employee engagement which was measured with 5 -point Likert scale from 1, strongly disagree to 5, strongly agree. The questionnaire consisted of 48 items including 5 -items for demographic factors: 9-items for Training and Development, 10 items for Career development, 12-items for Rewards and compensation, 9-items for Employee Engagement and 3-items to measure Employee retention. The questionnaire was constructed using items derived from valid and empirically tested models in prior research. Specifically, items related to HRM practices were adapted from Snell (2004), Silvaa (2018), Madhushani & Mudalige (2020), and Iddagoda et al.(2016); employee engagement items were based on the Utrecht Work Engagement Scale (Schaufeli et al., 2006; Schaufeli & Bakker, 2004) and complementary models by Rich et al. (2010) and Jain & Khurana (2017); and employee retention items were drawn from Madhushani & Mudalige (2020) and Silvaa (2018). A few additional items were developed by the author to reflect the specific context of non-managerial employees in Sri Lanka's private banking sector. The questionnaire is tested using an internal consistency approach which involves correlating the responses to each question in the questionnaire with those to other questions in the questionnaire. To calculate this, Cronbach's alpha (Chughtai, 2013) was applied. The data analysis of this study involved descriptive statistics which measured the frequency of demographic factors like age, gender, years of experience, education level, etc. Also, to carry out the regression and mediation analysis, testing the normalcy of data was necessary. Thus, the skewness and kurtosis were checked to confirm the Normality of Data. Inferential statistics are used such as Multiple linear regression, etc. Data was analyzed with Statistical tools such as IBM SPSS Statistics version 25.

Results and Discussion

This section presents the statistical findings of the study, beginning with data screening and descriptive statistics followed by descriptive analysis, regression analysis and mediation testing. Also, prior to analysis, the dataset was carefully screened for accuracy. Also, questionnaires with substantial missing responses were excluded resulting in 116 valid cases used for this study. Moreover, the final sample represented diverse non-managerial employee groups in relation to age, gender, job position and education, thus minimizing demographic bias and generalizability within their non-managerial workforce. Although correlation coefficients are sometimes used to assess inter-variable relationships, in this study, the relationships were examined directly through regression analysis rather than a separate correlation matrix, as the primary objective was to evaluate direct and mediated effects. Moreover, Cohen's f2 effect size statistics were calculated (R2/(1-R2) for each regression model to assess the magnitude of observed relationships (Cohen 1988; Hair et.al. 2019). In addition to significance testing, the subsequent sections detail the results of each analysis in sequence, including interpretations of the regression coefficients, effect sizes, and mediation outcomes.

Demographic Statistics

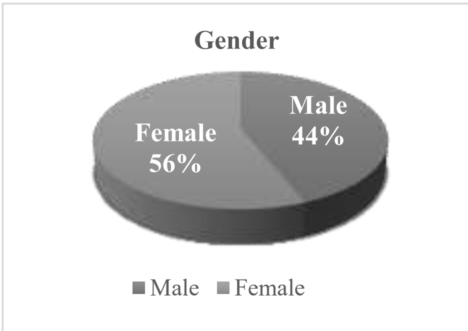

Figure 2. Gender

Source: Author's presentation

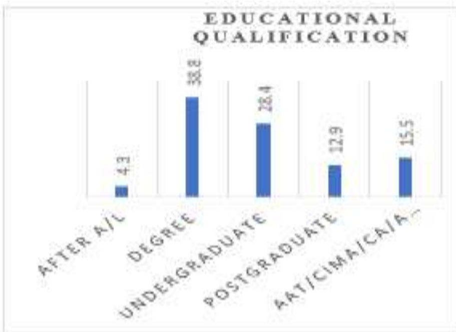

Figure 3. Education Qualification

Source: Author's presentation

A total of 140 questionnaires were distributed, 116 employees responded, and 24 questionnaires were unreturned. The response rate was 82.85%. Out of these 116 questionnaires, 56% were female respondents, and the remaining 44% were male respondents. According to the bank's annual report of the bank, in 2021, the hiring of female employees increased, which is reflected in the data survey. A small proportion of the employees were aged below 20 (3.4%), and the highest range registered in the age range 20-29 (50%). A large proportion of the respondents held either a degree (38.8%) or undergraduate (28.4%). The qualifications of these respondents might have implications for their retention and work engagement in the years to come.

Also, a substantial number of respondents had work experience between 1-3 years (34.5%) and 4-6 years' experience (29.3%). Moreover, 23.3% of employees were working for more than 6 years. A considerable number of respondents were clerical staff (36.2%), then Junior Executives. This meets with the problem statement since the employee retention was registered less under clerical staff category in 2021, who were less than 30 years old.

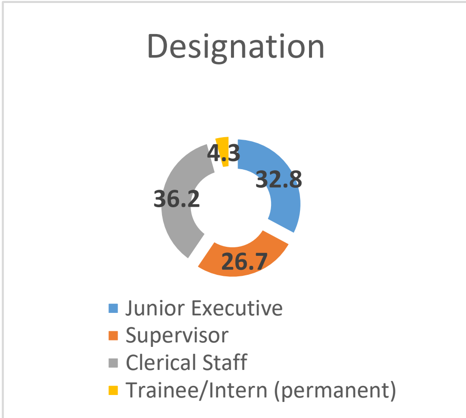

Figure 4. Designation

Source: Author's presentation

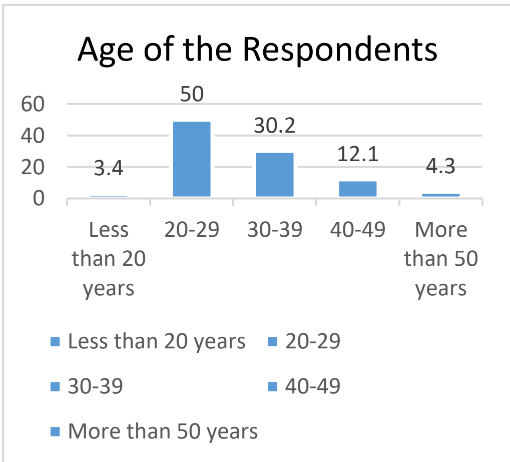

Figure 5. Age of Respondents

Source: Author's presentation

Reliability

Cronbach's Alpha was used to determine the reliability of the data. The majority of the scales were determined to be satisfactory under the criteria of > 0.70 (Nunnally, 1994). All of the variables in this study had strong internal consistency, which above the minimum criteria of 0.70.

Table 1. Reliability Analysis

Variables/Construct	No. of. Items	Cronbach's Alpha
Training and Development	09	0.898
Rewards and Compensation	12	0.884
Career Development	10	0.923
Employee Engagement	09	0.865
Employee Retention	03	0.862

Source: Authors' estimation

Descriptive Statistics

Mean, Standard Deviation, Kurtosis and Skewness

Table 2. Mean, Standard deviation, Kurtosis and Skewness

Variables	N	Range		Mean	Standard Deviation	Kurtosis and Skewness	
		Min	Max			Skewness	Kurtosis
Training and Development	116	1.44	5.00	3.7979	0.54386	-0.596	3.761
Rewards and Compensation	116	2.08	5.00	3.6530	0.52727	0.240	0.237
Career Development	116	1.90	5.00	3.7198	0.57077	-0.019	0.969
Employee Engagement	116	2.67	4.44	3.4904	0.42038	0.475	-0.012
Employee Retention	116	1.00	5.00	2.2500	0.87463	0.795	0.522

Source: Authors' estimation

Five constructs were constructed to assess the respondent's feedback: three independent variables, one mediating, and one dependent variable. Analysis done on the Training and development depicted a value of 3.79 which was between 1 and 5 on the Likert scale which indicated that the responses were on a strongly disagree to strongly agree level. The value of Rewards and Compensation was 3.65, which was between 2-5 on the Likert scale indicating the responses were in between disagree to strongly agree. Career development showed 3.71 and provided the same conclusion as RC (2-5). The mediating variable Employee Engagement depicted a mean value of 3.49, and the responses were between 3-4, neutral to agree. In the analysis of the dependent factor, Employee retention, the mean was 2.25 and the standard deviation was 0.87. This demonstrated that the retention was near the level of the strongly agreed category. The skewness and kurtosis indexes were employed with SPSS to determine data normality (Pallant, 2005, 2013). The data was considered normal for the range of skewness from -2 to +2 (Hair et al, 2010; Byrne, 2010; Garson, 2012) and kurtosis from -7 to +7 (Hair et al., 2010; Byrne, 2010) for a moderate sample size (50<n<300) =116.

Regression Analysis of Independent and Dependent Variables

Table 3 denotes the model summary of the Training and Development, Rewards and Compensation, Career Development, and the Dependent variable – Employee retention.

Table 3. Model Summary

R	R Square	Adjusted R Square	Std. Error	Durbin Watson
0.264[a]	0.069	0.045	0.85494	1.959

a. Predictors: (Constant), Career, Training, Reward

Source: Authors' estimation

R-value is 0.264, which indicates positive low correlation, and R-squared is 0.069 (6.9%), where the Model explains 6.9% variation from HRM practices on Employee retention in the selected private Bank. The analysis revealed an R-value of 0.264, indicating a positive but low correlation between HRM practices and employee retention in the selected private sector. The R^2 value of 0.069 (6.9%) suggests that HRM practices explain only a small portion of the variation in employee retention. This finding aligns with prior research indicating that while HRM practices positively influence retention, other factors such as organizational culture, career opportunities, and job satisfaction also play a significant role (Fernando, 2020; Kundu & Lata, 2017; Tangthong, Trimetsoontorn, & Rojniruntikul, 2014; Wijesiri et al, 2018). To assess the magnitude of this relationship, Cohen's f2 effect size was calculated using R2/(1-R2) formula. Accordingly, this model shows the value of 0.074 representing a small effect size according to Cohen (1988). This suggests that HRM practices exert a modest but meaningful influence on the retention of employees. Therefore, HRM practices are an important but not sole determinant of employee retention in private sector organizations. Further, Table 04 is used to access the overall viability of a regression model. According to this table, it could be concluded that the model is significant since the significance value is 0.044, which is less than 0.05, and there exists a significant linear relationship between HRM practices and employee retention, and the model was a good fit.

Table 4. Anova

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.109	3	2.036	2.786	.044b
Residual	81.863	112	0.731		
Total	87.972	115			

a. Dependent Variable: retention
b. Predictors: (Constant), Career, Training, Reward

Source: Authors' estimation

Table 5. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Indices	
	B	Std. Error	Beta			Tolerance	VIF

(Constant)	2.960	0.615		4.813	0.000		
Training	-0.261	0.215	-.0163	-1.217	0.226	0.466	2.146
Reward	0.535	0.242	0.322	2.206	0.029	0.389	2.570
Career	-0.449	0.229	-0.293	-1.960	0.052	0.372	2.691

Source: Authors' estimation

Table 5 denotes that, HRM practices such as Training and Development (p value 0.226), Career and Development (p value 0.052) are statistically insignificant whereas Rewards and Compensation is statistically significant (p value 0.029), where the p value is less than 0.05. The Beta values which indicate the coefficients of variables Training and Development, and Career Development depict that the impact of these on Employee retention is negative (-0.261, -0.449), whereas the Rewards and Compensation have a positive impact on Employee Retention (+0.535). Therefore, Reject H1 and H3, and accept H2. Also, the VIF value was less than 5, Durbin Watson value was 1.959 approximately 2, thus no multicollinearity exists between the variables.

Regression Analysis of Independent variables and Mediating Variable: Employee Engagement

Impact of Independent variables such as Training and Development, Rewards and Compensation, and Career Development on the Mediating Variable– Employee Engagement are shown in Table 6.

Table 6. Model Summary

R	R Square	Adjusted R Square	Std. Error	Durbin Watson
0.747[a]	0.557	0.546	0.28340	1.602

a. Predictors: (Constant), Career, Training, Reward

Source: Authors' estimation

R-value is 0.747 which explains a Positive high correlation and R square was 0.557 (55.7%) where the model explains that 55.7% variation from HRM practices on Employee Engagement in the selected private Bank. Moreover, the corresponding Cohen's f^2 value of 0.060 indicates a small effect, implying that HRM initiatives contribute positively but modestly to employee engagement levels.

Table 7. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	11.327	3	3.776	47.012	0.000b
Residual	8.995	112	0.080		
Total	20.323	115			

a. Dependent Variable: Engagement
b. Predictors: (Constant), Career, Training, Reward

Source: Authors' estimation

Table 7 denotes that the model is statistically significant since the significant value is 0.000 which is less than 0.05, and there exists a significant linear relationship between HRM practices and employee engagement.

Table 8. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Indices	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.137	.204		5.577	0.000		
Training	0.190	.071	.246	2.667	0.009	0.466	2.146
Reward	0.167	.080	.209	2.074	0.040	0.389	2.570
Career	0.275	.076	.374	3.623	0.000	0.372	2.691

Source: Authors' estimation

Pursuant to Table 8, the P value of Training and Development was 0.009, the P value of Rewards and Compensation was 0.040, and the P value of Career Development was 0.000, and all the independent variables had a statistically significant relationship with employee engagement. (Significant value < 0.005). The Beta values, which indicate the coefficients of variables Training and Development, Rewards and Compensation, and Career Development, depict that the impact of these on Employee Engagement is positive (+0.190, +0.167, +0.275) in the selected private bank. Therefore, accept H4, H5 and H6. Also, the VIF value was less than 5, Durbin Watson value was 1.602 approximately 2 (ranges between 1.5-2.5), thus no multicollinearity exists between the variables.

Regression Analysis of Mediating Variable: Employee Engagement and Dependent Variable: Employee Retention

Table 9 denotes the relationship between Mediating Variable– Employee Engagement and Dependent Variable: Employee Retention.

Table 9. Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
0.215[a]	0.046	0.038	0.85799	1.753

a. Predictors: (Constant), Engagement

Source: Authors' estimation

R-value is 0.215 which indicates Positive low correlation and R square was 0.046 (4.6%) where the Model explains that a 4.6% variation from Employee Engagement on Employee retention in the selected private Bank. This model shows the Cohens' f2 of 0.048 which denotes small effect size, indicating that engagement has a limited however noteworthy influence on employee retention within the organization.

Table 10. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.052	1	4.052	5.504	0.021b
Residual	83.921	114	0.736		
Total	87.972	115			

a. Dependent Variable: Retention
b. Predictors: (Constant), Engagement

Source: Authors' estimation

According to table 10, it could be concluded that the model is significant since the significant value is 0.021 which is less than 0.05, and there exists a significant linear impact of Employee engagement on employee retention.

Table 11. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Indices	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.808	0.669		5.692	.000		
Engagement	0.446	0.190	0.215	2.346	0.02	1.000	1.000

a. Dependent Variable: Retention

Source: Authors' estimation

Accordingly, the P value of employee engagement was 0.02 (Significant value < 0.005), and it proven to have statistically significant impact on employee retention.

The Beta values which indicate the coefficients of variables depict that the impact of Employee Engagement on Employee retention is positive (+0.446) in the selected private bank. Therefore, accept H7. Also, the VIF value was less than 5, Durbin Watson value was 1.753 approximately 2 (ranges between 1.5-2.5), thus no multicollinearity exists between the variables.

Analysis of Mediator Effect

A bootstrapping method was performed using SPSS Process Macro version 3 through Andrew F Hayes's model 4 with 5000 bootstrap samples to estimate the indirect effects and confidence intervals (Hayes, 2018). Moreover, bootstrapping was selected because it provides more accurate estimates for smaller or moderate-sized samples compared to the Sobel test (Zhao, Lynch & Chen 2010).

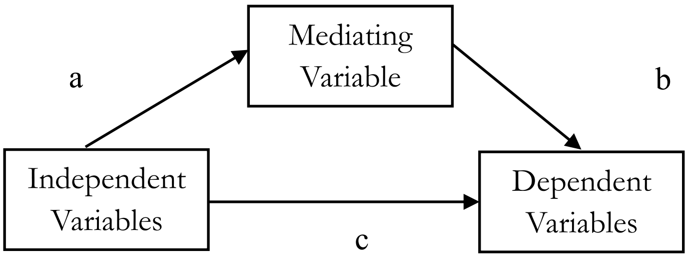

Figure 6. Simple Mediation Model

Source: Author's presentation

Training and Development

Table 12. Bootstrap Estimates of Direct, Indirect, and Total Effects of Training and Development on Employee retention. (Based on 5000 bootstrap samples).

Variable/ Effect	b	SE	*t*	*p*	95% Confidence Level (LL)	95% Confidence Level (UL)	Decision
TD→ER	-0.0265	0.1934	-0.1371	.8912	-0.4097	0.3567	No Mediation
TD→EE	0.4988	0.0553	9.0195	0.000	0.3893	0.6084	
TD→EE →ER	-0.4244	0.2502	-1.6960	0.0926	-0.9201	0.0714	
Effects	**b**	**SE**	***t***	***p***	**95% Confidence Level**	**95% Confidence Level**	
Direct	-.0265	.1934	-.1371	.8912	-.4097	.3567	
Indirect	**-.2117**	**.1342**			**-.5053**	**.0360**	
Total	-.2382	.1490	-1.5990	.1126	-.5333	.0569	

Note: TD-Training and Development, EE-Employee Engagement, ER-Employee Retention

Source: Authors' estimation

The indirect effect is investigated by bootstrapping. If the null of 0 falls within the lower and higher bounds of the 95% confidence interval, the population indirect impact is presumed to be zero. If 0 falls outside the confidence interval, the indirect effect is believed to be non-zero. The indirect effect was -.2117, which is statistically insignificant at a 95% confidence interval of (-.5053, +.0360).

Rewards and Compensation

Table 13. Bootstrap Estimates of Direct, Indirect, and Total Effects of Rewards and Compensation on Employee retention. (Based on 5000 bootstrap samples).

Variable Effect	b	SE	*t*	*p*	95% Confidence	95% Confidence Level	Decision

					Level (LL)	(UL)	
RC→ER	.3869	.1985	1.9486	.0538	-.0065	.7802	Partial Mediation
RC→EE	.5227	.0564	9.2704	.000	.4110	.6344	
RC→EE→ER	-.7646	.2490	-3.0706	.0027	-1.258	-.2713	
Effect	**b**	**SE**	***t***	***p***	**95% Confid ence Level**	**95% Confiden ce Level**	
Direct	.3869	.1985	1.9486	.0538	-.0065	.7802	
Indirect	-.3997	.1649			-.7318	-.0834	
Total	-.0128	.1554	-.0825	.934	-.3206	.2949	

Note: RC- Rewards and Compensation, EE- Employee Engagement, ER- Employee Retention

Source: Authors' estimation

The above results revealed that the indirect effect was -3.997 and it is statistically significant at a 95% confidence interval (-7318, -.0834).

Career Development

Table 14. Bootstrap Estimates of Direct, Indirect, and Total Effects of Career Development on Employee retention (Based on 5000 bootstrap samples).

Variable Effect	SE	b	t	p	95% Confiden ce Level (LL)	95% Confidence Level (UL)	Decision
CD→ER	.1973	-.0388	-.1968	.844	-.4298	.3522	No Mediation
CD→EE	.0492	.5162	10.49	.000	.4187	.6137	
CD→EE→ ER	.2680	-.4095	-1.5284	.1292	-.9404	.1213	
Effect	**SE**	**b**	**t**	**p**	**95% Confiden ce Level**	**95% Confidence Level**	
Direct	.1973	-.0388	-.1968	.8444	-.4298	.3522	
Indirect	.1652	-.2114			-.6070	.0456	
Total	.1416	-.2502	-1.7673	.0799	-.5307	.0303	

Note: *CD- career Development, EE- Employee Engagement, ER- Employee Retention*

Source: Authors' estimation

The indirect effect of Employee engagement on the relationship between Career development and Employee retention was -.0388 was and which is statistically insignificant at a 95% confidence interval (-.6070, +.4056).

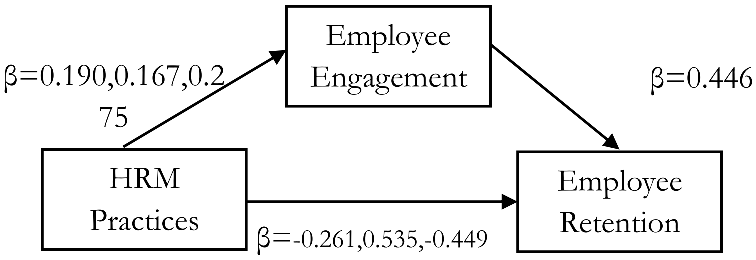

Figure 7: Mediation Diagram

Source: Authors' presentation

Table 14. Summary of Hypotheses

	Hypothesis	Status
H1	Training and Development have a significant impact on Employee Retention	Reject
H2	Rewards and Compensation have a significant impact on Employee Retention	Accept
H3	Career Development has a significant impact on Employee Retention	Reject
H4	Training and Development have a significant impact on Employee Engagement	Accept
H5	Rewards and Compensation have a significant impact on Employee Engagement	Accept
H6	Career Development has a significant impact on Employee Engagement	Accept
H7	Employee engagement has a significant impact on employee retention	Accept
H8	Employee engagement mediates Training and Development and Employee Retention	Reject
H9	Employee engagement mediates Rewards and Compensation and Employee Retention	Accept
H10	Employee engagement mediates Career Development and Employee Retention	Reject

Source: Authors' presentation

Discussion

The Relationship between Training and Development, Rewards and Compensation and Career Development and Employee Retention

The study contributes by addressing the gap of analyzing the relationship between HRM practices and employee retention and finding out which practice has more influence on employee retention with the mediating effect of employee engagement.

Results revealed that HRM practices had a positive but low correlation of 0.264 overall. Past literature plays a major role in assisting the author in discussing the findings and theories. Accordingly, most of the research showed that HRM practices influence retention positively. But in contrast, out of three practices, only one HRM practice showed a positive influence on retention, whereas the other two practices showed a negative and insignificant relationship. Results revealed that HRM practices had a positive but low correlation of 0.264 on whole. However, as per the results shown in Table 5, HRM practices such as Training and Development exhibited an insignificant and negative impact on employee retention. Most of the past research revealed that training has a positive and significant influence and relationship on employee retention, such as the study of James & Mathew (2012), Madhushani &Mudalige (2020); Fernando (2020); Heathfield (2008); Jain & Khurana (2017), etc. These results can differ due to several reasons, such as different fields or industries, the type of employees, the way of implementing, company policies, etc.

However, although most of the studies agreed there is a significant and positive relationship between training and employees' retention, some studies were consistent and support this study. The study of Thite & Russell, (2010) revealed that there is an insignificant and negative relationship between Training and Development Indian BPO sectors, which revealed it may be due to that training may only promote talent improvement and make employees more expert. Also, another study, which was held in a service institution, revealed that there is no significant relationship between training and retention (Terera & Ngirande, 2014). Chen (2014) and Wijesiri et al., (2018)and Chew (2008). According to studies, training may have an insignificant and negative impact on retention because the employer fails to offer promised employee training, the provided training is unrelated to the current job, and the employee is unable to gain the skill they desire. After training, the employee has no opportunity to put their new skill into practice, and after training, the person is unable to receive suitable recompense, such as a higher wage, increased productivity, and so on.

Moreover, career development practice also showed an insignificant and negative impact on retention, these results contradicted many studies, such as Zahari et al. (2020), Fernando (2020), and Wijesiri et al. (2018).But few studies revealed there is an insignificant and negative relationship between career development and retention, such as Chew, 2008; Al-sharafi et al (2018), etc. According to these studies, they revealed that it may be due to the mismatch between the career development plans of the organization and the personal growth plans of employees.

Rewards and compensation had a significant and positive impact on employee retention. This was supported by many studies, such as (Salleh & Memon, 2015; Zahari, et al., 2020; Obicci, 2015; Kaitake, 2013; Fernando, 2021; Wijesiri et al., 2018; James & Mathew, 2012), etc. These studies emphasized that rewards (intrinsic, extrinsic, and total rewards, including workplace recognition and flexibility, etc.) are perceived to be the most effective and imperative retention strategy. Therefore, rewards and compensation are found to be the most influential HRM practices on employee retention of non-managerial employees of selected private banks. Hence, H1 and H3 are not supported, whereas H2 is supported.

The Relationship between Training Development, Rewards and Compensation, Career Development, and Employee Engagement.

The model showed that the relationship between HRM practices and employee engagement has a high positive correlation of 0.747. All three practices, Training and Development (+0.190, p-value:0.009), Rewards and Compensation (+0.167, p-value:0.040), and Career Development (+0.275, p-value:0.000) have a positive and significant relationship with employee engagement. These findings are supported by several studies (Afroz, 2018; Azeem et al., 2013; Chughtai, 2013; Fernando, 2021; Obicci, 2015; Siddiqui & Sahar, 2019; De Silva & Tharanganie, 2018; Tangthong et al., 2014; Waqas & Saleem, 2014; Zahari et al., 2020).

These studies emphasize that HRM practices such as training, rewards, and career development trigger employee engagement, and when they are practiced with appropriate plans, they will enhance employee engagement. Therefore, H4, H5, and H6 are supported.

The Relationship between Employee Engagement and Employee Retention

The results provide a positive impact of employee engagement on employee retention (0.215). The results revealed that employee engagement has a positive and significant relationship and impact on employee retention (+0.446, p-value 0.02). Hence, H7 is supported. These findings are supported by previous studies as well. Previous studies emphasize that employee engagement is one of the main strategic tools to maintain the retention rate of employees, and longtime stay at the organization can be determined by the level of engagement the employees possess (Akunda, 2018; Bhatnagar, 2007; Gupte, 2020; Naufer & Kumar, 2020; Pandita & Ray, 2018; Reina et al., 2018; Tangthong et al., 2014).

Across all three models, the small f^2 values (0.074, 0.060, and 0.048) are consistent with findings in HRM and organizational behavior research, where multiple contextual and personal factors jointly shape retention and engagement outcomes (Cohen, 1988; Hair et al., 2019). These results highlight that even small statistical effects can translate into meaningful organizational outcomes when HRM practices are implemented systematically.

Mediation Effects of Employee Engagement between HRM Practices and Employee Retention.

The indirect effect is assessed using non-parametric bootstrapping. If the null of 0 is within the lower and upper bounds of the 95% confidence interval, it is assumed that the population indirect effect is 0. If 0 is outside the confidence interval, the indirect effect is assumed to be non-zero.

Training and Development

The indirect effect of employee engagement between training and development and employee retention was -0.2117, and it is statistically insignificant at a 95% confidence interval (-0.5053, +0.0360). There is no mediation of employee engagement between training and employee retention. These results contradict previous studies ((Society for Human Resource Management [SHRM], 2020; Azeem et al., 2013; Salleh & Memon, 2015), it may be due to the study context, as the above research were conducted in the telecommunication and IT industry. Also, the study by Azeem et al., (2013), has analyzed certain training programs, but this study mainly focused on learning and behavioral changes in employees, which impact retention and create employee engagement. Thus, H8 is not supported.

Rewards and Compensation

The output from the mediation analysis of Table 13, the indirect effect of employee engagement between rewards and employee retention was -0.3997, and it is statistically significant at a 95% confidence interval (-0.7318, -0.0834). Hence, there is a partial mediation of employee engagement between rewards and compensation and employee retention. This result is consistent with the previous studies, such as Salleh & Memon (2015); Zahari et al. (2020). These studies emphasize that intrinsic, extrinsic, and total rewards and a proper compensation system have the highest potential to stimulate employee engagement and retention through the engagement of employees. Hence, H9 is supported.

Career Development

The indirect effect of employee engagement between career development and employee retention was -0.2114, and it is statistically insignificant at a 95% confidence interval (-0.6070, +0.0456). Henceforth, there is no mediation of employee engagement. This result contradicts previous research, such as Alias, (2014) . Possible reasons could be the difference in the sectors/industry in which the study by Alias (2014) was conducted, in the IT sector of Malaysia, also the sample is taken from Managerial employees, whereas this study focused on non-managerial employees and the career development choices, needs, ownership, and succession planning methods. Talent inventories will have variance between managerial and non-managerial employees. But one of the studies conducted by Zahari, et al., (2020) supported the results, which were conducted at Therefore, H10 was not supported.

Conclusion, Limitation & Future Research Direction

The current study was designed and carried out to investigate the impact of HRM practices on non-managerial employees' employee retention and the mediating role of employee engagement at a private commercial banking network in Colombo South. This study will offer a new insight into the dimensions of the linkage between HRM practices, employee engagement, and retention. Since there are only limited studies held to analyze the relationship between these three aspects (Alias, 2014). For banking managers, these findings will help us to understand the importance of strengthening these HRM practices to sustain engagement and reduce employee turnover. In Sri Lanka's private banking sector, where competition for skilled front-line employees is high and turnover rates remain above the national average (CBSL,2023), thus well-structured reward systems can significantly enhance motivation and retention. Accordingly, this research study will be helpful for the banking industry. According to this study, the answers to the proposed questions and objectives as according to the results, the most influential HRM practice on employee retention of non-managerial employees is rewards and compensation. Also, all three HRM practices have a higher impact on employee engagement, and they increase the vigor, absorption, and dedication of employees and give them a positive work state of mind. It also proves that employee engagement indeed has a positive impact on employee retention and helps to retain employees in the long run.

Especially, employee engagement mediates the relationship between rewards and compensation and employee retention. When an employee receives intrinsic rewards, such as sensing meaningful at work, sense of choice, sense of competence and progress, extrinsic rewards such as financial benefits, compensation, payment for time not worked, supplemental unemployment benefits and retirement schemes, non-financial benefits, total rewards system of workplace flexibility, awards and recognition; it creates and influences the engagement level of employees at their work and tasks, resulting in increased employee retention at the workplace. The organization should be more focused on the rewards and compensation practices to make the non-managerial employees more dedicated and engaged towards their jobs to retain them and decrease the employee turnover rate, and increase the retention rate, and maintain it constantly. These results also propose that managers should realize the importance of various HRM practices, as it triggers employee engagement in their work, which eventually leads to their staying in their jobs. From the policy perspective The Central Bank of Sri Lanka and the Bankers' Institute could collaborate to design HRM benchmarking standards that promote consistent training, fair rewards, and transparent career progression practices across private and public banks.

Due to time constraints, the research problem could be limited organizational level and non-managerial staff, also the research was conducted in the allocated eight Colombo South branches due to the policy of the Bank. Due to the Bank's policy, was undertaken in the eight allocated Colombo South branches, may limit the generalizability across all private banks in Sri Lanka. The respondent's nonserious attitude and other sensitive issues may influence the responses to some extent. Moreover, the relatively small sample size may reduce the statistical power of and make the findings more sensitive to sampling variations. However, considering the limitations described above, the findings of this study would highlight several key characteristics and suggest the need for future research. The controlling effects of demographic factors on employee engagement and human resource practices can be explored. Moreover, major HRM practices such as recruitment and selection, performance management can also be investigated in alignment with employee engagement and retention.

Considering the findings, conclusions, and limitations of this study, several possible recommendations for future research may be made. A significant recommendation would be to acquire a larger sample size from a vast array of Banking institutions. Also, there is a potential to analyze not only private but public banking organizations also could be considered. Furthermore, a longitudinal study could be employed to determine whether the relationships between the HRM practices, employee retention, and employee engagement remain stable across time. Moreover, other than these three key practices, more HRM practices can be examined to explore their relationship with employee retention and the mediation of employee engagement, to find ways to retain a talented workforce in the long run. This study does not cover all the HR practices, and it only analyzes three basic Key practices practiced in the organization based on previous articles and their annual reports. since it's a cross-sectional study. Moreover, aspects like organizational culture and climate can also be examined in the future.

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