# Analysis of Factors Affecting Loyalty of Employees of Private Higher Education Institutions in Herat, Afghanistan

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This study examined factors affecting employee loyalty of Higher Education Private Institutes in Herat, Afghanistan. Present research is exploratory as well as descriptive in nature. To gain the objectives of this study, self-structure questionnaire was made and distributed to 132 employees of private higher education institutions to collect primary data. In this research, for data analysis in descriptive statistics, SPSS24 separation software and for data analysis in inferential statistics, which includes fitting of measurement model, fitting of structural model and testing of research hypotheses from Smart software PLS3.0 was used. Results show that factors affecting employee loyalty are: Compensation, Work environment, Person-job fit, Empowerment, and Leadership.

*Keywords:* loyalty, compensation, person job fits, environment, empowerment, leadership

## Introduction

Employee loyalty reflects a deep willingness to join the company. Loyalty of employee represents value of organization and the higher the loyalty is, the greater the commitment is. This can create a constant change about service quality (Jun, Cai, & Shin, 2006; Hart & Thompson, 2007). Duration of service in the company, payroll, work design, leadership style, job characteristics, promotion, training, and rewards to the best performing employees, are all factors that influence employee loyalty. Pramesti (2009) explains that there are three factors that can influence employee loyalty to the company, namely: (a) personal attributes, such as individual age, gender, education; (b) organizational factors, such as organizational size and economic centralization, and (c) role related factors, such as workload and subordinate skills. Furthermore, the results of research conducted by Martini and Mardalis (2012) showed work motivation, pay, career management, and job pressure all had a major positive impact on work loyalty. The objective of this research is to find out factors affecting employee loyalty of higher education private institutes in Herat, Afghanistan. To gain the objectives of the research mix method was used for this research.

## Literature Review

According to Aityan and Gupta (2012), organizations nowadays aim to achieve employee loyalty more than in the past, especially in high-tech organizations, banks, health institutions, and other organizations where employees' involvement and status are not contingent on the number of years they have spent in the organization, but on its qualification and experience in taking the decisions that affect the future of the organization.

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Sopiah (2008) claims that the factors that affect employee loyalty are: Personal factors, for example, age, gender, education, work experience, and personality; Job characteristics, for example, the scope of the office, challenges at work, role conflict in work, and the level of difficulty in the job; Structural characteristics, for example, organizational size (large or small), organizational forms (such as centralized or decentralized), union presence, and the degree of control that the organization does to employees; Work experience, Working experience of employees is very influential on the level of loyalty of employees to the organization. Employees who are just a few years old working and employees who have been working for decades in the organization, of course, have different levels of loyalty.

Setiwati and Zulkaida (2007) hold that the factors that affect employee loyalty are:

1. Characteristics of work.

2. Opportunity for another job.

3. Individual characteristics.

4. Organizational treatment to employees and empowerment.

Employees who are happy with their jobs are more loyal to their employers. Employees who are unhappy with their employment are less likely to contribute to the organisation, which can result in poor job results, low morale, and a lack of discipline. For newly recruited workers, the factors that determine organizational loyalty may be different. After long service life and for employees who have worked in the long stages they will consider the company or organization where he worked has become part of his life.

Beach (2007) deems the most challenging task facing any company is creating a fair and equitable compensation scheme. Enterprises may have differing perspectives on compensation, but they all strive to achieve the following objectives: attraction, retention, motivation, and legal enforcement. A fair and equitable compensation system will help to retain competent employees somewhat. All components in compensation such as basic salary/wage, rewards, and allowances need to set effectively in order to encourage employees. Enterprises must conform to the labour law and related acts on compensation.

Mendonca (2006) claims the first premise is that leadership is an organizational or collective phenomenon manifested by an individual's position behaviour in influencing and regulating the actions of group or organizational members against a common objective. The second premise is that leadership is a relational as well as an attribution phenomenon. That is, leadership comes into play when followers grasp the leader's behaviour in a certain manner, receive the leader's influence attempts, and then credit leadership status to the individual. The third assumption is that leadership can be examined in terms of its contents and processes. In other words, comprehending the leadership phenomenon needs the characteristics of: the basic leadership elements—the leader, the followers, the situational context; and the major relational processes—the leader-follower influence process, the leader-context relational process, and the context-follower relational process.

Based on Edwards (2003), person-job fit (P-J fit) means the match between the capabilities of a person and the demands of a job or the desires of a person and the attributes of a job. The elements of need-supply perspective contain the wants of the individuals and the characteristics and attributes of the job that may meet those desires. Individuals' desires consist of goals, psychological needs, interests, and values. Employment supplies are known as general occupational characteristics, wages, or other job characteristics. The demand-ability viewpoint considers both the work demands that must be met in order to complete the job's tasks and the skills that can be used to meet those demands. Job requirements usually include the experience, skills, and abilities required to perform at a high level.

There are several advantages of charismatic leadership (Conger, 2000). Internal harmony, low internal tension, high value congruence, and high consensus can all be enhanced by charismatic leadership behaviours. Because of the dynamic leadership of a charismatic leader, followers work together to accomplish shared goals. At the individual level, followers' results can be determined in two manners: the followers' behaviours and attitudes toward the leader and toward the task. Regarding followers' behaviours with the charismatic leader, followers show a high degree of respect for the leader, a high degree of faith in the leader, and a high level of satisfaction with the leader. Concerning the followers' attitudes to the task, followers manifest a high degree of cohesion within the team group, a high level of task performance, and a high level of feeling empowered within the organization to complete tasks.

Employee empowerment is key to total quality management (TQM) according to the researchers (Lawler, 1994). Employee empowerment allows employees to overcome challenges related to their jobs and easily integrates them into the company, resulting in higher levels of satisfaction.

## Research Methodology

Present research is exploratory as well as descriptive in nature. In this research, confirmatory factor analysis has been performed using the structural equation method. In this study, a questionnaire was used to collect the required data. The sampling method used in this research is simple random sampling method and from the sampling method $5q < n < 15q$ where q represents the questions, the samples were selected.

**Data Collection**

The statistical population of the present study includes the employees of private higher education institutions in Herat province. At present, according to the latest information obtained, which is a statistical population of 500, due to the limited statistical population, the method $5q < n < 15q$ has been used to determine the sample size. Thus, the statistical sample size was estimated to be at least 90 and at most 270, which was analyzed after the distribution of 132 questionnaires. After testing 30 Cronbach's alpha questionnaires, it was higher than 0.7, which indicates the appropriate reliability of the questionnaire.

## Results of Analysis

Index reliability, divergent and convergent validity were used to measure the fit of the measurement model. Index reliability for measuring internal reliability includes three criteria: factor load coefficients, Cronbach's alpha, and composite reliability. The appropriate value for it is equal to and greater than 7.7.

Table 1

*Cronbach's Alpha Reports and Model Hybrid Reliability*

| Variables | Cronbach's alpha | Composite reliability | AVE |
|---|---|---|---|
| Compensation | 0.711 | 0.838 | 0.634 |
| Employee loyalty | 0.789 | 0.877 | 0.703 |
| Leadership | 0.737 | 0.773 | 0.443 |
| Person-job fit | 0.785 | 0.857 | 0.751 |
| Work environment | 0.780 | 0.871 | 0.694 |

According to Cronbach's alpha values and composite reliability reported in Table 1, as can be seen, all latent variables have a Cronbach's alpha value above 0.7 and a combined reliability coefficient above 0.7. This indicates that the model has good reliability (both in terms of Cronbach's alpha and in terms of combined reliability).

Magner et al. considered the criterion displayed for the desirability of AVE to be equal to and greater than 1.5. Table 1 shows the output results of the model for AVE. As can be seen, the results indicate the appropriateness of convergent validity (AVE). Factor loads are calculated by calculating the correlation value of the characteristics of a structure with that structure and its appropriate value is equal to or greater than 1.5 (Hallund, 1999). Factor loads are shown in Figure 1 and all factor loads are higher than 0.4 and there is no need to delete any of the questionnaire questions.
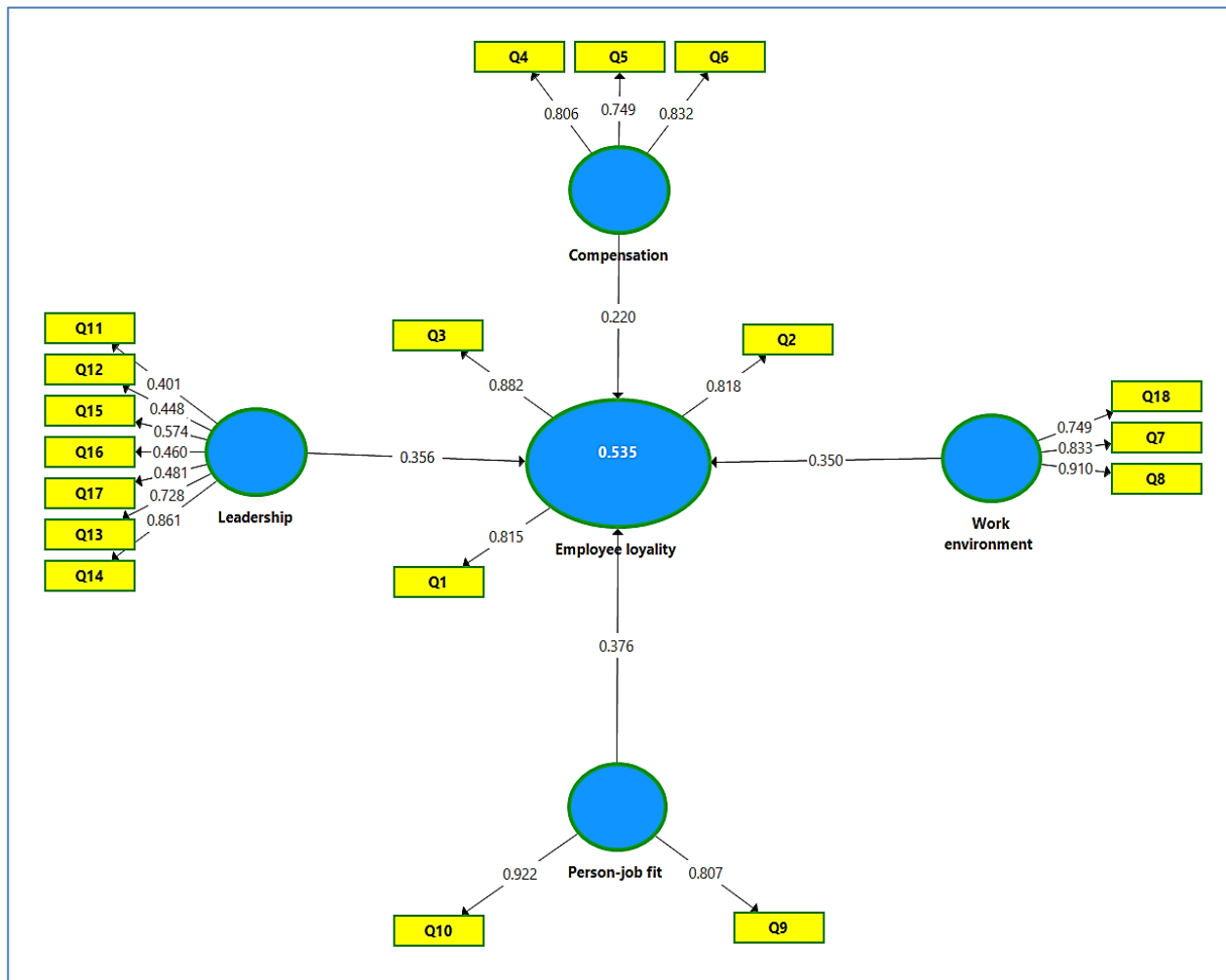


*Figure 1.* Factor loads and impact factor.

The Fornellarker criterion was used to evaluate the divergent validity of the measurement model. According to this criterion, the acceptable divergent validity of a model indicates that one structure in the model has more interaction with its characteristics than other structures.

Based on the results obtained from the correlations and the square root of AB, which is placed on the diameter of Table 2, it is possible to conclude the divergent validity of the model at the structural level according to the Farnerlarker criterion. After measuring the validity and reliability of the measurement model, the structural model was evaluated through the relationships between latent variables. In the present study, the most widely used criteria have been used to fit the structural model. These criteria include: The coefficient of determination

($R^2$) is the coefficient of predictive power (Q2) and the coefficient of significance (*t*-values) and the determination of the effect of $F^2$.

Table 2

*Calculation of Farnerlarker*

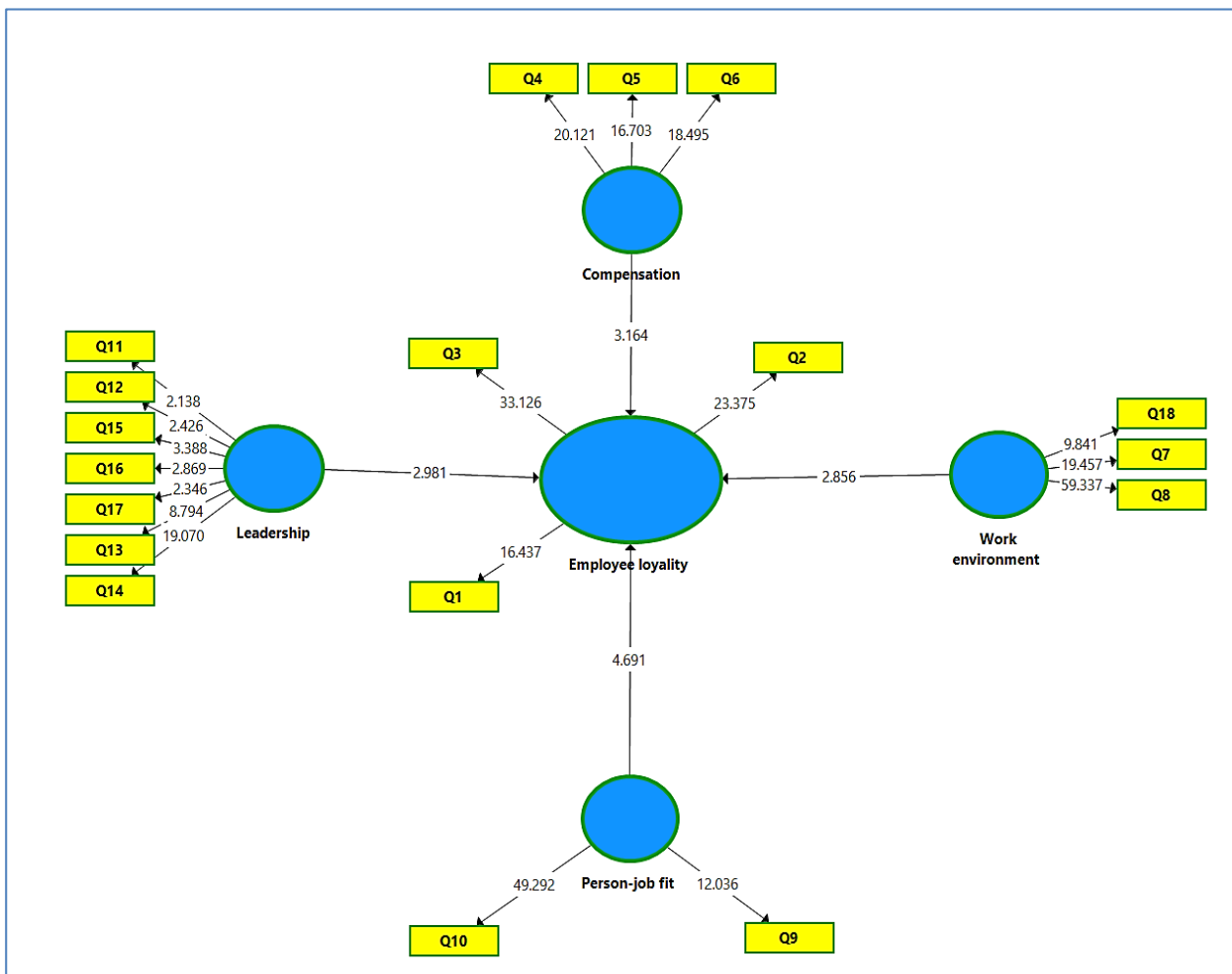| Variables | Compensation | Employee loyalty | Leadership | Person-job fit | Work environment |
|---|---|---|---|---|---|
| Compensation | 0.796 | | | | |
| Employee loyalty | 0.510 | 0.839 | | | |
| Leadership | 0.471 | 0.613 | 0.665 | | |
| Person-job fit | 0.402 | 0.623 | 0.599 | 0.866 | |
| Work environment | 0.450 | 0.609 | 0.527 | 0.522 | 0.833 |



*Figure 2.* Significant coefficients related to research data.

The results obtained from the analysis of the structural model in Table 3 show the criterion $R^2$ (*R* square) for the endogenous variable of the research model. The results of this criterion show that the endogenous variables are greater than 67 and this indicates a strong fit of the structural model. Also in Table 3 and considering that the amount of *Q* square of endogenous variables is greater than 0.35, it can be concluded that the model has strong predictive power.

Table 3

*Determination Coefficient $R^2$ of the Prediction Power Rib $Q^2$*

|  | Employee loyalty |
|---|---|
| $R^2$ | 0.53 |
| $Q^2$ | 0.34 |

Table 3 shows, the *F* square index, which shows the magnitude of the effect of the independent variable on the dependent, is examined, and the results can be seen in Table 4.

Table 4

*The Magnitude of the Effect of the Independent Variable on the Dependent $F^2$*

| $F^2$ | |
|---|---|
| Variables | Employee loyalty |
| Compensation_ | 0.578 |
| Leadership_ | 0.687 |
| Person-job fit _ | 1.186 |
| Work environment _ | 0.737 |

According to Table 4, the effect of each exogenous variable on endogenous is more than 0.35 and does not show that the effect is strong. The SRMR criterion is used to check the overall model fit, which controls both parts of the measurement model and the structure. This index should be less than 0.08 to claim that the overall model fit is acceptable. According to the results, this index is 0.061 and indicates the acceptability of SRMR.

**Investigation of *t*-Statistics and Impact of Coefficients**

According to the tested model of model number three, the *t*-value of all variables is higher than 1.96, which indicates the significance of the relationships. Statistics (*t*) if less than 1.96 indicates rejection of the test and above 1.96 indicates the significance of the relationship between variables. The path coefficient between the variables is also given in pattern number two. In the following, according to Table 5 of the path coefficients, the *t*-statistics for the development barrier variables are given.

Table 5

*Review of t-Statistics and Impact of Coefficients*

|  | β | *t* statistics | *p* values |
|---|---|---|---|
| Compensation_ -> Employee loyalty | 0.220 | 3.016 | 0.003 |
| Leadership_ -> Employee loyalty | 0.356 | 2.981 | 0.002 |
| Person-job fit _ -> Employee loyalty | 0.376 | 4.691 | 0.000 |
| Work environment _ -> Employee loyalty | 0.350 | 2.856 | 0.007 |

As shown in Table 5, the *t*-statistic of all variables related to development barriers is higher than 1.96 and this shows the significant impact of relationships.

## Conclusion

The results of this research show that factors which are affecting employee loyalty are: Compensation, Person Job Fits, Work Environment, Empowerment, and Leadership.

Compensation: The purpose of working is to meet the needs of themselves and their families through the income they earn from working in the organization. Economic needs are one of the most important issues that

people are encouraged to work. The existence of a fair system in the payment of salaries and compensation in the organization are factors that affect employee loyalty and shape employees' attitudes toward the organization. Employees' sense that they will receive compensation based on their competencies, and better performance, and higher productivity, will encourage them to perform better in the organization. On the other hand, when people do not receive adequate salaries, compensation and cannot meet their needs or see injustice in the distribution of salaries, compensation in the organization, they will be indifferent to the goals and missions of the organization and their loyalty to the organization will change.

Person Jobs Fit: The fact that people do an activity that they have the talent to do and are interested in causes them to do their work in the organization with more focus, higher accuracy, and more effort, and as a result, remain faithful to their work. Conversely, when employees' job responsibilities are not commensurate with their skills and interests, people are forced to perform their duties, and on the other hand, the way for employees to be creative becomes difficult. Therefor result shows that person jobs fit affect employee loyalty.

Work Environment: The existence of a conducive and comfortable work environment will create enthusiasm for employee in work and will improve performance and loyalty. Comfortable work environment, adequate facilities, good employee relation, will affect employee loyalty and it will improve performance of employees in organization.

Empowerment: The results of this study indicate that empowerment has a direct positive effect on employee loyalty. This means the better the empowerment is done to the employee so the employee loyalty will increase.

Leadership: According to the results its shows that leadership has a direct effect on employee loyalty.

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