JOURNAL LA BISECOMAN
VOL. 07, ISSUE 04 (799-812), 2026
DOI: 10.37899/journallabisecoman.v7i4.3344

Employee Engagement as a Pathway to Employee Retention: The Role of Employee Well-being and Work-Life Balance in the Banking Sector

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Article Info

Article history:
Received 30 May 2026
Received in revised form 9 July 2026
Accepted 25 July 2026

Keywords:
Employee Well-being
Work-Life Balance
Employee Engagement
Employee Retention
Banking

JEL Classification:
M12; M51; J28; J63; G21

Abstract

Employee retention has become an important challenge in the banking industry amid digital transformation and changing workforce expectations. This study examines the effects of Employee Well-being and Work-Life Balance on Employee Retention through Employee Engagement among employees of BNI Makassar. A quantitative approach was employed using survey data collected from 148 employees selected from a population of 235 employees. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 4. The findings reveal that Employee Well-being and Work-Life Balance positively and significantly affect Employee Engagement and Employee Retention. Employee Engagement also has a significant positive effect on Employee Retention and partially mediates the relationships between Employee Well-being and Employee Retention as well as between Work-Life Balance and Employee Retention. Employee Well-being emerged as the strongest predictor of Employee Retention. These findings indicate that organizational efforts to improve employee welfare, create a supportive work environment, and promote work-life balance can strengthen employee engagement and enhance retention. The study contributes to the human resource management literature by providing empirical evidence on employee retention mechanisms in the banking sector and offers practical implications for developing sustainable human resource strategies.

Introduction

The rapid transformation of the business environment has reshaped how organizations manage human resources as a strategic asset (Fenech et al., 2019; Mueller, 1996; Gunawan & Mikhail, 2025). Advances in digital technology, changing work patterns, increasing industry competition, and evolving workforce expectations have positioned human capital as a critical determinant of organizational sustainability. Contemporary organizations no longer focus solely on achieving business targets but also strive to create a work environment that supports employee well-being, productivity, and loyalty. This shift reflects the growing recognition that the ability to retain talented employees has become an essential factor in maintaining organizational competitiveness within an increasingly dynamic business landscape (Barreto et al., 2025; Tayossyingyong et al., 2025; Duci et al., 2025).

Employee well-being has emerged as a prominent issue in modern human resource management practices (Bhardwaj et al., 2025; Gayathri et al., 2025; Efranto et al., 2026). High work pressure, demanding performance targets, continuous technological adaptation, and increasing job complexity may adversely affect employees' psychological and emotional conditions. Such circumstances can contribute to work-related stress, emotional exhaustion, declining motivation, and a stronger intention to leave the organization. Desiana et al. (2024)

ISSN 2721-0987 (Print), ISSN 2721-124X (Online)

emphasized that employee well-being is closely associated with employee engagement and turnover-related outcomes among employees in Indonesia. Likewise, Sypniewska (2023) demonstrated that employee engagement and positive workplace experiences contribute significantly to employee retention and organizational sustainability. These findings suggest that employee well-being has evolved into a strategic component of sustainable human resource management (Bučiūnienė & Goštautaitė, 2026; Pham et al., 2026; Sypniewska et al., 2023).

The banking industry represents one of the sectors experiencing the most intensive organizational transformation in recent years (Naimi et al., 2022; Jameaba, 2024; Cosmulese et al., 2026). The expansion of digital financial services, changing customer behavior, and increasing competition among financial institutions have compelled banks to continuously transform their business models. Such transformation has not only altered operational processes but has also intensified performance expectations placed upon employees. Banking employees are required to adapt to technological advancements, maintain service quality, and achieve increasingly demanding business targets. These conditions may influence employees' quality of work life and overall well-being when organizational support mechanisms are insufficient (Alhaider & Alqahtani, 2026; Giovanis et al., 2026).

PT Bank Negara Indonesia (Persero) Tbk is one of Indonesia's leading banking institutions actively implementing digital transformation as part of its corporate strategy. The company's 2024 Annual Report highlights ongoing efforts to strengthen digital banking services, enhance customer experience, and develop technological innovations aimed at improving organizational competitiveness. These strategic initiatives require human resources who are adaptive, competent, and highly committed to organizational goals. The 2024 Sustainability Report further emphasizes human capital development, employee competency enhancement, and employee value proposition as integral components of the company's sustainability strategy. This strategic orientation reflects the critical role of human resources in ensuring organizational resilience amid increasingly complex business challenges.

Employee retention has become a critical issue in human resource management within the banking sector. The ability to retain qualified employees directly affects operational effectiveness, service quality, and organizational sustainability. High employee turnover may increase recruitment, training, and onboarding costs while simultaneously reducing organizational efficiency. The loss of experienced employees may also weaken an organization's capacity to achieve its strategic objectives. Previous studies have consistently highlighted employee retention as a key determinant of organizational performance and workforce sustainability, particularly in service-intensive industries such as banking (Kyndt et al., 2009; Sypniewska, 2023).

Changes in workforce characteristics have also influenced organizational retention strategies. Contemporary employees no longer view financial compensation as the sole reason for remaining with an organization. Work-life balance, psychological well-being, workplace flexibility, opportunities for personal growth, and the overall quality of the work environment have become increasingly important considerations in employment decisions. Desiana et al. (2024) found that employee well-being and employee engagement significantly influence turnover intention among Indonesian employees. These findings indicate that psychological and experiential aspects of work play a crucial role in fostering employee loyalty.

Employee well-being is widely recognized as an effective approach to strengthening employee retention. The concept refers to employees' physical, psychological, and social well-being experienced throughout their employment. Higher levels of well-being enable employees to

ISSN 2721-0987 (Print), ISSN 2721-124X (Online)

perform effectively, establish positive workplace relationships, and develop stronger organizational commitment. Organizational support aimed at enhancing employee well-being also contributes to a more positive work experience, thereby increasing employees' willingness to remain with the organization over the long term.

Work-life balance has gained considerable attention in contemporary human resource management literature. The ability to balance professional responsibilities with personal life commitments influences employees' quality of life, job satisfaction, and psychological health. Organizations that promote work-life balance tend to create healthier, more supportive, and more productive work environments. Employees who experience a balanced integration between their work and personal lives are more likely to demonstrate higher levels of well-being, stronger organizational commitment, and lower turnover intentions. Aruldoss et al. (2021) reported that work-life balance is positively associated with employee well-being, job satisfaction, and organizational commitment. Evidence from the banking sector further indicates that organizational practices supporting employees' work and personal life needs contribute positively to subjective well-being and other favorable workplace outcomes (Roy et al., 2023). These findings suggest that work-life balance has become an important strategic factor for organizations seeking to enhance employee well-being and retain a stable and productive workforce.

Employee engagement serves as a potential mechanism through which employee well-being and work-life balance influence employee retention. Employee engagement reflects employees' psychological attachment to their work, characterized by vigor, dedication, and absorption. The Job Demands-Resources Theory suggests that adequate organizational resources enhance employee engagement while helping employees cope with workplace demands. Bakker and Demerouti (2017) argued that organizational resources play a significant role in strengthening engagement and improving employees' relationship with their work. Empirical evidence provided by Sypniewska (2023) further demonstrates that employee engagement contributes to stronger employee loyalty, job satisfaction, and employee retention across different organizational contexts.

The growing body of employee retention research highlights increasing scholarly attention toward employee well-being, work-life balance, and employee engagement as determinants of workforce sustainability. Existing studies predominantly focus on direct relationships among these variables or examine them within sectors outside the banking industry. Employee engagement is more frequently positioned as an independent variable rather than as an explanatory mechanism linking employee well-being and work-life balance to employee retention. This trend suggests that retention models require further development, particularly within organizational contexts characterized by high levels of change and work-related pressure.

Empirical evidence generally supports the positive relationship between employee well-being, work-life balance, and employee retention. The mediating role of employee engagement, however, continues to produce mixed findings across different organizational contexts and remains underexplored within the Indonesian banking industry. Studies integrating these four variables into a single empirical framework are still relatively limited. This gap presents an opportunity to develop a more comprehensive model that explains the mechanisms underlying employee retention in banking organizations undergoing digital transformation and workplace change.

This study aims to examine the effects of employee well-being and work-life balance on employee retention through employee engagement among employees of BNI Makassar. The

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findings are expected to enrich the human resource management literature by providing a deeper understanding of employee retention strategies grounded in employee well-being, work-life balance, and employee engagement. The study is also expected to offer practical insights for organizations seeking to design human resource policies that support workforce sustainability and long-term organizational performance.

Methods

This study employed a quantitative approach to examine the effects of employee well-being and work-life balance on employee retention through employee engagement among employees of PT Bank Negara Indonesia (Persero) Tbk, Makassar Branch. The study investigated both direct and indirect relationships among the variables by positioning employee engagement as a mediating variable. The research focused on employees involved in banking operations and service activities, considering the characteristics of the banking industry, which require high levels of adaptability, productivity, and service quality.

The population consisted of all employees of BNI Makassar Branch, totaling 235 employees. The sampling technique used was purposive sampling, whereby respondents were selected based on specific criteria, including being permanent employees, having a minimum tenure of one year, being directly involved in operational or service-related activities, and being willing to participate in the study. The sample size was determined using the Slovin formula with a 5% margin of error, resulting in a minimum sample of 148 respondents, all of whom were included in the analysis.

All variables were measured using a five-point Likert scale ranging from strongly disagree to strongly agree. Employee well-being was operationalized through five dimensions, namely psychological well-being, job satisfaction, emotional condition, organizational support, and workplace comfort, adapted from Pandey et al. (2025). Work-life balance was measured using five dimensions consisting of work–personal life balance, role balance, work flexibility, work–life conflict, and work–life harmony, adapted from Aruldoss et al. (2021). Employee engagement was measured through the dimensions of vigor, dedication, and absorption developed by Schaufeli et al. (2002). Employee retention was measured using five dimensions, including intention to stay, organizational loyalty, work commitment, career continuity, and willingness to recommend the organization, adapted from Kyndt et al. (2009).

Data were collected through a structured questionnaire distributed to the respondents. The questionnaire items were developed based on established measurement indicators derived from previous studies and relevant theoretical foundations. Data collection was conducted through both direct distribution and digital platforms to facilitate respondent participation and improve the response rate.

The data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 4 software. SEM-PLS was selected because it is suitable for predictive research models involving mediating variables and can effectively accommodate moderate sample sizes without requiring strict multivariate normality assumptions. The analysis was conducted in two stages: measurement model evaluation (outer model) and structural model evaluation (inner model). The measurement model was assessed through convergent validity using outer loadings and Average Variance Extracted (AVE), discriminant validity using the Fornell–Larcker criterion and Heterotrait–Monotrait Ratio (HTMT), and construct reliability using Composite Reliability and Cronbach’s Alpha. The structural model was evaluated through path coefficients, coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and model fit using the Standardized Root Mean Square Residual

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(SRMR). The significance of direct and indirect effects was assessed through a bootstrapping procedure with 5,000 subsamples, while mediation effects were examined using indirect effect analysis at a significance level of 5%.

Result and Discussion

Structural Model

The analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 4 software. The structural model was developed to examine the effects of Employee Well-being and Work-Life Balance on Employee Retention through Employee Engagement as a mediating variable. The model consists of two exogenous variables, namely Employee Well-being and Work-Life Balance, one mediating variable, Employee Engagement, and one endogenous variable, Employee Retention.

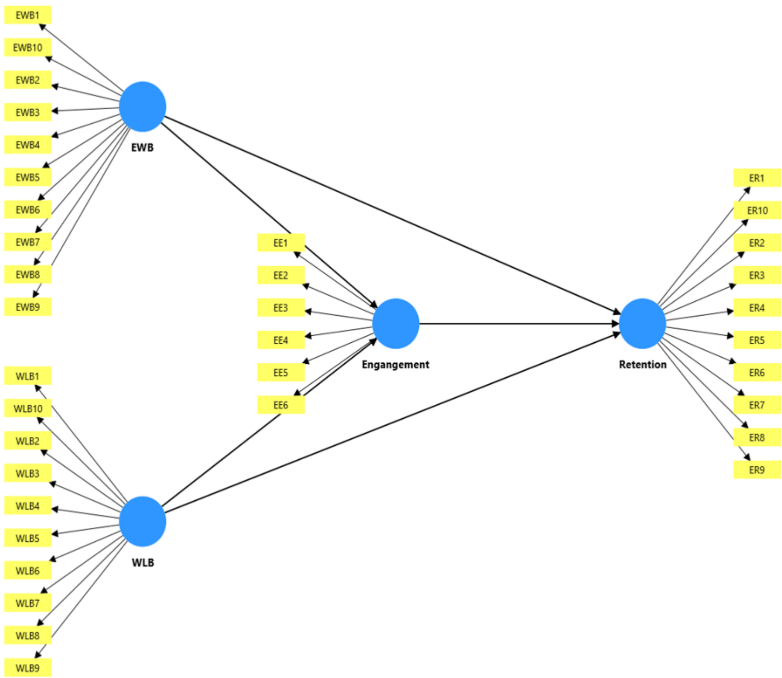

Figure 1. Proposed SEM-PLS Research Model

Source: SmartPLS 4 Output (2026).

Figure 1 illustrates the direct and indirect relationships among the study variables. Employee Well-being and Work-Life Balance are hypothesized to directly influence Employee Engagement and Employee Retention. Employee Engagement also directly affects Employee Retention and serves as a mediating mechanism through which Employee Well-being and Work-Life Balance contribute to employee retention.

Measurement Model Evaluation

The measurement model evaluation was conducted to assess the validity and reliability of the constructs used in the study. The assessment included convergent validity, discriminant validity, and construct reliability.

Table 1. Outer Loadings

Construct	Indicator	Loading
Employee Engagement	EE1	0.869
	EE2	0.874

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	EE3	0.825
	EE4	0.846
	EE5	0.853
	EE6	0.840
Employee Retention	ER1	0.860
	ER2	0.837
	ER3	0.865
	ER4	0.857
	ER5	0.858
	ER6	0.855
	ER7	0.816
	ER8	0.850
	ER9	0.839
	ER10	0.895
Employee Well-being	EWB1	0.859
	EWB2	0.801
	EWB3	0.824
	EWB4	0.859
	EWB5	0.830
	EWB6	0.831
	EWB7	0.871
	EWB8	0.836
	EWB9	0.864
	EWB10	0.868
Work-Life Balance	WLB1	0.740
	WLB2	0.733
	WLB3	0.773
	WLB4	0.780
	WLB5	0.798
	WLB6	0.753
	WLB7	0.726
	WLB8	0.743
	WLB9	0.785
	WLB10	0.758

Source: SmartPLS 4 Output (2026).

All indicators exhibited outer loading values above the recommended threshold of 0.70, indicating satisfactory convergent validity. The highest loading value was observed for indicator ER10 (0.895), while the lowest loading value was recorded for indicator WLB7 (0.726). Since all loading values exceeded the minimum acceptable threshold, all indicators were retained for further analysis.

Table 2. Construct Reliability and Validity

Variable	Cronbach's Alpha	Composite Reliability	AVE
Employee Well-being	0.955	0.961	0.713
Employee Engagement	0.924	0.941	0.725
Employee Retention	0.958	0.964	0.728
Work-Life Balance	0.918	0.932	0.576

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Source: SmartPLS 4 Output (2026).

The results indicate that all constructs achieved Cronbach's Alpha and Composite Reliability values above 0.70, confirming satisfactory internal consistency reliability. Furthermore, all Average Variance Extracted (AVE) values exceeded the recommended threshold of 0.50, demonstrating adequate convergent validity.

Table 3. Fornell-Larcker Criterion

Variable	EWB	Engagement	Retention	WLB
Employee Well-being	**0.845**			
Employee Engagement	0.807	**0.851**		
Employee Retention	0.821	0.794	**0.853**	
Work-Life Balance	0.709	0.747	0.709	**0.759**

Source: SmartPLS 4 Output (2026).

The square root of AVE for each construct is greater than its correlations with other constructs. Therefore, discriminant validity based on the Fornell-Larcker criterion has been established.

Table 4. Heterotrait-Monotrait Ratio (HTMT)

Relationship	HTMT
Engagement ↔ Employee Well-being	0.857
Retention ↔ Employee Well-being	0.856
Retention ↔ Engagement	0.843
Work-Life Balance ↔ Employee Well-being	0.756
Work-Life Balance ↔ Engagement	0.809
Work-Life Balance ↔ Retention	0.754

Source: SmartPLS 4 Output (2026).

All HTMT values are below the recommended threshold of 0.90, indicating that discriminant validity has been successfully achieved.

Structural Model Evaluation

The structural model evaluation was conducted to assess the explanatory power of the model and to test the proposed hypotheses.

Table 5. Coefficient of Determination (R^2)

Endogenous Variable	R^2	Adjusted R^2
Employee Engagement	0.713	0.709
Employee Retention	0.732	0.726

Source: SmartPLS 4 Output (2026).

The R^2 value of 0.713 indicates that Employee Well-being and Work-Life Balance explain 71.3% of the variance in Employee Engagement. The R^2 value of 0.732 indicates that Employee Well-being, Work-Life Balance, and Employee Engagement jointly explain 73.2% of the variance in Employee Retention. These values suggest substantial explanatory power.

Table 6. Effect Size (f^2)

Relationship	f^2	Interpretation
Employee Well-being → Employee Engagement	0.539	Large
Employee Well-being → Employee Retention	0.269	Moderate

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Work-Life Balance → Employee Engagement	0.215	Moderate
Employee Engagement → Employee Retention	0.098	Small to Moderate
Work-Life Balance → Employee Retention	0.033	Small

Source: SmartPLS 4 Output (2026).

The largest effect size was observed for the relationship between Employee Well-being and Employee Engagement. This finding indicates that employee well-being is the most influential factor in fostering employee engagement within the organization.

Table 7. Model Fit

Indicator	Value
SRMR	0.044
NFI	0.852

Source: SmartPLS 4 Output (2026).

The Standardized Root Mean Square Residual (SRMR) value of 0.044 is below the recommended threshold of 0.08, indicating a good model fit. The Normed Fit Index (NFI) value of 0.852 also suggests an acceptable level of model fit.

Table 8. Direct Effects

Relationship	β	T Statistics	P Values	Decision
Employee Well-being → Employee Engagement	0.558	8.219	0.000	Supported
Employee Well-being → Employee Retention	0.472	5.812	0.000	Supported
Work-Life Balance → Employee Engagement	0.352	4.567	0.000	Supported
Work-Life Balance → Employee Retention	0.148	2.091	0.037	Supported
Employee Engagement → Employee Retention	0.302	3.619	0.000	Supported

Source: SmartPLS 4 Output (2026).

All direct relationships exhibit t-statistics greater than 1.96 and p-values below 0.05. Therefore, all direct hypotheses are supported.

Table 9. Indirect Effects

Indirect Relationship	β	T Statistics	P Values	Decision
Employee Well-being → Employee Engagement → Employee Retention	0.168	3.426	0.001	Supported
Work-Life Balance → Employee Engagement → Employee Retention	0.106	2.592	0.010	Supported

Source: SmartPLS 4 Output (2026).

The results demonstrate that Employee Engagement significantly mediates the relationship between Employee Well-being and Employee Retention as well as the relationship between Work-Life Balance and Employee Retention.

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The findings reveal that Employee Well-being is the most influential determinant of both Employee Engagement and Employee Retention among employees of BNI Makassar. The path coefficient of 0.558 and the large effect size of 0.539 indicate that employee well-being serves as the strongest organizational resource for enhancing employee engagement. Employees who perceive higher levels of organizational support, workplace comfort, psychological well-being, and job satisfaction are more likely to develop stronger emotional and psychological attachment to their organization. This finding supports the Job Demands–Resources (JD-R) Theory, which posits that organizational resources play a crucial role in stimulating employee motivation, engagement, and positive work-related outcomes (Bakker & Demerouti, 2017). Employee well-being functions as a valuable organizational resource that helps employees cope with job demands while fostering positive work attitudes. This finding is consistent with Zheng et al. (2015), who emphasized that employee well-being contributes to positive organizational outcomes through enhanced employee attitudes and behaviors. The result also supports Desiana et al. (2024), who found that employee well-being strengthens employee engagement and reduces turnover-related intentions among employees.

The significant direct effect of Employee Well-being on Employee Retention suggests that employees' decisions to remain with an organization are not solely driven by financial rewards or economic considerations. Positive work experiences and perceived organizational concern for employee welfare contribute substantially to long-term organizational commitment. Employees who experience a supportive work environment and higher levels of well-being are more likely to remain loyal to the organization and demonstrate stronger intentions to stay. This finding can be explained through the perspective of Social Exchange Theory, which argues that employees tend to reciprocate favorable treatment and organizational support through positive attitudes and behaviors, including loyalty and commitment to remain within the organization. The result is consistent with Kyndt et al. (2009), who identified positive organizational experiences as important determinants of employee retention. Similar findings were reported by Sypniewska (2023), who concluded that employees are more likely to remain with organizations that create supportive and engaging work environments.

Work-Life Balance also exerts a positive and significant influence on both Employee Engagement and Employee Retention. This finding indicates that employees who are able to effectively balance work responsibilities with personal life commitments tend to exhibit higher levels of engagement and a stronger intention to remain within the organization. Organizational practices that support flexibility and reduce work–family conflict contribute positively to employee attitudes and behaviors. Aruldoss et al. (2021) reported that work-life balance positively influences employee well-being, job satisfaction, and organizational commitment. Evidence from the banking sector further indicates that organizational practices supporting employees' work and personal life needs contribute positively to subjective well-being and other favorable workplace outcomes (Roy et al., 2023). Similar evidence was reported by Akbar and Zona (2025), who found that work-life balance contributes significantly to employee well-being through the reduction of job-related stress. These findings reinforce the argument that work-life balance represents an important organizational strategy for enhancing employee experiences and encouraging workforce sustainability.

The relatively weaker effect of Work-Life Balance on Employee Retention compared to Employee Well-being suggests that employees in the banking industry place greater importance on overall workplace well-being than on work-life balance alone when making long-term employment decisions. The banking sector is characterized by demanding performance targets, continuous technological adaptation, and increasing service expectations. Under such conditions, employees may perceive organizational support for their well-being as

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a more critical factor in sustaining their commitment to the organization. This finding contributes to the employee retention literature by demonstrating that employee well-being may have a stronger influence on retention than work-life balance in highly demanding organizational environments.

Employee Engagement was found to have a significant positive effect on Employee Retention. Employees who demonstrate higher levels of vigor, dedication, and absorption are more likely to develop stronger organizational commitment and exhibit greater willingness to remain with the organization. These dimensions of engagement reflect employees' psychological investment in their work and emotional attachment to organizational goals. This finding is consistent with the conceptualization proposed by Schaufeli et al. (2002), who described employee engagement as a positive and fulfilling work-related state characterized by vigor, dedication, and absorption. The result also supports Sypniewska (2023), who found that employee engagement serves as an important predictor of employee retention in contemporary organizations. Engaged employees not only perform better but also display stronger emotional attachment to organizational values and objectives, thereby increasing their willingness to remain with the organization.

The mediating role of Employee Engagement further demonstrates that engagement serves as a psychological mechanism linking Employee Well-being and Work-Life Balance to Employee Retention. The simultaneous significance of both direct and indirect effects indicates the presence of partial mediation. These findings suggest that improvements in employee well-being and work-life balance contribute to employee retention not only directly but also indirectly through stronger employee engagement. The Job Demands–Resources Theory provides a useful explanation for this mechanism by suggesting that organizational resources enhance employee motivation and engagement, which subsequently generate positive organizational outcomes such as retention (Bakker & Demerouti, 2017). The findings are also consistent with Desiana et al. (2024), who demonstrated that employee engagement functions as an important mechanism linking positive workplace experiences to favorable employee outcomes. Employee engagement therefore represents a critical pathway through which organizations can transform investments in employee well-being and work-life balance into sustainable employee retention.

The findings offer important practical implications for human resource management within the banking industry. Employee retention strategies should extend beyond compensation and career development initiatives to include comprehensive programs that enhance employee well-being and support work-life balance. Organizations that successfully cultivate employee engagement through these practices are more likely to retain competent and productive employees. Such an approach is particularly relevant in the banking sector, where digital transformation and increasing competitive pressures require organizations to maintain a highly engaged and sustainable workforce. Investments in employee welfare programs, supportive leadership practices, flexible work arrangements, and initiatives that strengthen employee engagement can therefore become strategic instruments for improving workforce sustainability and long-term organizational performance.

Conclusion

This study examined the effects of Employee Well-being and Work-Life Balance on Employee Retention through Employee Engagement among employees of BNI Makassar. The findings demonstrate that Employee Well-being and Work-Life Balance have positive and significant effects on Employee Engagement and Employee Retention. Employee Engagement also has a positive and significant effect on Employee Retention. The results further reveal that Employee

ISSN 2721-0987 (Print), ISSN 2721-124X (Online)

Engagement significantly mediates the relationships between Employee Well-being and Employee Retention as well as between Work-Life Balance and Employee Retention. Employee Well-being emerged as the most influential predictor in the research model, indicating that employees' perceptions of organizational support, psychological well-being, workplace comfort, and job satisfaction play a critical role in strengthening employee engagement and encouraging long-term retention. These findings confirm the importance of organizational resources in fostering positive employee attitudes and behaviors, particularly within the dynamic and highly competitive banking industry.

The study contributes to the human resource management literature by providing empirical evidence that Employee Engagement functions as an important psychological mechanism linking Employee Well-being and Work-Life Balance to Employee Retention. The findings extend the application of Job Demands–Resources Theory and Social Exchange Theory by demonstrating that employees who perceive greater organizational support and experience a better balance between work and personal life are more likely to develop stronger engagement and remain committed to their organization. From a practical perspective, the findings suggest that banking institutions should not rely solely on compensation and career advancement programs to retain employees. Greater emphasis should be placed on initiatives that enhance employee well-being, promote work-life balance, and strengthen employee engagement. Such initiatives may include employee wellness programs, flexible work arrangements, supportive leadership practices, and a positive work environment that fosters psychological and emotional well-being. Future research is encouraged to incorporate additional variables such as organizational commitment, perceived organizational support, leadership style, or organizational culture and to examine the proposed model across different industries and organizational contexts to improve the generalizability of the findings.

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