RELATIONSHIP BETWEEN HUMAN RESOURCE PRACTICES AND EMPLOYEE TURNOVER INTENTION IN THE FINANCIAL SERVICE INDUSTRY WITHIN THE CAPITAL CITIES OF BORNEO REGION: WORK OPPORTUNITIES AS A MODERATOR

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THESIS SUBMITTED IN FULFILLMENT FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTANCY

UNIVERSITI MALAYSIA SABAH

2014
DECLARATION

I hereby declare that the material in this proposal is my own except for quotations, excerpts, equations, models, summaries and references, which have been duly acknowledged.

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ACKNOWLEDGEMENT

I would never have been able to successfully complete my research without the guidance of my supervisors, help from friends, and support from my family.

First of all, I would like to express my sincere gratitude to my main supervisor, Prof. Syed Azizi Wafa for the continuous support of my Masters’ project paper, for his patience, motivation, caring and immense knowledge. His guidance helped me throughout the research and writing of this thesis.

Besides, I would like to also convey my greatest appreciation to my co-supervisor, En. Rosie Mohidin who are being helpful, meticulous, and supportive in guiding me through the entire process of statistical analysis. In which, I had successfully absorbed the skills and knowledge in operating SPSS and obtain the results of this study.

Meanwhile, I thank all my friends who had helped in this research especially Nicholas Wong, who was always willing to help and give his best support. He played a major role in assisting to collect most of the survey forms from the respondents in Kuching, Sarawak. My research would not have been possible without their helps, specifically this study was covering the area of both capital cities in the Borneo region.

Last of all, I would also thanks my parents and other family members who gave moral and spiritual support in encouraging me with their best wishes.
ABSTRACT

RELATIONSHIP BETWEEN HUMAN RESOURCE PRACTICES AND EMPLOYEE TURNOVER INTENTION IN THE FINANCIAL SERVICE INDUSTRY WITHIN THE CAPITAL CITIES OF BORNEO REGION: WORK OPPORTUNITIES AS A MODERATOR

In order to identify the factors that lead to an increasing employees' turnover rate in the Malaysian Financial Service Industry, the researcher had conducted a study in investigating the relationship between Human Resource (HR) practices and turnover intention among the frontline employees in the commercial banks within the capital cities of Borneo region. As well as implied work opportunities as the moderating variable on the relationship between HR practices (compensation, job advancement and supervisory support) and turnover intention. The empirical results revealed that compensation and job advancement were found insignificant towards turnover intention. Whereas, supervisory support was the only variable found to have a direct negative and significant relationship towards turnover intention. Interestingly, the results also indicated that demography factors (gender, age and educational background) were insignificant towards turnover intention even after the moderating effect was tested on this relationship. Conversely, when the moderating effect of work opportunities were examined on the relationship between HR practices and turnover intention, all the three variables (compensation, job advancement and supervisory support) marked significant relationships. In short, work opportunities could moderate the relationship between HR practices and turnover intention.
ABSTRAK

Untuk mengenal pasti faktor yang menyebabkan peningkatan pekerja yang meninggalkan organisasi dalam Industri Perkhidmatan Kewangan Malaysia, satu kajian telah dijalankan untuk mengkaji perhubungan di antara praktis Sumber Manusia (HR) dan keinginan pekerja bank yang bekerja di barisan hadapan untuk meninggalkan sesebuah organisasi di ibu kota Sabah dan Sarawak. Peluang pekerjaan adalah merupakan pembolehubah penyederhana di antara praktis Sumber Manusia (pampasan, kemajuan serta kepuasan pekerjaan dan juga sokongan daripada pihak penyelia) dan keinginan untuk meninggalkan organisasi. Keputusan telah menunjukkan bahawa pampasan dan kemajuan serta kepuasan pekerjaan mempunyai keputusan yang tidak ketara terhadap keinginan pekerja untuk meninggalkan sesebuah organisasi. Manakala, sokongan daripada pihak penyelia adalah faktor ketara yang telah memberi kesan negatif terhadap keinginan pekerja untuk meninggalkan sesebuah organisasi. Menariknya, keputusan juga telah menunjukkan bahawa faktor demografik (jantina, umur dan latar belakang pendidikan) juga mempunyai keputusan yang tidak ketara terhadap keinginan pekerja untuk meninggalkan sesebuah organisasi walaupun telah dikaitkan dengan faktor pembolehubah penyederhana dalam perhubungan ini. Di sebaliknya, apabila pembolehubah penyederhana (peluang pekerjaan) dikaji hubungannya antara praktis Sumber Manusia (HR) dan keinginan pekerja untuk meninggalkan sesebuah organisasi, ketiga-tiga pembolehubah (pampasan, kemajuan serta kepuasan pekerjaan dan sokongan daripada pihak penyelia) menunjukkan hubungan yang ketara di antara satu sama lain. Secara keseluruhannya, peluang pekerjaan boleh menyederhanakan hubungan di antara praktis Sumber Manusia dan keinginan pekerja untuk meninggalkan sesebuah organisasi.
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>i</td>
</tr>
<tr>
<td>CERTIFICATION</td>
<td>ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xi</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xiii</td>
</tr>
<tr>
<td>LIST OF ABBREVIATION</td>
<td>xiv</td>
</tr>
</tbody>
</table>

### CHAPTER 1: INTRODUCTION

1.1 Background of Study 1

1.2 Problem Statement 5

1.2.1 Employee Turnover Issues in Malaysia 5

1.2.2 Employee Turnover Issues in Malaysian Financial Industry 6

1.3 Research Questions 8

1.4 Research Objectives 9

1.5 Scope of Study 9

1.6 Significance of Study 10

1.6.1 Significance to Human Resource Managers and Employers 10

1.6.2 Significance to Policy Makers 11

1.6.3 Significance to Individuals 11

1.7 Definition of Terms 12

vi
1.8 Organization of Chapters

CHAPTER 2: LITERATURE REVIEW
2.1 Introduction

2.2 Previous Studies
  2.2.1 Employees' Turnover Intention
  2.2.2 Human Resource (HR) Practices and Employees' Turnover Intention
  2.2.3 Demographic Factors
  2.2.4 Work Opportunities as a Moderator Variable

2.3 Underlying Theory in the Relationship between HR Practices and Employees' Turnover Intention

CHAPTER 3: RESEARCH FRAMEWORK AND METHODOLOGY
3.1 Introduction

3.2 Research Framework
  3.2.1 Dependent Variable: Employees' Turnover Intention
  3.2.2 Independent Variable: HR Practices
  3.2.3 Moderating Variable: Work Opportunities

3.3 Hypotheses

3.4 Data Collection Method
  3.4.1 Primary Data
  3.4.2 Secondary Data

3.5 Research Sampling
  3.5.1 Target Population
  3.5.2 Sampling Size
  3.5.3 Sampling Technique

3.6 Instrument of Study
5.2.3 Work Opportunities on the Relationship between HR Practices and Turnover Intention

5.2.4 Work Opportunities on the Relationship between Demographic Factors and Turnover Intention

5.3 Implications

5.4 Limitations of Study

5.5 Suggestions for Future Research

5.6 Conclusion

REFERENCES
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure 2.1</th>
<th>Mobley Model</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.2</td>
<td>Preliminary Causal Model</td>
<td>16</td>
</tr>
<tr>
<td>Figure 2.3</td>
<td>Causal Model of Turnover</td>
<td>17</td>
</tr>
<tr>
<td>Figure 2.4</td>
<td>HRM Activities in Relations to HRM Outcomes and Firm Performance</td>
<td>21</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Research Framework</td>
<td>35</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 3.1 Listed Commercial Banks in Malaysia 40
Table 3.2 A Likert 5 Scale Response 42
Table 3.3 Operationalization of Variables 43
Table 4.1 Profile of Respondents 52
Table 4.2 Factor Analysis of Compensation 56
Table 4.3 Factor Analysis of Job Advancement 58
Table 4.4 Factor Analysis of Supervisory Support 60
Table 4.5 Factor Analysis of Work Opportunities 61
Table 4.6 Factor Analysis of Turnover Intention 63
Table 4.7 Reliability Analysis on Variables of the Study 64
Table 4.8 Means and Standard Deviations for the Studied Variables 65
Table 4.9 Pearson Correlation Matrix of Studied Variables 67
Table 4.10 The Multiple Regression between the HR practices with Turnover Intention 69
Table 4.11 The Multiple Regression between the Demographic Factors with Turnover Intention 71
Table 4.12 Moderating Effects on the Relationship between Compensation and Turnover Intention 73
Table 4.13  Moderating Effects on the Relationship between Job Advancement and Turnover Intention 74

Table 4.14  Moderating Effects on the Relationship between Supervisory Support and Turnover Intention 75

Table 4.15  Moderating Effects on the Relationship between Gender and Turnover Intention 76

Table 4.16  Moderating Effects on the Relationship between Age and Turnover Intention 77

Table 4.17  Moderating Effects on the Relationship between Educational Background and Turnover Intention 78

Table 4.18  Summarization of Findings 79
# LIST OF APPENDICES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix A</td>
<td>Survey Questionnaire</td>
<td>97</td>
</tr>
<tr>
<td>Appendix B</td>
<td>Profile of Respondents</td>
<td>107</td>
</tr>
<tr>
<td>Appendix C</td>
<td>Factor Analysis Reports</td>
<td>127</td>
</tr>
<tr>
<td>C.1</td>
<td>Independent Variables – HR Practices</td>
<td>127</td>
</tr>
<tr>
<td>C.2</td>
<td>Moderating Variable – Work Opportunities</td>
<td>142</td>
</tr>
<tr>
<td>C.3</td>
<td>Dependent Variable – Turnover Intention</td>
<td>144</td>
</tr>
<tr>
<td>Appendix D</td>
<td>Reliability Analysis Reports</td>
<td>150</td>
</tr>
<tr>
<td>D.1</td>
<td>Independent Variables – HR Practices</td>
<td>150</td>
</tr>
<tr>
<td>D.2</td>
<td>Moderating Variable – Work Opportunities</td>
<td>155</td>
</tr>
<tr>
<td>D.3</td>
<td>Dependent Variable – Turnover Intention</td>
<td>156</td>
</tr>
<tr>
<td>Appendix E</td>
<td>Descriptive Analysis</td>
<td>158</td>
</tr>
<tr>
<td>Appendix F</td>
<td>Correlation Analysis</td>
<td>159</td>
</tr>
<tr>
<td>Appendix G</td>
<td>Regression Analysis Reports</td>
<td>160</td>
</tr>
<tr>
<td>G.1</td>
<td>HR Practices and Turnover Intention</td>
<td>160</td>
</tr>
<tr>
<td>G.2</td>
<td>Demographic Factors and Turnover Intention</td>
<td>161</td>
</tr>
<tr>
<td>G.3</td>
<td>Moderating Effect of Work Opportunities on the Relationship between HR Practices and Turnover Intention</td>
<td>162</td>
</tr>
<tr>
<td>G.4</td>
<td>Moderating Effect of Work Opportunities on the Relationship between Demographic Factors and Turnover Intention</td>
<td>172</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

The first chapter of this dissertation is a general overview of the entire paper given. It includes (1) background of study, (2) problem statement, (3) research questions, (4) research objectives, (5) scope of study, (6) significance of study (7) definition of terms; and (8) organization of chapters.

1.1 Background of Study

Employee turnover issues has been discussed for decades and it can be a psychologically painful for both the organization and also for other employees as it may create a sinking social life in the organization when an employee is quitting an organization. Teams are affected, on-going projects or tasks may interrupt, superior-subordinate relationships are disturbed, informal groups break down and so on. Rapid employee turnover may jeopardize an organization’s image as well as affect its daily operations and productivity. Besides, the direct and indirect costs attached with turnover in terms of both recruitment and training, and also work disruption and demoralization of remaining employees are expensive and consequential (Randhawa, 2001).

Unfortunately, employee turnover could affect (Ghosh, Satyawadi, Joshi, & Shadman, 2012) an organization not only losing the human capital but also relational capital. The scholars further explained that the loss of experienced and skilled employees who left the organization will bring along the organization’s relationship with other organizations, as well as the organization’s connections with external stakeholders. It is especially when the employee who quits had been liaising with them for a period of time. Furthermore, the particular organization will also have the tendency to lose its intellectual capital which is added onto its turnover cost apart from the amount and resources spent on recruitment, selection
and training of new incumbents as their competitors have the potential to hire these experienced employees as their assets.

Employees quit or leave an organization due to various reasons, this is why employee turnover issue has always been a discussion of a great significance in human resource management (HRM) studies (Boseli & Wiele, 2002; Abeyseker, 2007; Long & Perumal, 2014; Watty-Benjamin & Udechukwu, 2014). In conjunction to the worldwide declining of birth-rates and aging population have caused potential labour shortage (Ovanessoff & Purdy, 2011), combined with the growing rate of employee turnover has becoming a tough issue for various industries. Thus, various scholars have suggested human resource strategies on recruitment (Townsend, 2007; Bloomquist & Kleiner, 2000), training (Townsend, 2007), strategic compensation package (Nourayi & Mintz, 2008; Dalsem, 2009), mentoring and supervisory support (Dawley, Andrews, & Bucklew, 2008) and so forth to overcome the turnover issue and help in retaining employees especially those who are talented and experienced.

In addition, efficient in implementing human resource (HR) practices can increase employees' overall job satisfaction (Petrescu & Simmons, 2008), while enhance both level of individual and organization performance (Tessema & Soeters, 2006). As Randhawa (2001) explained that employees with higher job satisfaction will lower his or her intentions to quit the job. The author also indicated that employers or human resource managers should keep their employees satisfied in today's work trends as employees who are satisfied with their jobs will do their work with honesty, full commitment, thus have low intent to quit the organization and vice versa. Besides, HRM policies that can increase overall job satisfaction especially with pay satisfaction that will demotivate employees to participate in the unions (Petrescu & Simmons, 2008). Basically, HRM practices include a set of designed practices, formal policies and philosophies to attract, develop, motivate and retain employees who contribute towards the effectiveness and sustainability of an organization (Nadarajah, Kadiresan, Kumar, Kamil, & Yusoff, 2012).
In one of the study, the author found that compensation was the strongest HR practice predictor among the marketing executive turnover of leasing companies in Sri Lanka (Abeysekera, 2007). Another study was conducted by Sutherland (2002) regards to voluntary exits for a group of manual workers. 48 out of 108 individuals were found that they were accepting alternative jobs offerings for better income. The critical issue (Ghosh et al., 2012) often consider by employees who plan to quit is the compensation and reward system in their organization. They compared whether is it fair and meeting their expectations in which should also be directly linked to their job performance and also equal to the market rate.

Hence, human resource managers or employers have to offer a competitive compensation package to avoid employees from seeking for alternative jobs. In contrast, Vandenberghe & Ok (2013) argued that proactive employee who has higher levels of career commitment are associated with more turnover intention as they are actively scanning the environment in the hope to find better opportunities to achieve their career goals. Especially those employees who are in their early-career stage are considered less committed to their current career. It is because they desire to explore different jobs and opportunities which lead them to have a higher intention to change jobs or hopping from one organization to another (Kaur & Sandhu, 2010).

Career advancement or opportunities given within an organization is one of the key HR practices to fulfil employees’ individual and career needs. Hemdi & Mara (2011) revealed in their study among the hotel managers that there is a significant effect of equal and competitive salary with availability of career advancement within an organization for younger managers’ (age between 21 and 30 years) turnover intentions. The authors projected that these individuals are at their stage of building career and family life, thus, salary and opportunity for promotion are crucial to them as to raise income. Moreover, (Salleh, Nair, & Harun, 2012) companies are encouraged to offer equal opportunities for promotion and design fair promotion procedures for their employees as to continuously improve their
skills and knowledge through training and development programs. It will then lead to enhancing the company's ability to retain qualified employees. Meanwhile, promotion has imparted a sense of being acknowledged or appreciated by the organization to their employees.

Notwithstanding, researchers also recognized the importance of relational inducements such as work-related support from the organization, supervisor as well as co-workers in determining turnover intention (Maertz et al., 2007; Newman, Thanacoody, & Hui, 2012). One of the favourable HR practices required by employees is supervisory support (Abeysekera, 2007) because supervisors act as agents of the organization to deal with their subordinates whom they are direct responsible to (Hutchison, 1997). Dawley et al. (2008) found that supervisor support and mentorship has significant associations with organizational commitment and job search behaviour. Supervisors usually provide sufficient and clear information on work matters, and feedback related to work performance (Salleh et al., 2012). A good superior-subordinate relationship can lead to higher appreciation, cooperation, commitment and support from the employees and thus will reduce employee turnover. In some cases, employees will be willing to stay in an organization as they are willing to remain and work under particular supervisors.

In short, shortage of workforce and employee turnover issue has received considerable critical attention among the employers and human resource managers. It is important to retain employees and create stable workforce by focusing on designing and implementing a robust retention strategy to effectively reduce employee turnover (Ghosh et al., 2012). Staff retention has become the leading challenge among the human resources departments by utilizing HR practices in overcoming an important outcome variable which is turnover (Luna-Arocas & Camps, 2008). It is because employees' performance, behaviours and attitudes are driven by HR practices as a mediating agent that will affect the working environment and organizational outcomes (Watty-Benjamin & Udechukwu, 2014). The authors emphasized that the successful HR practices is where each
elements of the HRM has to work mutually and concurrently due to failure in one aspect may lead to failure in another.

In conclusion, this research focused on three variables for HR practices namely compensation, job advancement and supervisory support to attempt the understanding of the relationship between HR practices and employees' turnover intention. Work opportunities is used to study the moderating effect between the relationship of HR practices and employee turnover intention as to determine whether the failure of HR practices will lure employees to respond to work opportunities outside the organization and lead to turnover intention.

1.2 Problem Statement

1.2.1 Employees' Turnover Issues in Malaysia

In the 2013 General Industry Total Rewards Survey (towerswatson.com, 2nd October 2013) by Towers Watson (NYSE, NASDAQ: TW) showed there was an increase of Malaysian employees' turnover rate from 12.3 percent in 2012 to 13.2 percent in 2013. As according to Towers Watson's 2012 Global Workforce Study (mystarjob.com, 7th December 2013), it was found that 51 percent of Malaysian employees believed that they have to switch to another organization in order to advance in their career or to achieve higher job level. This behaviour is supported by Aladwan et. al. (2012) as they found that one of the main reason an employee intend to quit is because of work opportunities they have outside the organization.

In conjunction to that, the director of Randstad Malaysia, Jasmin Kaur (themalaysiainsider.com, 18th November 2013) reported that near to 70 percent of Malaysian employers are outsourcing all or part of their recruitment process due to talent crisis and they are initiating efforts to attract and retain talent. This Randstad World of Work Report involved Malaysia, Singapore, China, Hong Kong, India,
Australia and New Zealand which its survey covers over 14,000 employers and professionals across Asia Pacific. She also reported that there will be two thirds of Malaysian employees plan to leave their organizations within a year and therefore it became a challenge for companies to attract and retain their high-skilled workers. The director also added that it is important to discover the critical reasons for high turnover rates that drive their talented employees to move from one job to another.

From the report, one of the top three productivity challenges that Malaysian employers voiced is finding talents for critical positions. It is called as a brain drain issue as employers have to identify and implement methods to better engage with current employees in Malaysia as to achieve the next phase of business growth as well as moving towards becoming a high-income nation by 2020. Nevertheless, the 2013 Annual Report of Bank Negara Malaysia has stated the preliminary unemployment rate for last year was 3.1 percent which is 0.1 percent higher than year 2012. Thus, it revealed that our country is facing shortage of workforce while suffering an increasing employee turnover across the industries.

1.2.2 Employee Turnover Issues in Malaysian Financial Industry

The leading global professional services company (Towers Watson) also reported that among the highest turnover rate is the Malaysian Financial Services Industry which has suffered an increased turnover rate from 7.4 percent in 2012 to 13.3 percent in 2013 (The Sun Daily, 31st October 2013). This survey was done involving over 350 organizations from across industries in Malaysia. It was being understood that the key reasons for the higher turnover rate in our country's financial services industry were the uncertain of global economy and the employees felt that our country's economy will always remain stable. Besides, players in the financial services industry are actively improving their employee value proposition (EVP) as to attract talents by luring them with higher salaries and faster growth opportunities. It was also known that the overall salary in the financial services
industry in Malaysia increased 5 percent in 2013 and is projected to rise to 5.6 percent this year. Towers Watson added that the current hot jobs are the positions in sales and marketing and shared services within this industry. By other means, there will be more work opportunities with better perks in the financial service industry.

In addition, The Star paper released on the "Talent Crunch in Malaysian Financial Services Sector Seen to Worsen" on the date of 6th January early this year. This news focused on talent shortage in our country's financial services sector where Dr. Raymond Madden from the Asian Institute of Finance (AIF) mentioned that it could be due to the lack of understanding on how to deal with the Gen Y group. He also stated that Gen Y are impatient as they wanted to be outstanding in the organization and would be switching jobs when there is better work opportunities if they did not achieve their targets. This is differing from older counterparts as this group are seemed to be more ambitious and wanting to lift the career ladder as quick as possible. It is expected that the rising number of Gen Y workforce in the financial services for the in-coming years. Hence, it is a red flag to the employers and human resource managers to have a better understanding and knowledge in order to deal effectively with different segments of generations especially the Gen Y’s as to retain talented employees and reduce the employee turnover rate within their organizations. Unfortunately, very few researches were done in the Malaysian Financial Industry particularly within the capital cities of Borneo on the relationship between HR practices and employees’ turnover intention.

Thus, this study stands on the individual's point of view to explore the relationships between HR practices offered and the employees’ turnover intentions in the Banking Industry within the capital cities of Borneo region (Kuching, Sarawak and Kota Kinabalu, Sabah). It employs Social Exchange Theory (SET) to address the reciprocal relationship that develops between employees and the organizations by determining the impact of compensation, job advancement opportunities and
supervisory support over employees' turnover intentions. Among the three variables under basic HR practices, which variable has the highest influence that lead to employees' turnover intentions is determined. In addition, the researcher examined whether work opportunities could play as a moderator between HR practices and employee turnover intentions. The study stressed on the mechanism of what an individual anticipate to receive in return from what and who they had worked for, and which controllable factors that influence the individual to respond to the external work opportunities and decided to leave an organization by taking demographic factors into account.

1.3 Research Questions

This research paper attempts to find out the outcomes by answering the research questions (RQ) as below.

RQ1: What are the relationships between HR practices (compensation, job advancement (JA) and supervisory support (SS)) and employees' turnover intention?

RQ2: Does work opportunities (WO) moderate the relationship between HR practices (compensation, job advancement (JA) and supervisory support (SS)) and employees' turnover intention?

RQ3: What is the relationship between demographic factors (gender, age and educational background (EB)) and employees' turnover intention?

RQ4: Does work opportunities (WO) moderate the relationship between demographic factors (gender, age and educational background (EB)) and employees' turnover intention?
1.4 Research Objectives

The purpose of this study is to identify the relationship between Human Resource (HR) practices and employee turnover intention in the Malaysian Financial Services Industry in the context of Borneo region by taking work opportunities as a moderating role. In specific, the research objectives (RO) of this study are as below:

RO1: To discover the relationship of HR practices (compensation, job advancement (JA) and supervisory support (SS)) and employees' turnover intention (TI).

RO2: To understand the moderating effect of work opportunities (WO) on the relationship between HR practices (compensation, job advancement (JA), and supervisory support (SS)) and employees' turnover intention (TI).

RO3: To identify the relationship between demographic factors (gender, age and educational background (EB)) and employees' turnover intention (TI).

RO4: To examine the moderating effect of work opportunities (WO) on the relationship between demographic factors (gender, age and educational background (EB)) and employees' turnover intention (TI).

1.5 Scope of Study

The study focused on the front line employees (only involved respondents in the non-managerial positions) who are currently working in any commercial banks' branches located within the capital cities of Borneo region. There are 10 listed commercial banks namely RHB Bank, United Overseas Bank, Hong Leong Bank, Maybank, Public Bank, Affin Bank, CIMB Bank, Standard Chartered Bank, OCBC Bank and AmBank had participated in this study. Each of this commercial bank have at least one branch in both cities and the researcher had visited a total of 41 branches within the given 1-month period for data collection.
The targeted employees are the executive to non-executive categories, they were Teller, Personal Banker, Customer Service Officer, Financial Executive, Wealth Management Executive and whatnot who have direct contact with customers in their daily operations as well as dealing with sales of the banking services. Each of the respective banks’ branch managers were contacted to seek verbal permission for data collection where questionnaires were distributed and then collected back within a week. The required total sample size for this study was 265 individuals from both capital cities in Borneo region.

1.6 Significance of Study

This project paper therefore provides an important opportunity to advance the understanding of the factors that influence employees’ turnover intention in the banking industry. It is because a rapid turnover within the industry will affect the overall productivity and growth of the organizations. Many firms are now turning into managing their talents and attracting more talents from the labour market by providing better salary however it doesn’t solve the entire problem without knowing the other factors or reasons that encourage employees to leave the organizations.

Talented and experienced employees are firms’ assets who could contribute their efforts in prospering the organization and also towards the nation economic. So, if this study would be able to discover the actual factors that causes employee turnover, thus remedial measures may be instituted to solve the problem or to reduce the undesired situation within the organization or industry. The study could apply to three groups; they are the (1) human resources managers or employers (2) policy makers, and (3) individuals.

1.6.1 Significance to Human Resource Managers and Employers

In the survey conducted about employee turnover intention, some weaknesses of the human resources practices may be discovered. This will benefit the human
REFERENCES


REFERENCES


**NEWS REFERENCES**


