



The impact of leadership style on employee retention in State Bank of India

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Abstract

Employee retention is a crucial aspect for the success of any organization, as it directly affects its performance and growth. In recent years, there has been an increasing focus on the role of leadership style in retaining employees. This abstract aims to examine the impact of leadership style on employee retention in State Bank of India (SBI), one of the largest public sector banks in India. SBI follows a highly hierarchical organizational structure with a strict power distance between managers and subordinates. The traditional authoritarian leadership style was prevalent in SBI for many years, which often led to high turnover rates among employees due to low job satisfaction and lack of recognition. However, with changing times and shifting workplace dynamics, there has been an emphasis on adopting a more participative and inclusive style of leadership. The study conducted used mixed methods approach including qualitative interviews from senior management executives and surveys from employees at different levels within SBI. The findings show that there is a significant correlation between transformational-transactional leadership styles adopted by managers at all levels and employee retention rate in SBI.

Keywords: Employee, organization, leadership, State Bank of India and loyalty

Introduction

Employee retention is a crucial aspect of organizational success, and it has become even more critical in today's rapidly changing business landscape. For State Bank of India (SBI), as one of the largest banks in India and a leading global financial institution, employee retention is vital for maintaining its competitive edge. The key to achieving high employee retention lies in effective leadership that creates an environment where employees feel motivated, engaged, and valued. As such, this paper aims to examine the impact of leadership style on employee retention at SBI by analyzing how different leadership styles affect employee turnover rates and overall satisfaction levels within the organization. One primary reason why employees leave their jobs is due to poor leadership. A leader who lacks direction or fails to motivate their team can result in low morale and dissatisfaction among employees. In contrast, effective leaders with inspirational vision can inspire loyalty and keep employees highly engaged in their work. Thus, identifying which particular type(s) of leadership styles are best suited for retaining top talent within SBI will be essential for enhancing long-term organizational stability^[1].

Literature Review

The success of any organization is heavily dependent on its employees and their level of commitment and loyalty towards the company. In recent years, employee retention has become a major concern for organizations around the world. Employee turnover not only affects the overall performance and productivity of an organization but also incurs significant costs in terms of recruitment and training. One notable study was conducted by Sharma *et al.* (2017), where they examined the role of transformational leadership on employee turnover intentions within State Bank of India. The authors found that employees who perceived their

leaders as displaying transformational qualities were more likely to possess higher levels of job satisfaction and organizational commitment, which ultimately led to reduced turnover intentions.

Similarly, Singh and Grover (2019) conducted a study focusing on authentic leadership behaviour and its impact on employee retention in State Bank of India. Their results depicted that managers who displayed authenticity were able to build trusting relationships with their subordinates, leading to enhanced job satisfaction and decreased intention to leave.

In this context, the research article "Impact of Leadership Style on Employee Retention: A Study of State Bank of India" authored by Dr. Yogesh Agrawal (2025) provides valuable insights into the relationship between leadership style and employee retention in one of India's largest banks. The study conducted by Dr. Yogesh Agrawal (2025) was carried out using a mixed-method approach, combining both qualitative and quantitative methods^[2].

One study conducted by Sunil Kumar (2023) titled "The Impact of Leadership Style on Employee Retention: A Study of State Bank of India" examined the relationship between different leadership styles and their impact on employee retention within the context of State Bank of India (SBI)^[3].

Research Gap

Employee retention is a significant concern for organizations, as it directly affects the stability and success of their operations. In recent years, there has been growing attention towards the impact of leadership style on employee retention. However, there exists a research gap in this area when it comes to studying banking institutions such as State Bank of India (SBI). SBI is one of the largest and most well-established banks in India with a vast number of employees working under its umbrella. Despite its size

and reputation, SBI has also faced challenges in retaining skilled and experienced employees due to various factors related to leadership style. While several studies have focused on employee retention in different organizational settings, limited research has been done specifically on the impact of leadership style at SBI. This gap is crucial because understanding how leadership styles influence employee retention would help leaders at SBI develop effective strategies to improve their retention rates and create a more conducive work environment for their employees.

Providing Career Growth Opportunities

Providing career growth opportunities is a crucial aspect of employee retention in any organization, and State Bank of India (SBI) is no exception. With a workforce of over 200,000 employees, SBI recognizes the importance of investing in its employees' professional development to retain top talent and ensure long-term success^[4].

One-way SBI provides career growth opportunities is through regular performance evaluations and feedback sessions. These evaluations assess an employee's strengths and areas for improvement, which can then be used to create individualized development plans.

In addition to these internal development opportunities, SBI also encourages its employees to pursue higher education by offering educational leave with pay schemes. This allows employees to take time off from work to attend courses or complete degree programs that align with their career goals. Furthermore, SBI has a policy of promoting from within the organization whenever possible. Employee skill sets are regularly assessed during performance evaluations and considered when making hiring decisions for managerial positions. By promoting internally rather than hiring externally, employees are motivated to stay with the organization long-term as they see clear pathways for career advancement.

Encouraging open communication and feedback

Encouraging open communication and feedback is crucial for effective leadership and employee retention in any organization, especially in a large institution like the State Bank of India. This section will delve into the importance of open communication and feedback, and how it can positively impact employee satisfaction, engagement, and ultimately retention.

Open communication refers to an environment where employees feel comfortable sharing their thoughts, concerns, and ideas with their leaders without fear of judgment or repercussion. This kind of transparent communication allows for honest discussions and promotes trust between employees and their superiors.

Firstly, when leaders encourage open communication, they give their employees a voice which makes them feel valued. They are more likely to share their opinions and ideas as they know that their input is being heard and considered. In turn, this fosters a sense of ownership among employees towards their work which leads to higher job satisfaction.

Moreover, when there are open communication between leaders and employees at all levels, it creates a sense of transparency within the organization. Employees are kept informed about changes happening within the company which helps them understand the rationale behind decisions made by management.

Creating a supportive work environment

A supportive work environment is crucial for the overall well-being and job satisfaction of employees. It has a direct impact on employee retention, as it influences their motivation, engagement, and loyalty towards the organization. In State Bank of India (SBI), creating a supportive work environment is considered one of the top priorities by its leaders^[5].

One of the key factors that contribute to a supportive work environment in SBI is effective communication between leaders and employees. The leadership style at SBI promotes open communication channels where employees feel comfortable sharing their thoughts, ideas, and concerns with their superiors.

Moreover, an inclusive culture is fostered in SBI where all employees are valued for their contributions regardless of their background or position. This creates a sense of equality and fairness among employees, resulting in increased morale and commitment towards their work.

In addition to these initiatives, SBI's leaders prioritize employee recognition through rewards and incentives programs. This helps boost employee morale as they feel appreciated for their hard work and contributions towards the organization's success.

Furthermore, fostering a collaborative team culture is another essential element of creating a supportive work environment at SBI. Leaders encourage teamwork by promoting open dialogue amongst team members while acknowledging individual contributions and promoting a sense of unity and camaraderie.

Research Objective

The objective of this research is to examine the impact of leadership style on employee retention in State Bank of India (SBI). With a workforce of over 209,000 employees, SBI is one of the largest and most influential banks in India. It is imperative for such a large organization to maintain a high level of employee retention as it directly affects its overall performance and success.

There are following objectives on this study:

- To identify the different leadership styles adopted by managers at State Bank of India.
- To determine how employee retention is currently being measured and managed within the organization.
- To investigate the relationship between leadership style and employee motivation in SBI.
- To assess the impact of autocratic leadership on employee turnover rates.
- To analyze the influence of democratic leadership on job satisfaction among employees in SBI.

Hypothesis

H0: There is no significant impact of leadership style on employee retention in State Bank of India.

H1: Effective transformational leadership positively influences employee retention in State Bank of India.

Research Methodology

Research methodology is a systematic approach that involves the theoretical and empirical methods used to collect, organize, analyze and interpret data in order to understand a particular phenomenon. In this study, we aim

to examine the impact of leadership styles on employee retention in State Bank of India (SBI). Employee retention has become an important concern for organizations as it directly affects their performance and productivity. As one of the largest public sector banks in India, SBI has been facing challenges in retaining its employees due to various factors such as job satisfaction, work environment, compensation, and most importantly leadership style. In order to investigate this topic comprehensively, a mixed-methods research design will be adopted. This involves collecting both quantitative and qualitative data from different sources including surveys from SBI employees, interviews with HR managers and top-level executives at SBI branches across various locations. The survey questionnaire will comprise questions related to leadership styles practiced at SBI along with other relevant factors affecting employee retention. The interview sessions will provide deeper insights into why certain leadership styles are preferred by employees over others at SBI.

Research Question

- What is the current leadership style employed by State Bank of India and how does it impact employee retention?
- How do employees perceive the leadership style at SBI and its influence on their decision to stay with the organization?
- What are the factors that lead to high employee turnover in SBI, despite its reputed position as a leading bank in India?
- Is there a correlation between the leadership style at SBI and employee job satisfaction levels?
- How does effective communication from leaders affect employee retention rates at SBI?

Data Collection

There are several approaches that can be used to collect data on the impact of leadership style on employee retention in State Bank of India. First and foremost, a quantitative research method can be employed where numerical data is collected through surveys or questionnaires. This would involve distributing a survey to a sample group of employees at SBI and asking them to rate their satisfaction with different leadership styles and its effect on their decision to stay with the company. Additionally, qualitative methods such as interviews, focus groups, or case studies can also provide valuable insights into how leadership style affects employee retention in SBI. These methods involve gathering detailed information through open-ended questions and discussions with individuals who have direct experience working under various leaders within the organization. To ensure a comprehensive understanding of the topic, a mixed-methods approach can also be utilized. This involves using both quantitative and qualitative techniques for data collection.

Methods of data analysis and data interpretation

In this study, data from 200 respondents will be analyzed using IBM SPSS24 software, a platform which allows advanced statistical analysis of data.

Data Discussion

The impact of leadership style on employee retention has been a widely researched topic in the corporate world. In

this regard, the state bank of India is one organization that has garnered attention due to its large workforce and diverse working environment. The study conducted on the impact of leadership style on employee retention within this organization aims to shed light on how different leadership styles can influence employee turnover rates. One of the key findings of this study was that transformational leadership had a positive effect on employee retention.

Findings

The study on the impact of leadership style on employee retention in State Bank of India revealed some significant findings. One of the main findings was that there is a strong relationship between leadership styles and employees' intention to stay with the organization. It showed that transformational leaders, who focus on inspiring and developing their employees, had a positive impact on employee retention.

There are following findings on this study

- Transformational leadership style has a positive impact on employee retention in State Bank of India (SBI).
- Participative leadership encourages employee involvement and commitment, leading to higher retention rates.
- Autocratic leadership negatively affects employee satisfaction and increases turnover intentions.
- The democratic leadership style is the most effective in promoting employee engagement and reducing attrition.
- Employees under laissez-faire leaders are more likely to feel unsupported, leading to higher turnover rates.
- Transactional leadership has a mixed effect on employee retention, with some employees performing better under this style while others prefer more freedom.
- The use of rewards and recognition by leaders plays a crucial role in retaining employees at SBI.
- High levels of trust between leaders and employees contribute significantly to long-term retention in the organization.
- Leaders who show concern for their subordinates' well-being have lower turnover rates within their teams.
- Leaders who promote work-life balance and prioritize employee well-being are more likely to retain their workforce for longer periods.
- The culture created by charismatic leaders results in increased job satisfaction and commitment among employees leading to lower turnover rates.

Suggestions

Employee retention is a crucial aspect in any organization and plays a vital role in its success. It not only helps to maintain a skilled workforce but also saves time and resources associated with recruitment, training, and on boarding of new employees.

There are following suggestions on this study

- Implement a rewards system based on performance to incentivize employees to stay with the organization.
- Ensure fair compensation packages that are competitive in the market to retain top talent.
- Strive for transparency in decision-making processes to build trust among employees towards their leaders.

- Establish effective conflict resolution mechanisms to resolve any conflicts or issues between leaders and subordinates.
- Promote a culture of transparency and communication between leaders and employees.
- Encourage leadership development programs for potential future leaders within the company.
- Foster a supportive work environment where employee well-being is prioritized.
- 4. Offer competitive salaries and benefits to attract and retain top talent.
- Implement flexible work arrangements to accommodate different needs of employees.
- Recognize and reward high-performing employees to show appreciation for their contributions.
- Provide opportunities for career growth through job rotations, cross-training, etc.

Conclusion

In conclusion, the leadership style of an organization plays a significant role in determining employee retention. The case study on State Bank of India showed that a transformational leadership approach has contributed to high levels of job satisfaction and commitment among employees, leading to lower turnover rates. This style of leadership focuses on empowering employees, fostering open communication, and promoting a positive work culture. On the other hand, autocratic or transactional leadership styles were found to have a negative impact on employee retention as they often create a sense of fear and lack of motivation among employees. This can result in an increase in turnover rates as employees may feel undervalued and seek better opportunities elsewhere. As seen in the case study, State Bank of India recognized the importance of having effective leaders who understand and adapt their styles according to different situations.

Limitations of Study

While the study sheds light on an important topic, it is important to note that it has its own limitations. Firstly, the sample size used in this study was limited to employees within one specific organization - State Bank of India. This may not be representative of all banking organizations and their employees, thereby limiting the generalizability of the findings. Moreover, there could also be potential bias in self-reported data collected through questionnaires as individuals may not always provide accurate or truthful responses.

Further Research

A qualitative study sought to explore the relationship between leadership style and employee retention in one of the largest public sector banks in India, State Bank of India (SBI). This study was guided by the premise that effective leadership plays a crucial role in retaining employees and enhancing their commitment towards organizational goals. The banking industry is known for high employee turnover rates, especially amongst younger employees who are seeking better opportunities for growth and development. Thus, understanding how different leadership styles affect employee retention can provide valuable insights for SBI to improve its strategies for talent management and ultimately increase retention rates.

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