

**THE IMPACT OF STAFF PROMOTIONS AND  
REMUNERATION PACKAGE ON STAFF TURNOVER:  
EVIDENCE FROM THE  
SMALL SCALE LOCAL LICENSED COMMERCIAL  
BANKS IN SRI LANKA**

**BY**

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**GS/MC/2352/2004**

**Thesis submitted to the University of Sri Jayewardenepura  
for the award of the M.Sc (Management) Degree Program**

**M.Sc (Management) Degree Program**

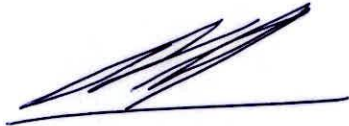
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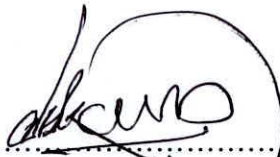
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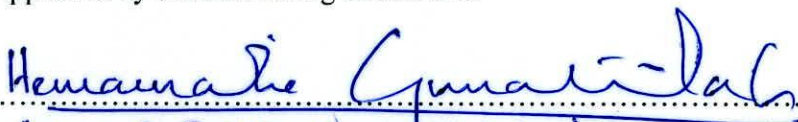
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## ACKNOWLEDGEMENTS

I wish to express my gratitude to my supervisor, Mr. M.V.S.S. Udayanga, Senior Lecturer, Department of Business Administration, University of Sri Jayewardenepura for the excellent guidance, encouragement and the support given to me during the period of my endeavor in completing this dissertation.

My special thanks are due to Prof. H.H.D.N.P.K. Optaha, Head of Human Resource Management Department, University of Sri Jayewardenepura for his valuable guidance and support given through out the entire M.Sc. Program.

I extend my sincere thanks to Dr. S.Amaratunga, former course coordinator of MSc. Management Degree Program and the present coordinator Dr. P.D.Nimal for their efforts in making this program a success. Further I wish to express my appreciation to all my lecturers of the MSc. (Management) Degree Program 2004/2005, who imparted their knowledge and encouraged me to complete this dissertation.

I owe a special debt to the existing and ex-staff of the three small scale licensed commercial banks who responded to my questionnaire admirably. I also wish to thank the management of PABC Bank (my employer) for the support through out the whole program.

**The Impact of Staff Promotions and Remuneration Package on  
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By E M Naleen Edirisinghe**

**ABSTRACT**

The small scale licensed commercial banks of Sri Lanka are in a dilemma at present with their staff turnovers on the high side compared to other banks. There is a general conception among these banks that the main reason for this is the dissatisfaction on staff promotions and remuneration package.

The objective of this study was to find out the impact of staff promotions and remuneration package on staff turnover of small scale licensed commercial banks in Sri Lanka. Even though there is sufficient literature to explain the relationship of the above variables there has never been an empirical study to analyze same with regard to the small scale licensed commercial banks in Sri Lanka. The study also tried to ascertain whether job satisfaction moderates the above relationship.

Thus, a research framework consisting of two independent variables namely staff promotions and remuneration package, a moderating variable namely job satisfaction and a dependent variable staff turnover were developed and five hypotheses were formulated using the deductive approach.



The study was conducted in three small scale commercial banks in Sri Lanka selected on the basis of annual profits. The data were collected from a purposively selected sample of 120 employees by administering a structured questionnaire, which consisted of 42 questions in a 5 point Likert scale. Purpose of the study, type of investigation, extent of researcher investigation with the study, study setting, unit of analysis and time horizon were hypothesis testing, causal, minimal, non contrived, individual and cross sectional respectively.

Data exploration ensured normality but not linearity. The results of the study showed that there is a negative relationship between staff promotions and remuneration package with staff turnover in small scale licensed commercial banks in Sri Lanka. The results also validated that staff promotions and remuneration package significantly explain the variance of staff turnover in these banks. The results also proved that job satisfaction moderates the above negative relationship. The findings proved that there is satisfactory job satisfaction among employees of these banks. However, the satisfaction on staff promotion and remuneration package was moderate. On the other hand the intention to leave was quite high.

The findings have urged the need for better promotions procedures and remuneration packages in these banks, especially in relation to other banks in the country.

## **LIST OF ABBREVIATIONS**

SP	-	Staff Promotions
RP	-	Remuneration Package
ST	-	Staff Turnover
LCBs	-	Licensed Commercial Banks
HRM	-	Human Resource Management
HR	-	Human Resources
PABC	-	Pan Asia Bank Ltd
NTB	-	Nations Trust Bank Ltd
UBC	-	Union Bank of Colombo Ltd
PCBs	-	Private Commercial Banks
ANOVA	-	Analysis of Variance
SD	-	Standard Deviation

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# CHAPTER 01

## 1 INTRODUCTION

### 1.1 Background

Human resource management [herein after referred to as “HRM”] has become one of the most important management functions in organizations today. Day by day companies worldwide are realizing that human resources are the most important assets in any organization. The generic purpose of HRM is to generate and retain an appropriate and satisfied employee force, which gives the maximum individual contribution to organizational success.

The main economic goal of a nation is to enhance the living standards of its people. The organizational goals, which are high productivity, high turnovers, profits, less overheads etc, may not be the individuals’ goals. They may want better salaries, better welfare activities, and better working conditions. Hence, the employers try to create a balance of these two objectives mainly to keep the employees satisfied and to obtain their maximum contribution.

One of the traditional management responsibilities being most strongly challenged is retaining employees with the organization. Therefore, today management is forced to