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[Impact of Inflation on Employee Retention in Banking Sector]

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ABSTRACT

The objective of this study is to identify the different factors impacting the turnover intentions of employees working in banking sector of KPK, Pakistan after Covid -19 Pandemic with Inflation being focus variable. Inflation increased turnover ratio and it becomes difficult for the banking sector to retain the employees on same package as were before pandemic. In this study banks in district Peshawar of Khyber Pakhtunkhwa and its employees were considered as population of the study. According to business reports Pakistan there are 25 private banks in District Peshawar. For research purpose 7 banks were included with an average of 20 staff members. Among already tested variables of job satisfaction, an economic factor of inflation was included as independent variable. However, research was conducted on 100 respondents through adapted questionnaires. This research uses a quantitative methodology and sought to examine and identify the different factors impacting the turnover intentions of employees working in banking sector of Khyber Pakhtunkhwa. Reliable performance indicators such as conducting correlation and regression analyses to assess the impact of inflation on employee retention in banking sector, KPK, Pakistan. The analysis table presents a comparison between the real and expected service quality as reported by employees of private banks. The mean ratings of consumers in the groups did not show any notable variations in terms of real Inflation Rate, dependability, Organizational Commitment, Work-Life Balance, and Employee happiness. There was a significant disparity in the average scores of genuine Job Satisfaction seen across the groups, suggesting that only the significance of actual Job Satisfaction towards participants was established.

Key words: Inflation, retention, turnover, banking sector

Background of the Study

High turnover has lately been an issue of prime concern for various organizations at global scale. This issue is intensified by the pandemic as the inflation hit very hard almost employees from every sector. According to available research, the employees in USA are currently facing the highest inflationary pressure since 1982 (Hirokyu, 2021). Consumer price index which is basically a measure of prices paid by the consumers for market based goods and services. The CPI has increased by 6.8 percent after the pandemic. Food prices soared, energy prices even touched highest rise to the tune of 33.3 percent and the prices of trucks and cars etc. increased even further in USA (Yin et al., 2023). This impact and inflationary pressure has been all the more concerning and has impact on the developing countries like Pakistan. (WeiBo et al., 2010).

Inflation is recorded at 11.0 percent in 2022; however, it rose to 28.2 percent in 2023 which is considered highest inflation since 1962 (Rai & Thapa, 2015). Currency exchange rate and political turmoil has been the major factors affecting the rate of inflation and economic stability. This inflationary pressure significantly impacted the rate of employee retention in various sectors in Pakistan as the employees have been looking for more appropriate opportunities (Hakro et al., 2022). According to the research statistics, employee turnover rate in Pakistan remained at 21.3% in IT sector. Study conducted by the State Bank of Pakistan has provided that employee turnover in banking

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sector in Pakistan crossed 35% in last two years which is higher than almost every other sector (Saleh et al., 2022). One of the most important reasons for this high turnover has been inflation that took the economy of Pakistan by storm.

It is an interesting fact that with rise in inflation, the cost of living for the different employee increases. This makes it very difficult for the employees to remain employed at the same place with same salary. Since inflation further reduces the purchasing power of the employees, hence, the motivation of employees to remain posted at the same place is also greatly damaged (Shukla & Sinha, 2013). Banking sector is significantly vulnerable to these issues as it might become very difficult for the banks to find the skilled and relevant people.

This research study will primarily investigate effect of ongoing inflationary pressure on the employee retention in Banking Sector. Pakistan's banking sector is largely dominated by the private sector and there is only one public sector bank namely National Bank of Pakistan (NBP) which does not explain the employee retention or turnover behavior since the employee turnover rate in public bank is almost negligible. As per the available database, 21 banks are registered with the Securities and Exchange Commission of Pakistan.(Akmal, 2008) Some of the most prominent private banks operating in KPK are HBL, Allied Bank, Muslim Commercial Bank, Meezan Bank, Bank of Khyber, Bank of Punjab, Askari Bank and Faisal Bank etc. Research data showcase that salaries in private banks all over the country are miserably low given the rise in living cost in past two years owing to the post-pandemic impacts and the political turmoil. (WeiBo et al., 2010).

Due to the rising number and size of the private banks in Pakistan, performance of employees is deemed a key factor in the development of this service industry. However, the major issue almost all the banks face now days is the lack of loyal employees. As explained, the employee turnover in the Banking Sector is very high as the banks face 35% turnover these days. (Chewe, .2023).. A brief insight to the employee retention rate of other banking sector provides that employees turnover in FMCG companies like Engro Foods, Nestle and Unilever is less than 20% which is far less as compared to the banks (Iqbal et al., 2022). Since the issue of employee turnover has become very critical for the productivity and performance of employees, hence, this research will focus on understanding the factors impacting the employee retention, mostly, the rising inflation.

Problem Statement

Retention of employees in the banking sector remained a significant challenge owing to salary issues, work culture and unimpressive career growth. The rising inflation in past two years has worsened the living standards of employees and their struggle to look for new avenues of opportunities leading to higher turnover.Baker(Hoar, P., 2023). Studying the factors that influence employees' turnover intentions is essential for developing effective retention strategies. These factors may include job satisfaction, organizational commitment, and personal or individual circumstances. However, there is a lack of empirical research that connects these variables with the broader economic factor of inflation within the regional context of KPK. In view of this, the research will focus on identification of the inflation as a prime issue causing higher turnover. This will help the banks to focus on these issues and offer viable solutions which can be helpful in reducing

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the turnover of employees (Li et al., 2022). Losing trained employees and experienced staff is a costly process and no bank tends to lose its skilled workforce, therefore, this research will be of huge help for all the banks.

Research Questions

- i. What are the major factors that impact the turnover intentions and ratio of employees in the Banking Sector of Pakistan?
- ii. What is the relationship between employees' turnover and inflation in Banking Sector in KPK?
- iii. Does inflation tend to be the most prominent factors affecting the employee's turnover? What could be the measures adopted by the banks to curtail the higher turnover ratio?

Research Objectives

- i. To identify the different factors impacting the turnover intentions of employees working in Banking Sector of KPK, Pakistan.
- ii. To assess the relationship between employees' turnover and inflation in Banking Sector in KPK.
- iii. To comprehend the effect of inflation on purchasing power of salaries of employees in the banking sector in KPK.

Literature Review

This chapter covers the literature review on the research topic "Impact of Inflation on Employee Retention in Banking Sector, KPK, Pakistan". For this research, material has been sourced from reliable journals like Google Scholar, magazines and journals. For the subject research, the material will be extracted only from reliable journal sources like Google Scholar, Science Direct, YouTube podcasts and Elsevier etc This chapter also provides a brief overview of the theoretical foundations related to inflation and effect of inflation during Covid on the employee's retention in the banking sector of KPK that would subsequently help in understanding the key concepts of the research.

Inflation

Inflation refers to the general increase in the prices of goods and services in an economy over time, leading to a decrease in the purchasing power of money (Pereira et al., 2016). High inflation results in an increased cost of living, requiring people to spend more to maintain their standard of living (Jacobs, 2014). High inflation negatively impacts the economy by reducing investment and economic growth, decreasing purchasing power, and increasing interest rates (Olusola, 2022). It means that the purchasing power of the money decreases as prices increase (Abdubannob, 2024).

Inflation Regimes

An inflation regime can be defined as "at a given time as the shift from the rate of inflation during the past three years to the most recent one-year rate of inflation" (Cecchetti, 2007). The focus, therefore, is not on the rate of inflation, but rather on the change in the rate of inflation, positive value indicates that inflation accelerated, whereas a negative value means that inflation decelerated (Evans, 1993).

Inflation during Covid

There are indeed reasons to be worried about inflationary overheating. In fact, even those of us who think it will be fine, expect to see above-normal inflation this year. We

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just think it will be a blip (Paul Krugman ,2021). the COVID-19 pandemic plunged the global economy into its deepest recession since the Second World War (Kose and Sugawara 2021; World Bank 2020). Amid a collapse in demand and plunging oil prices, global consumer price inflation declined by 0.9 percentage point between January and May 2020. This decline was about one-third more pronounced in advanced economies than in emerging market and developing economies (EMDEs). Since May 2020, however, inflation has picked up. By April 2021, inflation had risen above per-pandemic levels, in both advanced economies and EMDEs. The inflation pickup was broad-based and present in about four-fifths of countries. As a result, the 2020 global recession featured the most muted inflation decline and fastest subsequent inflation upturn of the five global recession episodes of the past 50 years. Ayhan Kose, and Franziska Ohnsorge in their article “inflation During the Pandemic: What Happened? What is Next? “are of the opinion that While this behaviour partly reflects lower levels of inflation at the beginning of 2020 (Iqbal et al., 2020).

Employee Retention

Employee retention refers to an organization’s ability to keep its employees over time. It can be defined as to retain skilled and talented employees in the organizational labor. (Hoar et al., 2023). Moreover, it is ability of the organization to prevent employee turnover is called employee retention (Neicl, 2023).

Employee Turnover

Employee turnover is the tendency of employees to leave an organization is called employee turnover (Malokani et al., 2023). Reasons of employee turnover are poor work life balance. Poor employer-employee relationship ,individual personality (Almaamari, 2023). Colliding employer-employee perspectives of employee turnover: Evidence from a born-global industry. High turnover of employees is costly as it requires funds to fill different positions and to meet productivity costs. Experience, knowledge and investment made on the employees are lost. Excessive turnover takes a toll on the employee morale and workplace culture as well. Firms invest on the career plan and privileges of the employees to keep them loyal and committed towards the organizational goals. There are several factors that lead to high turnover (Malik et al., 2022). The factors that lead to employees’ high turnover are like stressful working environment, less perks, poor career growth opportunities and inflation etc. Literature suggests that inflation stands out to be the most important factor in employees’ high turnover almost in every sector as the employees are unable to meet their needs from the prevailing monetary compensation, hence, they look for alternate or new opportunities. Data showcase that inflation in USA reached to the exorbitant level of 8.6% by the end of 2022 which has been highest since 1981 (Sanm & Nazir, 2022). Oil prices, supply chain issues and the Ukraine war has been some of the prominent factors leading to inflation. Almost all the businesses reported a negative impact of inflation on the growth of their businesses like banks and other areas of services sector.

According to latest studies, Job stress, low salary, lack of career growth and job satisfaction have a significant negative influence on employee turnover. Inflation has been one of the most debated topics in Pakistan from last four years as it remained almost double digit for successive years. Brief analyses provide that inflation was at

10.58% in 2019 which declined to 9.74% in 2020. However, it jumped to 19.87% in 2022 and even crossed 30% in first half of 2023. This inflationary pressure disturbed the living style of the middle and lower middle class in Pakistan. Salaries class remained most affected owing to this. Employees of the banking sector which are relatively paid less were the most affected in this regard (Saleh et al., 2022). Multiple researches have been conducted to assess the employee turnover ratio in Pakistan for the different sectors including fast food, telecom, beverage and banking etc. Most of the research data has revealed that banking has been impacted for the worst owing to the cultural dynamics and other such metrics.

Reasons of Turnover in Banking Systems

Researchers have located range of reasons for employee higher turnover. Some of these reasons for employee turnover are as under;

According to the three-component model, ease of movement, organizational commitment and job satisfaction are the major reasons for employee turnover whereas organization fit, links and sacrifice are the primary reasons for the job embeddedness model. As long as the employees are satisfied and being provided with suitable privilege, the overall turnover would remain less (Hakro et al., 2022). However, for the banking sector, the job satisfaction, ease of movement and other such factors are less likely to improve. This study is mainly concerned about the inflation and its impact on employee turnover but strong organizational commitment and sacrifice can significantly reduce the overall turnover in Pakistani Banks.

Turnover in Pakistani Banks

Usually two main categories of turnover exist; voluntary and involuntary. Banks had to pay heavy price for both types of turnover. Though the Pakistani banks make up to 70-80% of the documented economy and had huge workforce, however, still they are unable to compensate their employees at par with their material needs. An average employee in Pakistani banks receives Rs. 35,000 per month which is insignificant given the cost of living in any part of Pakistan. KPK is a culturally diverse province of Pakistan. Per capital income in KPK is 1,070 USD which is less as compared to other provinces. For instance, per capita income for Punjab, Sindh and Balochistan is 2003, 1997 and 1621 respectively (Zayed et al., 2022). The average per capita income in Pakistan is 1658 whereas it is 1070 in KPK. This shows that the inflation has hit even harder in KPK, therefore, the trend to switch the job amongst the employees of banking sector is even higher (Awwad & Heyari, 2022).

According to latest research, the estimated average inflation rate in Pakistan amounted to about 3.93 percent compared to the previous year, a slight drop from 2017, but an ever sharper one compared to four years earlier. Over the next few years, forecasts estimate it to level off at around 6.5 percent. Gohar, A. (2023). While understanding the conceptual framework of employees' turnover in the banking sector, it is worthwhile to mention that turnover remains usually high when the employees are able to find certain opportunities. Employee turnover in banking sector in Pakistan is usually owing to two reasons; first is the urge to find another opportunity in the banks whereas the other is switching the industry or sector for lucrative salary or better work-life balance (Addai et al., 2022).

As latest research also suggests that it is vital part of any organization to keep its employees in the same organization. when the workers don't feel tied to the work or are not motivated, such workers are likelier to look for work elsewhere in another organization. (Malokani, D.

Conceptual Framework

A Conceptual framework illustrates the expected relationship between variables. It defines the relevant objectives for your research process and maps out how they come together to draw coherent conclusions. (Zheng & Zwicker, 2019) as this research focus on the relationship between inflation and retention, from the already available statistical material on this topic, inverse relation has been observed between dependent and independent variable. Dependent variable in this research is employee retention and independent variable is inflation.

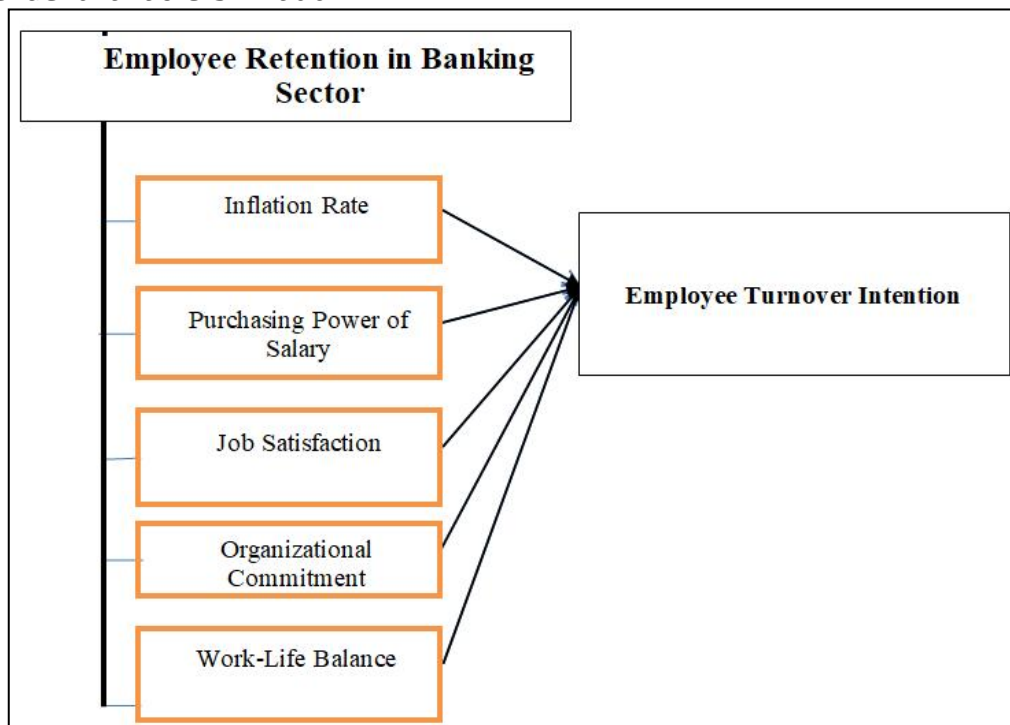


Figure 2.1 Conceptual framework

The conceptual framework of this study is designed to explore the relationship between inflation and employee turnover intentions in the banking sector of Khyber Pakhtunkhwa (KPK), Pakistan. At the core of the framework is the dependent variable, employee turnover intention, which refers to the likelihood of employees leaving their organization. The study examines five key independent variables that are believed to influence this outcome: inflation rate, purchasing power of salary, job satisfaction, organizational commitment, and work-life balance. Rising inflation reduces the real value of salaries, thereby diminishing employees' purchasing power, which can lead to financial stress and dissatisfaction. Job satisfaction and organizational commitment are internal factors that influence whether employees choose to stay or leave; both may be negatively affected when financial concerns outweigh workplace satisfaction. Additionally, work-life balance is considered, as inflation-related pressures may lead to longer working hours or side jobs, disrupting personal life and increasing burnout. Together, these variables provide a

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comprehensive view of how both economic and organizational factors interact to impact employee retention. This framework guides the study in assessing not only the direct effects of inflation but also the mediating roles of satisfaction, commitment, and balance on turnover behaviour.

Hypothesis of the Study

H₁: There is a significant impact of job satisfaction, organizational commitment, and work-life balance on the turnover intentions of employees in the banking sector of KPK.

H₂: There is a significant relationship between inflation and employees' turnover intentions in the banking sector of KPK.

H₃: Inflation has a significant negative effect on the purchasing power of employees' salaries in the banking sector of KPK.

Research methodology

Research approach

Research approach used in this research deductive approach. In this research questionnaires are distributed to the bankers in KPK, district Peshawar and then from their response a general conclusion is drawn that inflation which has increased during Covid has affected the banking sector and particularly enhanced employees' turnover.

Population of the Study

Population refers to the entire group that we want to draw conclusions about. Which in this research is the employees in the banking sector. Target population is defined as the entire group of people the researcher is interested in (Easton and McColl, 1997).

A population is often described as a group of individuals who live within a certain geographical region or territory. The data collected from this varies greatly depending on the size of the specified demography, ranging from substantial too little. In general, there is no population for practically any objects that has available data. The population of a certain entity serves as a clear example. The sample from the object has easily accessible data that follows a consistent pattern. An example of this concept is the random selection of subsets in a haphazard fashion, where each subset is of the same size and has an equal chance of being chosen for a single probable trial (Sethi & Iqbal, 2013).

The KP banking sector website (https://www.sbp.org.pk/f_links/f-links.asp) indicates that there are a total of 14 private sector banks located in Peshawar. The total number of workers across these institutions is 1581.

Bank Name	No. of Employees	Bank Name	No. of Employees
Habib Bank Limited	175	United Bank Limited	170
MCB Bank Limited	168	Allied Bank limited	155
Bank Al-Falah Limited	160	Bank Al-Habib Limited	105
Habib Metropolitan Bank Limited	92	JS Bank Limited	48
Samba Bank Limited	55	Askari Bank Limited	120

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Standard Chartered Bank105 (Pakistan) Limited		Soneri Bank Limited	68
Silk Bank Limited	60	Summit Bank Limited	75

Sample Size and Sampling Technique

The sample of the study was comprised on 100 respondents working in the banking sector. Sampling element is the unit of analysis or case in population such as a person, a group, an organization. sampling element in this research is the persons belong to banking sector in KPK. The sampling technique of the study was convenience sampling.

Data Collection Tools/Methods

The research was based on primary data in the form of questionnaires. Survey in the form of questionnaire is a list of questions aimed for extracting specific data from particular group people. Purpose of this questionnaire is to collect data from the bankers to know if the inflation has hit them during Covid or not and what affects are there on the employee's turnover in the banking sector of KPK.

Questionnaire

Questionnaire is the research instrument that consist of a set of questions or items that aims to collect information from a respondent. it is used as primary source for data collection. it has two sections. Regarding questions it is mandatory to explain nature data collection tools (questionnaire)

Section 1. contains demographic questions of respondents who were selected from various banks.

Section 2. contains items of the research thesis variables while the second phase comprised of questions about study variables.

Measuring Scales

Data was collected via a 5-point Likert scale questionnaire. In this regard "inflation" and "Employee Turnover Intention" were adopted form Fayaz et al (2020).

Data Collection Procedure

Step 1. Developing questionnaire related to the research topic.

Step 2. Distributing the questionnaire to the concerned focused group.

Step 3 Data analysis of the collected data.

Step 4 Conclusions would be drawn from the collected data.

Data Analysis Technique

The systematic process of investigating, through varied techniques, facts and figures to make conclusions about a specific question or topic. this research is quantitative in nature. descriptive analysis technique has been used in this research. and is made in the form of distribution of the questionnaire and then collecting data from them. In first part extensive study is made on the topic. Initially, the questionnaire was produced, and then, six individuals who were not part of the research were enlisted to assess it once the required revisions were made. This approach was used to assess the efficacy and resilience of the questionnaire. Afterwards, the second part quantitative research questionnaire was properly distributed among the 100 participants who were selected for the research from various private sector banks in Peshawar. The data were collectively evaluated to get a result. That data has been analyzed through SPSS system

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and Cronbach Alpha, in which reliability is checked which has come out to be 0.61. furthermore, correlation among the variables is also checked and then conclusions and recommendations are given in chapter 5.

Results and Discussions

This chapter contains all the statistics obtained by distributing questionnaire to the 100 employees of the banking sector of KPK. the results are given as below.

Distribution on the Basis of Gender

Table 4.1: Gender Analysis

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	47	46.5	47.0	47.0
	female	52	51.5	52.0	99.0
	4	1	1.0	1.0	100.0
	Total	100	99.0	100.0	
Missing	System	1	1.0		
Total		101	100.0		

Above table 4.1 shows the genders frequency of the respondents. The table describes that the total number of gender respondent is 100. While in out of the 100 the highest number is female which is 52 and the percentage of female is 52%, and the remaining 48 are male respondents and percentage of male is 47%.

Distribution on the basis of Bank

Table 4.2 : Bank Frequency

Valid Percent	Frequency	Percent	Valid percent
Alfalsh	32	31.7	32.0
HL	10	9.9	10.0
AL Habib	15	14.9	15.0
Askari	12	11.9	12.0
ABL	12	11.9	12.0
MCB	7	7.9	8.0
HABIB BANK	11	11	11

The second table 4.2 describe the frequencies of the demographic factor in bank. The table divided the banks in seven classes. the first class is for Bank Alfalah, and it shows the higher number of respondents are present in this group in the 32 respondents out of 100 belong to this group. The percentage of this group is 32%. While the second group is for HBL with 10 percent, third for bank Al Habib with 15%, fourth is Askari bank with 12%, fifth is ABL with 12% ,sixth is MCB with 8% which is the lowest percentage, ,last group belongs to Habib Bank with 11%.

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Reliability and Validity

Table : 4.3.1 Reliability

Reliability Statistics of retention intention

Cronbach's Alpha	No of Items
.61	11

Reliability Statistics of Inflation

Table 4.3.5

Cronbach's Alpha	N of Items
.69	2

According to the above table 4.7 is the table of reliability statistics which is used to check the validity of the variables for the data collection. The standard value in this regard is .60 means 60% reliability. The values of the alpha in the above table is .61 for retention. it shows that all the variables are valid and reliable and met the minimum requirement.

Component Correlation Matrix

in order to examine correlations between variables Pearson Correlation is used. The correlation results indicate that there is no multicollinearity in the data as correlations between variables is not greater than 0.70.

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Table4.4

		Correlations										
		Ret1	Ret2	Ret3	Ret4	Ret5	Ret6	Ret7	Ret8	Ret9	Ret10	Ret11
Ret1	Pearson Correlation	1	.537**	-.059	.324**	.387**	-.023	.137	-.022	.413**	.240*	.290**
	Sig. (2-tailed)		.000	.561	.001	.000	.817	.174	.826	.000	.016	.003
	N	100	100	100	100	100	100	100	100	100	100	100
Ret2	Pearson Correlation	.537**	1	.122	.385**	.306**	.074	-.039	-.270**	.230*	-.084	.329**
	Sig. (2-tailed)	.000		.225	.000	.002	.463	.700	.007	.021	.404	.001
	N	100	100	100	100	100	100	100	100	100	100	100
Ret3	Pearson Correlation	-.059	.122	1	.264**	.219*	-.067	-.188	-.018	-.033	-.092	.207*
	Sig. (2-tailed)	.561	.225		.008	.028	.507	.061	.861	.747	.382	.039
	N	100	100	100	100	100	100	100	100	100	100	100
Ret4	Pearson Correlation	.324**	.385**	.264**	1	.549**	-.069	.010	-.012	.186	.042	.241*
	Sig. (2-tailed)	.001	.000	.008		.000	.496	.918	.909	.064	.677	.016
	N	100	100	100	100	100	100	100	100	100	100	100
Ret5	Pearson Correlation	.387**	.306**	.219*	.549**	1	-.061	.053	-.092	.256*	.156	.220*
	Sig. (2-tailed)	.000	.002	.028	.000		.547	.603	.362	.010	.122	.028
	N	100	100	100	100	100	100	100	100	100	100	100
Ret6	Pearson Correlation	-.023	.074	-.067	-.069	-.061	1	.063	.045	.067	.173	-.033
	Sig. (2-tailed)	.817	.463	.507	.496	.547		.534	.654	.510	.085	.742
	N	100	100	100	100	100	100	100	100	100	100	100
Ret7	Pearson Correlation	.137	-.039	-.188	.010	.053	.063	1	.105	-.059	.082	.019
	Sig. (2-tailed)	.174	.700	.061	.918	.603	.534		.296	.557	.415	.850
	N	100	100	100	100	100	100	100	100	100	100	100
Ret8	Pearson Correlation	-.022	-.270**	-.018	-.012	-.092	.045	.105	1	-.137	.328**	.097
	Sig. (2-tailed)	.826	.007	.861	.909	.362	.654	.296		.175	.001	.339
	N	100	100	100	100	100	100	100	100	100	100	100

Table 4.4.1
KMO and Bartlett's Test

KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.543
Bartlett's Test of Sphericity	Approx. Chi-Square
	302.528
	df
	78
	Sig.
	.000

The above table 4.4.1 exhibit the results of Kaiser Meyer Olkin .690 that is greater than the value of 0.5 which is acceptable values. Bartlett's test shows highly significant results. This means that the factors analysis is applicable for the above data and fulfill the consequences of exploratory factor analysis

Conclusion and Recommendations

From the all the data and statistics calculated in chapter 4, it can be concluded that inflation has affected employee's retention in all sectors with special reference to banks employees. This research has investigated the influence of the inflation rate on the

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retention ratio of employees in the banking sector in KPK. By collecting data from 100 employees from seven different banks in KPK, it could be assumed that high percentage of employees intended to leave their jobs amid of inflation due to covid-19. seven banks that have been consulted are bank Alfalah, Habib bank, askari bank, HBL, ABL ,MCB etc.

Conclusions

This data has helped to answer questions i,e what are the major factors that impact the turnover intentions and ratio of employees in the banking sector of Pakistan. Majority of the respondent considered inflation as the main cause that impact turnover intention of the employees in the banking sector of KPK.

Recommendations

After the above conclusions drawn from the data analysis, following recommendation are proposed in order to fill the gap between inflation and employee's retention.

- i. Build employee engagement. One of the most important strategies for employee retention is to build up your workers' engagement with your organization.
- ii. Caregiver benefits given to the employees. Allocating funds to employee benefits can provide a huge boost to your employees, without being tied to future cost-of-living raises. High-impact benefits that ..
- iii. With employees facing higher costs of living due to inflation, they can't live their lives as they used to, even with the same salary or benefits as before.so they should be provided with the accommodation facilities, living cost and other rewards in order to retain them.
- iv. Perhaps the most obvious solution for helping employees deal with inflation is to increase salaries. And many companies are doing just that. More than 90% of organizations have increased salaries in 2022, according to the employee rewards company Tango Card. However, it's unrealistic to provide salary increases that match an inflation rate pushing 10% (Kaur, A., Verma,2022).
- v. Moreover, Govt should develop a balanced monetary and fiscal policy that addresses both the problems of the employees of the government and the citizens on the pattern adopted by the developed countries.

Theoretical Implication

1.Herzberg's Two Factor Theory

Herzberg's two factor theory of 1966 provides theoretical background for it. Which suggests that there are certain factors in the workplace that causes job satisfaction like achievements, responsibility, recognition, advancement and growth etc by applying this theory in this research it can be assumed that job satisfaction in form of increase income or purchasing power if not provided to deal properly will cause serious results like discouragement of the employees to work as well as well demotivate them. that's why when inflation caused after the covid-19, the immediate effect was inflation which has further reduced the purchasing power of the people.

Job Embeddedness Model

According to the three-component model, ease of movement, organizational commitment and job satisfaction are the major reasons for employee turnover whereas organization fit, links and sacrifice are the primary reasons for the job embeddedness model. As long as the employees are satisfied and being provided with suitable privilege,

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the overall turnover would remain less (Hakro et al., 2022). However, for the banking sector, the job satisfaction, ease of movement and other such factors are less likely to improve. This study is mainly concerned about the inflation and its impact on employee turnover but strong organizational commitment and sacrifice can significantly reduce the overall turnover. This research has proved this model by asking from the employees of the banking sector of KPK. The result was not surprising. Almost 90% or more employees were of the opinion that in banking sector employee's turnover is due to non-availability of the funds and inflation. That has made them difficult to manage expenses with their income which in-turn creates disturbance in their lives.

Managerial Implication

Managerial implications refers to the possible steps that can be taken by the management in order to ensure financial stability. The financial manager must dig out the reasons for erosion of purchasing power brought on by inflation and make wise judgments. They should take into consideration the purchasing power, investment decisions, debt management, pricing strategies, cost of living and finally the risk management linked to the inflation.

Limitations

This study offers a wealth of information about inflation and how it affects bank employees' retention, although it focuses especially on the post-COVID scenario. Prior to COVID, it was unconcerned about the impact of inflation. This study primarily examined a small number of characteristics that affect bank employees' intentions to leave their jobs; however, because of time and resource constraints, not all banks were included; just seven institutions—Bank Alfalah Limited and Bank Al-Habib—were included. Another drawback is that inflation has affected practically every area of the economy since COVID-19. Nevertheless, there are 14 private banks in Pakistan, and banks are further divided into public, commercial, Islamic, and private banks. My research is also restricted to private banks, although it can be expanded to include private banks in the nation, the area, and outside. However, this thesis has addressed the majority of topics that can be used by bank employees nationwide.

Future Directions

There is a wealth of information in this study about how employees react to changes in the economic climate. The broad conclusion that inflation in KPK has affected every sector of the province more severely may be inferred from the way bankers have responded to the rise in inflation. Thus, workers in other sectors might likewise be the subject of inquiry.

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