

THE INFLUENCE OF HUMAN RESOURCE PRACTICES ON EMPLOYEE RETENTION IN THE INFORMATION TECHNOLOGY SECTOR

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ABSTRACT

Human resources are among an organization's most significant assets. Their importance to enterprises necessitates not only attracting skilled individuals but also retaining them over the long term. Skilled people are essential for the comprehensive growth and advancement of a firm. This study examines the Information Technology sector in India and delineates key human resource practices by reviewing the literature. It examines the HR practices that enhance employee retention within firms. Efficient HR procedures can reduce staff turnover and improve retention rates. These practices encompass health and safety measures, the working environment, welfare programs, training and development, compensation management, reward management, industrial relations, work-life balance, and fringe benefits. The investigation highlighted the need for employee retention strategies to enhance retention rates in IT firms. The research focused on a sample of 615 participants. A questionnaire was constructed for this analysis, drawing on prior studies and literature, to assess the identified HR practices associated with employee retention. Correlation and ANOVA tests were conducted using SPSS v20 to evaluate the data. The test results indicated a substantial influence of HR policies on the organization's staff retention rate. Training and development, remuneration, and work-life balance positively correlate with employee retention rates in the industry. This study assists management in formulating effective staff retention strategies to enhance retention rates.

Keywords: Welfare programmes, turnover, retention rate, reward management, fringe benefits, correlation.

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Introduction: Employee Retention is a significant process in the present scenario of high economic growth and development, and rapid globalization, the fight for talent is becoming increasingly intense. Talent or human resources is a major asset for any organization. The organization invests a significant amount of money in its Human Resource Practices, recruitment, selection & training programmes. What happens to the firm if these talents or employees leave the organization in the near future to pursue new opportunities? Employee Retention is major to the long-term health and success of any organization; however, it is becoming increasingly difficult for companies across the globe to attract, motivate and retain significant talent. Employee Turnover is a major challenge for companies worldwide. Retention rates are still on the increase, and as the war for talent becomes more intense each year, it is becoming increasingly significant for organizations to ensure they have the right conditions in which the human resources are encouraged to remain with the company for the maximum period of time or until the completion of the project. Employee retention benefits both the company and the workforce. Retaining good employees is critical to the software industry. The literature and best practices indicate that when employers treat their human resources as valued contributors, employees are more likely to stay until the end. Organizations train their managers, offer competitive compensation plans, and increase benefits

to secure their employee loyalty. Despite these efforts, many organizations experience employee shortages and high turnover. To attract the effective talent, a company needs to be viewed as the "best place to work." A high employee retention rate indicates that the company is an employer of choice. Hiring skilled employees for the job is needed for an employer. Employee recruitment and retention are among the major issues facing the IT industry. But retention is even more important than hiring. There is no end to opportunities for a talented person. There are many choices for employees. In olden days, salary was all that mattered, but today it's just one of the components. Some of the other elements include the work environment, relationships, and the freedom to work. Raub and Streit (2006) argued that retaining competent employees has been a challenge for most organizations worldwide due to increased labour turnover. Nowadays, the business environment has changed due to globalization, and industries are strongly advised to sustain their competitive advantage by adopting a differentiation strategy that helps them stand out in international markets. Priority should be given to employees because they are a valuable asset to an organization. However, retaining competent employees has become challenging due to the proliferation of organizations that attract employees through various forms of incentives.

Review of Literature

Sorasak Tangthong, Jirasek Trimetsoontorn, and Nutthawut Rojniruntikul stated that the effects of Human Resource Management practices on employee retention in Thailand's FDI manufacturing industry. The human resource management practices covered in this research include compensation & benefits management, reward systems, and training & development. The mediating factor will be employee engagement. This study revealed that Human Resource Management practices are essential for organizational performance. The impact that human resource practices have on company performance is apparent. Human resource management practices encompass policies and procedures used by top managers to recruit, select, train, develop, utilize, reward, and maximize employees' potential in organizations. They have been studied extensively by researchers, but the ones that have an important effect on firm performance are compensation management & benefits management, reward system, and training & development. Additionally, studies have identified other factors that affect the relationship between HRM practices and organizational performance. This study concluded that the relationship between HRM practices and organizational performance could serve as a platform for managers to achieve better performance.

Dr. Sanjeevni Gangwani and Ms. Khushbu Dubey examined the impact of the working environment on employee retention in the IT sector. This analysis found that a good working environment is positively associated with employee retention. The study also found that employees can determine whether the culture, norms, and working environment meet their expectations. Irrespective of tenure of service, every employee considers the organizational culture for their long-term survival in the organization. This analysis indicates that, over time, increased use of information and communication technology, a changing workforce structure, and greater work flexibility are also adding to the mental workload. These practices relate to the organization and have thereby developed a unique corporate culture. The working environment plays a very significant role in employee retention. An effective working environment develops a long-term relationship between an employee and the organization.

Mariyam Imna and Zubair Hassan (2016) in this study found that three human resource practices, such as career development, reward and recognition, and health and safety, have a positive relationship and significant impact on employee retention. This analysis seeks to establish the impact of human resource management practices on employee retention. They considered the following independent variables to measure human resource management practices, including career and development, training and development, performance appraisal system, reward management, compensation management, and

health & safety. The dependent variable used in this analysis is employee retention. This analysis did not find any significant effect of training and development or performance appraisal on employee retention. However, when training and development are linked with career development, there is a positive, close and significant effect on employee retention. Also, when performance appraisal is linked to reward and compensation management, it has a positive, significant effect on employee retention. Organizational commitment, mission attachment, and employee engagement were found to be important predictors of employee retention. Although all factors are significant, mission attachment is a major predictor for not-for-profit organizations, whereas organizational commitment is the best predictor for for-profit organizations. Finally, employee engagement was a stronger predictor than the other two factors, i.e., organizational commitment and mission attachment.

Data collection for the research was done from two sources viz: primary sources and secondary

sources.

Hypothesis:

Hypothesis1: There is no significant difference between the perceptions of employees of IT companies with regard to employee retention practices.

Hypothesis2: There is no significant relationship between the Human Resource Practices and the satisfaction level of the employee retention rate of IT organizations.

Statistical tools used for Data Analysis

After the field work the data collected from the primary and secondary sources is consolidated, tabulated, analysed and interpreted. For the purpose of analysing the data, statistical methods and samples are used. The total analysis was carried out by using SPSS_v20 software package. Various other statistical tools and tests used for analysis included reliability analysis, reliability testing, Cronbach's Alpha, Mean and Standard deviation, Analysis of Variance, Correlation analysis etc.

Analysis results and Discussions

ANOVA Test: The employee's opinion on a 5-point Likert scale (1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree) is obtained and mean value along with standard deviations are calculated. The table shows that the mean values of employee retention factors are Training and Development 4.1203, Compensation Management 3.7008, Work Life Balance 3.6846. Hence it can be interpreted that the

company employees have good opinion about with training and developmental practices provided by the organization and less satisfied about work life balance provided by the company

Table 1: Satisfaction level of employees on Human Resource practices of Employee Retention

Human Resource Practices	Company (N=615)		F-Value	Significant Value
	Mean	SD		
Training and Development	4.1203	0.99926	3.174	0.075
Compensation Management	3.7008	1.20189	5.857	0.016
Work Life Balance	3.6846	1.17021	1.192	0.275

From the table 1 it has been inferred that One-way ANOVA test is done across organisations to know the significant difference. The table shows that the calculated F values are 3.174, 5.857, 1.192 and significant values are 0.075, 0.016, 0.275. Since F Calculated values are less than the Tabulated values, we accept the null hypothesis. And calculated significance value is greater than 0.05 for all provisions of employee retention, it can be interpreted that there is no significant difference between the opinion the perceptions of employees of IT companies with regard to “Employee Retention Practices”.

Correlation: The correlation indicates compensation management, training and development, work life balance is positively correlated with the satisfaction level of retention rate of the industry by positive relation.

However, the values of correlation coefficient if nearer to +1 or -1 are considered to have significant relationship. Here, training and development is having 0.647 correlation coefficient with employee satisfaction level of retention rate, compensation management is having 0.557, work life balance is having 0.857.

Further the significance levels are tested with two tailed significance tests. All the resulted significant values of human resource practices are 0.001, 0.002, 0.001, if all the values are less than 0.05 the relationship is statistically significant.

Table 2 - Correlation analysis Training and Development and Satisfaction level of retention rate

Particulars	Training and Development	Satisfaction level of retention rate

Training	Pearson Correlation	1	0.647
	Sig. (2-tailed)		0.001
	N	615	615
Satisfaction level of retention rate	Pearson Correlation	0.647	1
	Sig. (2-tailed)	0.001	
	N	615	615

Table 3 - Correlation analysis Compensation Management and Satisfaction level of retention rate

Particulars		Compensation management	Satisfaction level of retention rate
Compensation management	Pearson Correlation	1	0.557
	Sig. (2-tailed)		0.002
	N	615	615
Satisfaction level of retention rate	Pearson Correlation	0.557	1
	Sig. (2-tailed)	0.002	
	N	615	615

Table 4 - Correlation analysis Work Life Balance and Satisfaction level of retention rate

Particulars		Work Life Balance	Satisfaction level of retention rate
Work Life Balance	Pearson Correlation	1	0.857
			0.001
	N	615	615
Satisfaction level of retention rate	Pearson Correlation	0.857	1
	Sig. (2-tailed)	0.001	
	N	615	615

Hence all the human resource practices have a positive correlation with satisfaction level of

employee retention rate of industry. So, it can be said that human resource practices are having positive correlation with overall satisfaction level of employee retention rate of the IT sector, therefore the hypothesis can be rejected.

RESULTS AND DISCUSSION: This section explains the results of the statistical tests performed on the collected data and discussion on the basis of obtained results.

Results:

Before the model testing through ANOVA test and Coefficient of correlation matrix was obtained. The correlation matrix reveals that the correlation among all the variables is significant at 0.05 levels and employee retention is highly correlated with the rest of the three variables i.e., training and development, compensation management and training and development. The dependent variable, employee retention, is correlated with all three HR practices. This shows that employee retention in the organization can be increased through better Human Resource practices.

The hypothesized model, constructed in this study, was tested through ANOVA test. Table 1 is showing results. It tells us about the satisfaction level of employees regarding HR practices of the company.

Hypothesis1: There is no significant difference between the perceptions of employees of IT companies with regard to employee retention practices. (**Accepted**)

Hypothesis2: There is no significant relationship between the Human Resource Practices and the satisfaction level of the employee retention rate of IT organizations. (**Rejected**)

Discussions

In the analysis, it is found that there are HR practices positively linked with employee retention. Based on a comprehensive literature review, the researchers hypothesized that the following HR practices are related to employee retention: Training and development, Compensation management and Work life balance. All three HR practices contributed to perceived employee retention.

Training programs enhance the employee skills and knowledge, which ultimately reduce turnover and result in employee retention (Huselid, 1995). The failure to retain employees in many organizations is due to the lack of adequate training at the entry level. It concludes that training and development is positively related to employee retention.

Compensation management was positively correlated with employee retention,

being the strongest predictor of employee retention. This finding may provide some justification of the claim that employee retention is vital to sustain organizational growth as it's a competitive task in today's scenario and to attract and retain competent employees, compensation plays a key role.

Work life balance was related to employee retention, being the strongest predictor of retention. Organization manages the employees personal and professional life effectively; it leads to improve employees satisfaction. So, employees are very committed to the company and stay long time in the organization.

CONCLUSION

In the present competitive, dynamic business environment, retaining human resources has become a major requirement. Thus, this paper is helpful to identify and analyse the human resource practices affecting employee retention, three commonly identified practices; training and development, compensation management, work-life-balance were considered in this context. Future researchers can carry it on broader aspects by considering the impact of other HR practices on employee retention. The employees feel that effective HR practices have a direct and positive relationship with employee retention. The organizations that successfully attract and retain key employees offer high compensation packages and dynamic environment. The compensation and benefits given by IT sector to its employees is a vital policy that helps organizational nourishment. The employees hold the opinion that compensation/rewards contribute to improving an employee's loyalty and retention toward company. The results indicate that Information Technology sector is very capable and successful in employee retention. It is also providing a culture that is helping in retaining the employees at all levels.

Training and development are a process of developing expertise in employees for the purpose of better performance. Referring to work/life balance, it was noted as a major requirement of today's employees, if to stay loyal and committed at work, mainly followed by the fact that even countries like Japan, where people are usually said to be working-to-death with no concern about their personal lives, recently reported that they valued work/life balance. Training and development, compensation management and work life balance also very important in improving the effectiveness and in retaining the key employees in the organization.

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