

## Effects of compensation, informal organization, and commitment on employee retention and productivity in selected banks Ashanti Region, Ghana: The moderating role of job satisfaction

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### Abstract

In the new global economy, employee productivity has become a central issue of study. The financial services sector in Ghana has garnered significant attention in recent years. Given the growing inefficiencies in the Ghanaian banking industry, which has resulted in the revocation of operational licenses for some banks, this study aims to examine the impact of compensation, informal organization, and commitment on employee retention and productivity. Additionally, the study seeks to explore the moderating role of job satisfaction in selected private and public banks in the Ashanti region. The study utilized a quantitative research approach, sampling 270 respondents from the selected public and private banks in the Ashanti Region using a simple random sampling technique. For data analysis, the study employed multiple linear regression and utilized the PROCESS MACRO for SPSS version 25. The findings indicate that compensation, commitment, and informal organization exert a positive influence on employee retention, thereby affecting productivity. Furthermore, the study revealed that job satisfaction significantly moderates the relationship between compensation and employee retention, but it does not significantly moderate the relationship between informal organization and employee retention. Similarly, job satisfaction does not significantly moderate the relationship between commitment and employee retention.

**Keywords:** compensation; informal organization; job satisfaction; employee retention; employee productivity

### Article History

Received: August 10, 2023

Accepted: February 21, 2024

**Cite this as:** Panin, R. O., Kamil, N. M., Musah, M. B., Zakari, M., & Issah, M. (2024). Effects of compensation, informal organization, and commitment on employee retention and productivity in selected banks Ashanti Region, Ghana: The moderating role of job satisfaction. *Indonesian Journal of Social Sciences*, 16(1), 48–62. <https://doi.org/10.20473/ijss.v16i1.48547>

### Introduction

Financial institutions enveloped a wide range of trade operations in the financial administrations segment comprising banks, insurance companies, investment merchants, brokerage firms, etc. This current study focused on the bank because it dominates the financial sector and plays an important role in the modern economic world. Ghana's private and public banking sectors have a long history of meeting the country's financial and economic needs. The overall figure of licensed banks presently functioning in the role of universal banks is twenty-three (23) in Ghana. The figure for banks has been reduced by eleven (11) because of the new minimum capital order by the Bank of Ghana. That represents a 32% fall off from the 34 banks that functioned in the role of universal banks (Ghana Banking Survey, 2019). This current study measured the effects of compensation, informal organization, and commitment on employee retention and employee productivity, with the moderating role of job satisfaction. According to Dessler (2011), employee compensation includes all types of pay or rewards given to workers as a result of their work,



including both direct and indirect financial payments. Dwomoh and Frempong (2017) did a research survey on thirty-six banks licensed under the Bank of Ghana as of 2017. They discovered that one of the abilities of banks in Ghana to retain their existing employees and improve their productivity is determined by providing rewards and compensation expectations for employees who work in the business.

In informal organizations, there is the unofficial social interaction among people working in formal structures. Informal organizations at the workplace complement the formal structures of the organization by giving other directions to overcome issues that the formal structure cannot handle. Kwon (2017) points out that informal networks inside the work environment have the impact of binding employees together. That is often viably demonstrated by the findings that informal small groups have significant positive affective effects, thus decreasing turnover intentions. Employee commitment is the level of attachment an employee has towards the jobs apportioned and the organization. Committed employees are more likely to stay with the organization than uncommitted employees. Employees who witness a breach are likely to become completely disillusioned with the organization and begin making plans to depart (Addae, Praveen Parboteeah, & Davis, 2006).

Employee productivity is the pulse of a fruitful business. Employee productivity, also known as workforce productivity, is an evaluation of the effectiveness and efficiency of an employee working in an organization (Hanaysha, 2016). Harter, Schmidt, and Hayes (2002) discovered that employee productivity has a direct impact on resource maximization, income/profitability, market share, running cost, corporate image, customer satisfaction, and employee retention in Kenya Commercial Bank (KCB).

Job satisfaction is a sense of achievement that an employee derives from their job. According to Abdul and Iffat (2014), employees who have high levels of psychological well-being and job satisfaction perform better and are less likely to leave their jobs. Employee retention is the strategic action by an organization to enable an employer to remain on the job for a longer period. One study by Salman, Ahmad, and Matin (2014) examined the trend in employee retention and found that it is a general and critical issue confronting the banking industry in Karachi, Pakistan, due to the lack of skilled employment affecting the growth of the economy as a whole and employee turnover. Unfortunately, all the known studies exploring the world and African dimension have largely concentrated on either public or private banks and did not consider employee retention as a mediating variable and job satisfaction as a moderating variable. Based on the reasons stated above, this study sought, among others, to examine the effects of compensation, informal organization, and commitment on employee retention and employee productivity, with the moderating role of job satisfaction of some selected private and public banks in the Ashanti region.

### **Compensation and employee retention**

A well-managed compensation system boosts employees' performance and also affects the retention of employees to achieve organizational goals (Bustamam, Teng, & Abdullah, 2014; Shaw, 2014; Terera & Ngirande, 2014; Xavier, 2014). Research conducted by Terera and Ngirande (2014) asserts that when salaries and bonuses are received on time, compensation can affect employee retention. The management of various organizations need to create a reward strategy that is efficient for making core employees stay in the organization's success. Management, which is not able to foretell what their employees need now and in the future, will face some challenges in retaining the core employees of the organizations (Terera & Ngirande, 2014).

Bryant and Allen's (2013) comprehensive review suggested some key points concerning benefits and compensation that could be controlled to retain employees of the top tier. First of all, remember the significance of pay dispersion on the morale of employees. Secondly, openly convey principles and measures in reaching pay decisions. Moreover, to attain a more affluent retention management strategy, management should go further than pay increments and cash bonuses. Also, compensation and benefits should be administered fairly and equitably. Last but

not least, compensation and benefits should be rationally provided with long-term incentive programs. Thus, drawing from the preceding literature, the following hypothesis was formulated:

H1: Compensation has a significant direct impact on employee retention in some selected private and public banks in the Ashanti Region.

### **Informal organization and employee retention**

In researching bureaucratic organizations such as financial institutions, more attention is given to the rules and structures, while less attention is given to the social context. That is the same in the area of employee retention according to Moynihan and Pandey (2008).

There are two kinds of informal ties that have an impact on the social support an employee appraises, which are the social ties that arise naturally in the quest for and giving of advice and those social ties ordered by the workflow of the organization (Soltis, Agneessens, Sasovova, & Labianca, 2013). Yuan (2019) examined the role of social networks on the intentions of employees to resign from two high-tech companies using a quantitative approach. The results showed that employees become emotionally bonded to the organization and possibly retain it because they do not want to lose valued relationships with other members.

This work on informal organization and employee retention is complemented by Bertelli (2007), who concluded that employees who feel that they are in a friendly workplace are undoubtedly willing to stay with the organization. Likewise, this view is supported by Mossholder, Settoon, and Henagan (2005), who write that high-quality interpersonal relations with colleagues in the organization increase the possibility that an employee will stay in the organization. Even though research has been carried out on the relationship between informal organization and employee retention, more needs to be done. To add to the existing literature, the study set out to test the hypothesis:

H2: There exists a direct significant impact of the informal organization on employee retention of some selected private and public banks in the Ashanti Region.

### **Commitment and employee retention**

Losing committed employees who are experienced affects the productivity and profitability of the organization. Management needs to recognize their employees' worth by empowering them to stay for their resource talent to be used, which could prevent them from looking elsewhere for better opportunities (Noor, Zainuddin, Panigrahi, & Rahim, 2020). Recently, Noor et al. (2020) researched the relationship between organizational commitment, fit organization, and the intention of employees to stay in the information and communication technology (ICT) industry in Malaysia. Evidently, the study discovered that employees having affective commitment toward the organization have a 35% influence on intention to stay.

Chew and Chan (2008) researched the effects of key human resource (HR) practices on permanent employees who are committed to the organization and have the intention to stay. The findings show that effective management of policies and practices increases organizational commitment as well as employee retention, resulting in positive work experiences. Employees who recognize that their organizations appreciate their input react positively by increasing their commitment, performance, and staying on the job (Mahal, 2012). Therefore, organizations should put in special efforts to help their employees who are emotionally attached to the organization to be retained. To achieve a competitive advantage, organizational efficiency and maximum utilization of resources, employees must be retained in a true spirit. A search of the literature revealed that few studies have been done on the relationship between commitment and employee retention. To add to the existing literature, it can be hypothesized that:

H3: There exists a direct significant impact of commitment on employee retention of some selected private and public banks in the Ashanti Region.

### **Employee retention and employee productivity**

According to Tiwari (2015), one of the major worries of every employer is keeping competent employees and reducing the rate of turnover of employees. Shyam Nivedhan and Priyadarshini (2018) carried out research on the elements the IT companies use to encourage their employees to stay and improve the output of the company. Backed by empirical evidence, it was noted that the use of Gamification elements such as effective recruitment and induction program, retaining a cordial relationship with employees, improving the conditions of work, employee engagement, learning, and development, as well as rewards and recognitions, the retention and productivity of employees increased from 10 to 15%.

In addition, Salman et al. (2014) did research on factors that influence the retention of employees in the banking sector in Karachi. They identified that many organizations have now recognized the fundamental effect of keeping possession of competent employees. Employees do not think of leaving when they are satisfied with their job. Further, retaining quality employees increases productivity and morale while it cuts out costs of turnover. Kadiresan, Kamil, Mazlan, Musah, and Selamat (2016) mentioned that having proper training and development for employees helps to improve employee productivity and employee retention. Yaşlıoğlu, Karagülle, and Baran (2013) also argued that leaders who are reluctant to ponder the cry of employees have influenced employees' productivity negatively and decreased the retention of employees in the hospitality sector. Henceforth, it was suggested that leadership should be more concerned with their employees on how to retain them and increase their productivity. It is worth noting that most of these studies have been addressed from a Western value system. To address it from the Ghanaian context, it can be hypothesized that;

H4: There exists a direct significant impact of employee retention on employee productivity of some selected private and public banks in the Ashanti Region.

### **Moderating role of job satisfaction on the relationship between compensation and employee retention**

A current study by Tj, Tecualu, and Wijaya (2021) using a written questionnaire accessed from 55 employees at PT Pradu and structural equation modeling for analysis revealed that companies must be able to make their employees have good job satisfaction to increase employee retention. The researchers further said that providing compensation can increase employee retention if employee job satisfaction is formed first. Terera and Ngirande (2014) echoed that rewarding employees does not affect their satisfaction on the job but leads to retention of employees. Because the relationship between job satisfaction and employee rewards was insignificant, hence, the results showed that job satisfaction is not determined by rewarding employees. That signifies that job satisfaction is a key element in the matter of retention of employees; however, employee rewards alone do not result in job satisfaction. In the view of Yaseen (2013), efficient rewards and compensation programs implemented for employees will enhance their job satisfaction and, in return, employee retention.

In the context of Ghana, Kwenin, Muathe, and Nzulwa (2013), they conducted a research survey on 142 employees that examined the effect of human resource policies, such as compensation and job satisfaction, on the retention of employees at Vodafone Ghana Limited. The study suggested that the management of Vodafone Ghana Limited should offer equitable and attractive incentive packages that appeal to and retain employees in the organization. Besides, the study specified that job satisfaction of employees showed a clear indicator for retention. Although extensive research has been carried out on the moderating role of job satisfaction on the relationship between compensation and the retention of employees, much of the research up to now has not conducted a study on the banking sector. To add a unique study to the existing literature, it can be hypothesized that;

H5: Job Satisfaction will have a significant moderating effect on the relationship between compensation and employee retention in some selected private and public banks in the Ashanti Region.

### **Moderating role of job satisfaction on the relationship between an informal organization and employee retention**

Employers can earn profit through their employees. Thus, competent employees must be hired, trained, and retained in the organization. Employees might not enjoy the idea of spending 8 hours a day for years, locked alone in the office, doing their job for some fixed financial reward, no matter the value of it. Every employee loves to be among a larger network of peers and co-workers. The first management book by renowned scholar Mayo (1945) wrote that concentrates on employees' social needs. The main contributing factor to why employees are satisfied with their jobs is social interaction. Mayo (1945) also emphasized the significance of good leadership and fulfilling personal relations at work.

According to Priyasad and Weerasinghe (2017) citing a report of Career Systems International in 2005, over 7,500 employees were surveyed about the process of retention. According to the findings, 41.8 percent of employees believe that having good relationships with co-workers influences their decision to stay. According to Morrison (2004) as well as Sias and Cahill (1998) employee retention is boosted by informal interactions in the workplace. A mixed method study by Hamilton (2007) investigated workplace friendship among associates working in private law firms. Qualitative findings revealed that informal organizations at the workplace offer employees emotional support and are linked with the outcomes of job satisfaction, employee retention, and productivity. Quantitative findings identified that informal organization at work influenced individuals reported attitudinal and behavioral outcomes. Although a few studies have been conducted on the relationship between job satisfaction, informal organization, and employee retention, all of these studies are out of date. So, to update the existing literature, it can be hypothesized that

H6: Job Satisfaction will have a significant moderating effect on the relationship between the informal organization and employee retention of some selected private and public banks in the Ashanti Region.

### **Moderating role of job satisfaction on the relationship between and employee retention**

Agarwal and Sajid (2017) compared turnover intention, organizational commitment, and job satisfaction of low to middle-level managers in India's public and private sectors. Job satisfaction and all types of organizational commitment (continuance, affective, and normative) were high in the public sector, while turnover intention was higher in the private sector, according to the results of 206 respondents. However, both studies were conducted in the South Asian context, but this study will be conducted in the context of Africa to bring diversity to the existing literature.

Rose and Raja (2016) researched the role of several variables like HR practices, organization commitment, and job satisfaction in managing employee retention of selected IT firms in Bangalore. A survey study out of a probability sampling of 180 employees showed that employees' commitment to the organization is affected by HR practices and job satisfaction, which in turn has a significant impact on employee retention. According to the report, organizations should strive to establish excellent HR procedures to keep employees pleased with their jobs. That will probably help the organizations retain employees who are committed. Moreover, organizations should, by all means, share and promote their organizational values with their employees. This approach would increase employees' commitment to the organization, thus propelling them to stay on the job (Mathieu, Fabi, Lacoursière, & Raymond, 2016).

On the other hand, Fayyazi and Aslani (2015) unraveled that employees' retention and commitment to the organization cannot certainly be deduced as they are satisfied with their jobs. The majority of the employees suffering from job dissatisfaction have to remain on the job because they have no alternatives. And so, it is suggested that the management of organizations use periodic tests to evaluate the level of job satisfaction of employees. Though these studies have carefully considered variables such as job satisfaction, commitment, and employee retention,

neither has done an empirical analysis of private and public banks, which include the variables aforementioned. Hence, it can be hypothesized that;

H7: Job Satisfaction will have a significant moderating effect on the relationship between commitment and employee retention of some selected private and public banks in the Ashanti Region.

### **Mediating role of employee retention on the relationship between compensation and employee productivity**

Compensation has a significant impact on the retention of employees within an organization because when employees are satisfied with the compensation given, they will feel the organization is caring for their needs. They feel appreciated and put in much effort to work for the organization. Syahreza, Lumbanraja, Dalimunthe, and Absah (2017) conducted a study in the hospitality industry in Medan City, North Sumatra, Indonesia, which examined the impact of compensation on the performance of employees. In addition, the mediating role of employee retention in the effect of compensation on performance. The sample size taken was 200 employees from 5 hotels in Medan City. The findings of this study indicate that retention has a potential mediating role in the effect of compensation on the performance of employees. Another study by Khalid and Nawab (2018) in Pakistan looked into the impact of different types of employee engagement (consultative, delegative, worker union, and worker director) on employee retention, as well as the moderating effect of employee compensation. The study discovered that in the service sector, factors of employee participation account for 56 percent of the variation in employee retention, whereas in the manufacturing sector, 39 percent is recorded.

Putting Ghana into context, Yamoah (2013) conducted an exploratory study on the relationship between compensation and employee productivity of all employees of GCB Bank in the Greater Accra Region. Data for this research employed a descriptive research design, which revealed that 87% of the respondents established that employees' productivity was affected by the compensation packages given to them, thus leading to increased productivity in the organization. With a highly competitive employment market in the banking sector, management needs to provide their employees with a compensation package that will aid them in attracting, retaining, and motivating employees. However, this can only be accomplished if there is transparency in the compensation system and if it meets the aspirations of the employees. Though these studies have carefully considered variables such as compensation, employee retention, and employee productivity, neither has done an empirical analysis of private and public banks, which include the variables aforementioned. Hence, it can be hypothesized that,

H8: Employee retention will have a significant mediating effect on the relationship between compensation and employee productivity of some selected private and public banks in the Ashanti Region.

### **Mediating role of employee retention on the relationship between an informal organization and employee productivity**

The workplace is not just a place where people come to work; it is a complex social system in which employees try to meet their social needs through informal relationships. Current research by Anderson (2020) revealed that to retain employees within the organization, employer and employee relationships need to be established, and there should be clear communication as well as professional development. Furthermore, the findings indicated that establishing an employee-employer relationship can have an impact on employees' productivity, behavior, and trust, which will improve employees' job satisfaction and employee retention. Another study by Kiura (2018) examined the effect of informal social networks on employee productivity in Kenyan organizations. The first part of the study quantitatively investigated whether rumors and employee gossip affect the productivity of employees. The second part, on the other hand, qualitatively investigated the role of culture within social networks and the benefits and limitations associated with these networks. The results showed that rumors and gossip lead to improved employee productivity.

Devi (2021) reviewed 30 research papers and discovered that new employee turnover is high. She suggests that socialization practices delivered through a strategic onboarding and assimilation program can help new employees become embedded in the organization, increasing their likelihood of staying. These practices include formal and informal activities, shared and individualized learning experiences, and assigning more seasoned employees to serve as role models for new employees to help them get to know one another. To add to the existing literature, it can be hypothesized that:

H9: Employee retention will have a significant mediating effect on the relationship between the informal organization and employee productivity of some selected private and public banks in the Ashanti Region.

### **Mediating effect of employee retention on the relationship between commitment and employee productivity**

An organization seeking to adopt a commitment approach will reduce the likelihood of an employee searching for an alternative. Khan (2018) explored whether training and employee commitment predict employee retention. Using the convenience sampling method, data were collected from 124 employees working at different levels in the Private Sector in UAE (United Arab of Emirates). The findings revealed that employee commitment predicts employee retention better than training. However, of the three types of commitment which are affective, normative, and continuance commitment, affective commitment is the strongest predictor of turnover. That is because employees value positive work experiences; hence, an organization that provides employees with positive work experiences increases the desire of employees to stay. In a similar study, Osa and Amos (2014) conducted a survey of 200 Nigeria Brewery Plc employees at the corporate headquarters. Organizational commitment has a considerable impact on employee productivity, according to the study, and so, therefore, enhances organizational performance and effectiveness.

Another study by Paillé (2012) looked into the link between organizational citizenship, employee commitment, and the decision to leave the company. The findings suggest that citizenship behavior plays a function in mediating the relationship between employee commitment and intent to leave the company. Abrahamyan, Mirzoyan, and Santos (2014) also investigated the relationship between employee commitment and performance in three ICT companies in Armenia. An email-based interview was conducted among 14 employees. The study recommended that to increase the levels of commitment and performance of IT employees' specific factors need to be considered. Firstly, investment in employees such as constructive communication, mentoring, and up-skilling. Secondly, appropriate remuneration policies. Third, communication of awareness of the company's situation regarding not only different departments but also the organization's position in the market.

Moreover, management of employees' expectations and helping them to achieve specific objectives. Also, consideration of the organization's environment, such as turnover and colleagues' professionalism. Last but not least, consideration of a performance management process. This unique research seeks to add to the existing literature; hence, it can be hypothesized that;

H10: Employee retention will have a significant mediating effect on the relationship between commitment and employee productivity of some selected private and public banks in the Ashanti Region.

### **Methods**

A descriptive study design was chosen to discover what employees in the banking industry require to enhance their productivity. Descriptive research was the most direct and economical choice to begin to examine the impact of compensation, commitment, informal organization, job

satisfaction, and employee retention on employee productivity of some selected private and public banks in the Ashanti Region.

The target population for the selected private and public banks was 259 employees. The number of employees at GCB Bank Limited (commercial link branch) is 15, 28 for the Adum SSNIT branch, and 20 for the Kejetia branch. For Consolidated Bank of Ghana (CBG), the total number of employees at the KNUST branch is 21, and 28 for the Adum branch. The number of employees at Cal Bank (KNUST branch) is 18, and 12 for the Adum Branch. The total number of employees for Zenith Bank (Adum Branch) is 25, 21 for Republic Bank (Adum Branch), and 17 for the KNUST branch. For UBA (Universal Bank of Africa, Adum Branch), the number of employees is 15 and 27 for Ecobank (Adum branch), and for the KNUST branch, 12 employees. The sample size proposed for this study is based on the "rule of 5" (Hair, Anderson, Babin, & Black, 2010). The minimal sample size for this study should be 195 ( $39 \times 5=195$ ), according to the rule of 5. The researchers distributed 270 questionnaires for data collection in this study. The study adopted a simple random sampling technique, which is a probability sampling method.

A closed-ended questionnaire was utilized to collect data from the respondents for this study. Section 1 was designed to elicit information about respondents' socio-demographic characteristics. Section 2 was divided into six parts, and each measured the six variables of this study. The responses of the participants were measured using the 5-point Likert-type scale. This scale allowed for degrees of opinion, which were scored from 1 (Strongly Disagree), 2 (Disagree), 3 (Slightly Agree), 4 (Agree), and 5 (Strongly Agree).

## **Results and Discussion**

### **Data analysis and presentation of the findings**

#### *Reliability testing*

Cronbach's alpha is the most commonly used measure to test the consistency of the entire scale. The reliability scores, as measured by Cronbach's alpha, should exceed the threshold of 0.70. This study deemed it important to check the reliability score of the six variables. Hence, Table 1 displays the reliability test results of each variable.

**Table 1.**  
Reliability test results

	<b>Variables</b>	<b>Number of items</b>	<b>Cronbach Alpha</b>
1	Employee Productivity	7	0.718
2	Employee Retention	5	0.710
3	Job Satisfaction	5	0.800
4	Commitment	5	0.710
5	Compensation	5	0.817
6	Informal Organization	6	0.771

Source: Field survey (2020)

The results show that with 7 items measuring employee productivity, Cronbach's alpha value was 0.718. The Cronbach's alpha for employee retention with 5 items was 0.710. Job satisfaction, which had 5 items, reported a Cronbach's alpha value of 0.800. Also, 5 items measuring commitment had a Cronbach's alpha value of 0.710. Compensation, which had 5 items, reported a Cronbach's alpha value of 0.817. Lastly, the informal organization reported a Cronbach's alpha value of 0.771 with 6 items. These results proved that all the items in the questionnaire are consistent and reliable. Table 1 depicts the details.



*Multiple linear regression*

Under the regression analysis, the researchers present three main tables as a model summary using PROCESS MACRO for SPSS by Hayes (2015) to run the analysis. From the tables below, the bootstrapping method used in the estimation of the indirect effects did not produce p-values. The indirect effect is tested using non-parametric bootstrapping. If the null of 0 falls between the lower and the upper bound of the 95% confidence interval, then the inference is that the population indirect effect is 0. If 0 falls outside the confidence interval, then the indirect effect is inferred to be non-zero and statistically significant. Table 2 reports the regression analysis for compensation and employee productivity.

From Table 2, the results show that compensation has a positive significant effect on employee retention since the p-value (0.002) < 0.05. The positive effect signifies that an increase in compensation will lead to an increase in employee retention. That is because employees feel their efforts and capabilities are appreciated if they are better compensated, which will most likely entice them to remain in the organization. Secondly, compensation has a positive significant effect on employee productivity since the p-value (0.000) < 0.05. The positive effect implies that when compensation increases, employee productivity will increase. Because highly compensated employees will work to the highest of their abilities. Also, employee retention has a positive significant effect on employee productivity with the p-value (0.001) < 0.05. This signifies that an increase in employee retention will lead to an increase in employee productivity. This means that retaining quality employees increases their morale and boosts their productivity, which contributes to the organization's competitive advantage.

From Table 2, the indirect effect is positive and significant because the bootstrap confidence interval, 0.004 to 0.055, does not include zero. The results of this hypothesis indicate that employee retention significantly mediates the relationship between compensation and employee productivity. In terms of moderation, the result revealed a bootstrap confidence interval of -0.274 to -0.000. This means that when the researchers interact compensation with job satisfaction, its effects on employee retention are significant but negative. This implies that when job satisfaction interacts with compensation, it reduces the strength to which compensation can predict employee retention.

**Table 2.**

Regression results for compensation and employee productivity

Effect type	Path	Effect	SE	P Value	LLCI	ULCI
Direct	CP → ER	0.172	0.056	0.002	0.060	0.283
	CP → EP	0.296	0.039	0.000	0.219	0.373
	ER → EP	0.155	0.047	0.001	0.063	0.247
Mediation	CP → EP via ER	0.027	0.013	-	0.004	0.055
Moderation	(CP*JS) → ER	-0.137	0.069	0.049	-0.274	-0.000
	(CP*JS) → EP via ER	-0.021	0.013	-	-0.047	0.004

CP: Compensation

EP: Employee Productivity

ER: Employee Retention

JS: Job satisfaction

Path significant at 5% (2- tailed test)

Number of bootstrap samples= 5000

From Table 3, the results show that commitment has a direct significant effect on employee retention since the p-value (0.001) < 0.05. The positive effect implies that an increase in commitment from employees will lead to an increase in employee retention. This means that employees showing commitment toward the organization influences intention to stay. Furthermore, from Table 3, the results show that commitment has no direct positive effect on employee productivity since the p-value (0.099) > 0.05. This means that employees' commitment to the job is not related to their productivity.

However, Table 3 indicates that the indirect effect is positive and significant because the bootstrap confidence interval, 0.025 to 0.132, does not include zero. Employee retention significantly mediates the relationship between commitment and employee productivity. There is a full mediation because commitment cannot directly affect employee productivity unless through employee retention. With the moderation effect, the results showed a bootstrap confidence interval of -0.079 to 0.208. This signifies that when commitment interacts with job satisfaction, its effects on employee retention are not significant. This means that when the researchers interact with job satisfaction with commitment, commitment cannot predict employee retention.

**Table 3.**  
Regression results for commitment and employee productivity

Effect type	Path	Effect	SE	P Value	LLCI	ULCI
Direct	CT → ER	0.379	0.063	0.000	0.255	0.503
	CT → EP	0.091	0.055	0.099	-0.017	0.198
	ER → EP	0.193	0.055	0.000	0.084	0.302
Mediation	CT → EP via ER	0.073	0.027	-	0.025	0.132
Moderation	(CT*JS) → ER	0.064	0.073	0.381	-0.079	0.208
	(CT*JS) → EP via ER	0.012	0.018	-	-0.014	0.056

CT: Commitment

Path significant at 5% (2- tailed test)

Number of bootstrap samples= 5000

From Table 4, the results show that informal organization has a direct significant effect on employee retention since the p-value (0.001) < 0.05. The positive effect signifies that an increase in the informal organization will lead to an increase in employee retention. That is because strong social networks in the organization decrease employees' intention to leave. Moving on, the informal organization has a direct significant effect on employee productivity since the p-value (0.001) < 0.05. The positive relationship signifies that an increase in the informal organization will lead to an increase in employee productivity. That demonstrates that good relationships with co-workers will produce better work-related outcomes.

From Table 4, the indirect effect is positive and significant because the bootstrap confidence interval, 0.003 to 0.131, does not include zero. The results of this hypothesis indicate that employee retention significantly mediates the relationship between the informal organization and employee productivity. In terms of moderation, the result revealed a bootstrap confidence interval of -0.029 to 0.019. That means that when the researchers interact with the informal organization with job satisfaction, its effects on employee retention are not significant because the null of 0 falls between the lower and the upper bound of the 95% confidence interval. This means that when the researchers interact with job satisfaction with the informal organization, the informal organization cannot predict employee retention.

**Table 4.**  
Regression results for the informal organization and employee productivity

Effect type	Path	Effect	SE	P	LLCI	ULCI
Direct	IO → ER	0.499	0.065	0.000	0.371	0.627
	IO → EP	0.237	0.059	0.000	0.118	0.355
	ER → EP	0.124	0.056	0.028	0.013	0.235
Mediation	IO → EP via ER	0.062	0.033	-	0.003	0.131
Moderation	(IO*JS) → ER	-0.056	0.084	0.504	-0.221	0.109
	(IO*JS) → EP via ER	-0.007	0.012	-	-0.029	0.019

IO: Informal Organization

Path significant at 5% (2- tailed test)

Number of bootstrap samples= 5000

## Discussion of the findings

The principal finding of this research was that compensation significantly predicts the intention of employees to stay. This finding is in consonance with an earlier finding of Terera and Ngirande (2014) that compensation enhances employee retention. However, the point of divergence is time, where Terera and Ngirande reiterated the timing of compensation and indicated that early release of salaries and bonuses could enhance employee retention.

Similarly, Bryant and Allen (2013) also underscored the critical role of compensation in employee retention and suggested compensatory measures that could help retain employees. In their opinion, fair and equitable salary administration, transparent and fair salary determination, and providing long-term incentives could dissuade the intention of critical employees to leave. Admittedly, Bryant and Allen (2013), unlike Terera and Ngirande (2014) and the presented study, employed a review of the literature, and these suggestions were not borne out of empirical research. Therefore, its suggestions cannot be replicated.

On hypothesis 2, the regression analysis results turned out to be consistent with the findings of Mossholder et al. (2005), whose finding was that improved interpersonal relationships with co-workers at the workplace heightens the likelihood of employees deciding to stay with the organization. That was later complemented by Bertelli's (2007) assertion that employees who perceive the workplace environment as friendly and congenial are most likely to stay. Likewise, Yuan (2019) found that employees dread the loss of social ties and become closely knitted, thereby enhancing the intention to stay. The finding that there exists a direct positive effect of the informal organization on employee retention is related to Mossholder et al. (2005). Bertelli (2007) and Yuan (2019), though the studies might have been conducted in different contexts.

The dimension that examined the impact of commitment on employee retention exhibited direct significant predictability. Similarly, Zainuddin and others found that employees with affective commitment to the organization have a 35% influence on staying with the organization (Noor et al., 2020). That corroborates the finding of this study on this dimension, emphasizing the impact of commitment on the attrition rate in the organization.

Retention and productivity have long been researched. Through empirical studies, Shyam Nivedhan and Priyadarshini (2018) revealed that the use of gratification elements such as effective recruitment, maintaining cordial relationships, and improving the working conditions of employees, among others, improved retention, which further increases productivity by 10-15 percent. This finding is akin to that of the present study, which found that employee retention has a significant direct effect on productivity, thereby suggesting a strong correlation between employee retention and productivity.

In another hypothesis, when an interactive effect was created between compensation and job satisfaction, its effect on retention was inversely significant. That implies that the cumulative effect of compensation and job satisfaction diminishes the extent to which compensation can predict employee retention. Tj et al. (2021) though established that employees have good job satisfaction to increase employee retention. However, the moderating effect of job satisfaction in the relationship between compensation and retention the statistics said otherwise. That may be due to the findings of Terera and Ngirande (2014) that rewarding employees does not necessarily result in job satisfaction but however influences retention.

As underscored by Mayo (1945) decades ago, employee relationships and the provision of social needs are crucial to employee wellbeing at the workplace. Priyasad and Weerasinghe (2017) espoused that having a good relationship with colleagues at the workplace influences the decision to stay. The moderating role of job satisfaction was thus created between informal organization and retention in the present study. It was found that the interactive effect of job satisfaction in the relationship between informal organizations and retention has no predictive effect. The implication is, therefore, that retention may be influenced by social needs (Mayo, 1945) and good social networks and relationships (Priyasad & Weerasinghe, 2017), albeit retention is not influenced by the interactive effect of Job satisfaction and informal organization at the workplace.

### **Practical implications**

The findings of this study will be of great use to the management of the banking industry. For every organization to increase the productivity of employees as well as the productivity of the organization, management needs to make sure a good and equitable compensation program exists. High compensation will make employees feel worthy and satisfied with their jobs because their efforts and time are appreciated. Also, the atmosphere at the workplace should be friendly because the findings show that when an informal organization exists in the workplace, it improves the productivity of employees. It will be very difficult for employees to express their emotions and make the workplace a second home if work is carried out in a formal setting. Through informal organization, all employees can easily interact and take advice from each other. Employees become strongly attached, which discourages them from leaving the organization.

Moreover, the study proved that committed employees are more likely to remain on the job because they have become psychologically attached to it. Committed employees are more cheerful and productive because cheerful employees perform at a greater pace and want to contribute to the success of the organization. If management puts all these measures in place, it will prevent employees from leaving the organization as well as increase employees' productivity.

### **Limitations and direction for future research**

Conducting research during the recently concluded pandemic has been challenging. The main limitation of the study was obtaining information from the respondents. Gathering information from the respondents was difficult due to their busy work schedules and the implementation of shift work as a result of COVID-19 restrictions. Additionally, due to resource constraints such as finances, time, and access to information, the study was unable to include all the banks in the Ashanti Region of Ghana.

Another researcher who is yet to embark on a new study could consider these recommendations to make their study unique and address the gap in existing literature. We suggest that future studies with large sample sizes focus on testing the following:

A comparative study can be conducted to compare the factors influencing employee productivity with the mediating role of employee retention in private banks and public banks in various regions of Ghana.

To gain a better understanding of this subject, future research should narrow down to investigate the impact of each indicator (commitment, compensation, and informal organization) on employee productivity, considering the moderating role of job satisfaction in both private and public banks.

Additionally, it should be noted that this study was limited to three variables: commitment, compensation, and informal organization. Therefore, further research incorporating different variables should be conducted to assess the factors influencing employee productivity.

### **Conclusion**

This study aimed to investigate the impact of compensation, informal organization, and commitment on employee retention and productivity. It also explored the moderating role of job satisfaction in selected private and public banks in the Ashanti region. The findings of this study suggest that compensation, commitment, and informal organization positively influence employee retention, which in turn affects productivity. Therefore, it is important for management to prioritize these factors in order to enhance productivity. Additionally, the study found that job satisfaction significantly moderates the relationship between compensation and employee retention. However, it did not find significant moderation between informal organization and employee retention, as well as between commitment and employee retention.

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