

## Influence of Attrition Rate and Retention Rate on Companies’ Financial Outcomes: Evidence from BSE Sensex–Indexed Information Technologies Companies in India.

Nishanth A<sup>1\*</sup>, Dr. Chaitra V H<sup>2</sup>

<sup>1</sup>\*Research Scholar, Presidency University, Bangalore, Bengaluru. & Principal, STG First Grade College, Chinakurali, Pandavapura, Mandya, India.

<sup>2</sup>Assistant Professor, Presidency University, Bangalore, India.

\*Corresponding Author

Email ID : [nishanthanaidu@gmail.com](mailto:nishanthanaidu@gmail.com)

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### ABSTRACT

The issues of staff leaving and staying are a major concern for knowledge-driven sectors like Information Technology, where workers’ knowledge is a major factor in how well businesses perform financially. This research looks at how the level of attrition and retention impacts the financial performance of moderate-sized Indian IT companies traded on the BSE Sensex between 2020 and 2025. This study used secondary data sources such as annual reports, financial databases, and company disclosures. Descriptive Statistics, Trend Analysis and Correlation Analysis were performed for this study to analyse how the Stability of the Workforce' relates to various financial indicators, namely Revenue Growth, Net Profit Margin and Return on Assets. The results of the study supported the hypothesis that higher rates of attrition correlated with poorer profit performance and greater operational efficiency, while higher levels of retention correlated with greater productivity and optimal asset utilisation. Therefore, in order to maintain a firm's financial environment and long-term viability in the Indian IT Industry, firms need to develop an effective employee retention and talent management strategy...

**Keywords:** *Attrition rate, Retention rate, financial outcomes, IT companies, BSE Sensex.*

### 1. INTRODUCTION:

Companies rely heavily on a strong workforce to achieve competitive success, especially in key sectors like the IT industry where there is a high level of technical skills and innovations (Intellectual Capital) required to gain market advantage over competitors. The IT sector has emerged as one of India's major contributors to its national economy (in terms of foreign exchange earnings) as well as its stock market. However, due to the ongoing pressures of workforce mobility (due to employee mobility from one source to another), many employees within the Indian IT sector have been leaving their jobs for better opportunities offered by other companies or professions. As a result, there are numerous reasons for this, including better compensation packages offered by companies competing for skilled employees, the availability of jobs through globalization (the ability to find jobs outside one's country), the ability for employees to work in both remote and hybrid employment models, growth in employee career aspirations (the ability to move up and become more successful), and the fast pace of technological advancements impacting all businesses. As a result, these reasons have created a rapid increase in employee movement/flexibility. This high rate of employee attrition is creating a variety of problems for organizations, including significant increase in employee recruitment/training costs, disruption of project timeliness, loss of institutional knowledge, and loss of client relationships. All of these factors contribute to a

direct negative impact on companies' financial performance through decreased profitability, increased operational inefficiency, and decreased market value (stock price fluctuations). On the other hand, successful employee retention strategies allow a company to not only maintain a pool of valuable talent; they also enhance the stability of an organization’s workforce. By maintaining the collective knowledge of the company’s workforce through continued employment, companies will benefit from increased employee engagement, increased employee productivity, decreased hiring and onboarding costs, improved levels of service quality, increased organizational culture/employee morale, and increased levels of customer satisfaction. Many organizations with stable and competent workforces are in a better position to achieve operational effectiveness, innovate, create sustainable financial growth as well as develop and maintain relationships with their clients. Therefore, the current research project is focused on measuring how attrition and retention rates affect the financial performance of select IT companies in India listed on BSE Sensex from 2020 to 2025. The relationship between stability within an organization’s workforce and financial indicators such as revenue growth, profit margins and return on equity. The results from this research will provide empirical evidence demonstrating how typical human capital practices such as hiring, training, promoting and developing employees affect a corporate’s ability to optimize financial performance. The information found in this research should enable management personnel, legislators and investors to create

better workforce strategies and make sound investment decisions within the rapidly changing environment of the Indian IT industry.

## 2. LITERATURE REVIEW

According to Pfeffer (1998), "Human" resources should be viewed as one of the most important sources of sustainable competitive advantage. Pfeffer argues that organisations with a strong employee-focused practices typically have higher organisational financial performance than other organisations. In addition, Becker and Huselid (1998) show that effective Human Resource Management (HRM) systems positively impact profitability, productivity, and Market Capitalisation (Top) with the greatest effect for firms employing retention-based practices. Therefore, by switching from the traditional model of HRM to an employee-based HRM model, organisations can benefit from increased Profitability, Productive Employees, and Market Values. Mobley (1982) was the first to develop a model of Employee Turnover, incorporating Job Satisfaction; Commitment; and Availability of Alternative Opportunities. Mobley estimated the costs that associated with high turnover using the Hidden Costs of Employee Turnover tool. Hom and Griffeth (1995) studied the Effects of High Employee Turnover on Organisational and Psychological performance; their findings indicated that high attrition levels negatively impact Corporate Efficiency (CE) and therefore Corporate Strategy. Dess and Shaw (2001) further established that excessive Voluntary employee turnover decreases the companies' ability to execute a Strategic Plan, and increase the companies' financial risk, leading to lower financial performance. Allen, Bryant, and Vardaman (2010) concluded that HRM systems are critical to creating a stable workplace environment that improves employee performance and morale. They also emphasised the need to create proactive Retention Strategies, including Leadership Support; Work/Life Balance; and Career Development, to reduce attrition rates and improve OP. According to Khatri, Budhwar and Fern (2002), competitive salaries and evolving HR practices are essential to reducing attrition in the fast-changing, knowledge-based sector. Essentially, Moncarz, Zhao and Kay (2009) were able to calculate the costs associated with employee turnover. When you replace skilled employees, this has both direct (replacement costs) and indirect costs (decreased productivity) which decrease profits. Shaw, Gupta and Delery (2005) also found a strong inverse relationship between turnover and employee productivity confirming that steady levels of retention enhance performance. Cappelli (2008) states that employers must have a strategic approach to managing talent and retaining the best employees in order to achieve financial sustainability of a business. Budhwar and Khatri (2001) inform us about the importance of retaining employees in the competitive and financially efficient market of India, especially in knowledge-based industries. Sparrow and Budhwar (2003) conducted a study of the HR practices of the Indian IT and BPO industries and concluded that companies that are committed to developing strong employees and providing opportunities for career advancement were able to

positively impact retention and, thus, also positively impact their performance relative to those companies that did not.

The NASSCOM (2018) Industry Report points out that the Indian IT industry is faced with many challenges from a high rate of attrition. One way the NASSCOM (2018) report has identified a path to greater financial stability for Indian IT companies is the need to invest in learning and development. In addition to lower attrition rates, Dhar and Dhar (2010) identified higher commitment and retention levels to be associated with greater productivity, service quality, and financial performance in firms operating in the Indian services sector. Som (2008) concluded that by offering performance-based rewards and opportunities for career advancement, HR practices will create more positive results in profitability and other business outcomes.

The findings of Mehta and Kuruvilla (2007) indicate that frequent movement of employees causes a loss of knowledge, a reduction in productivity, and an increase in operational costs, which weakens financial stability for firms operating in India. Rao and Dutta (2015) found that lower rates of attrition were associated with higher profitability and other positive financial performance indicators for Indian IT companies. Ghose (2012) indicated that offering competitive salary structures and providing employees with flexible working arrangements is a way to lower attrition rates while improving the company's public image and financial results. Suresh and Reddy (2016) presented empirical evidence of a significant negative relationship between attrition rates and financial performance indicators for IT companies operating in India. Singh and Sharma (2014) found that the organizational culture and leadership style have a significant impact on retention and financial stability for IT organizations operating within the Indian environment. Gupta and Bhatia (2017) identified that high levels of employee turnover adversely impact both profit margins and operational efficiency for technology companies in India, thus necessitating the implementation of a talent management strategy. Joshi and Kumar (2018) found that having continuous training and ongoing development opportunities greatly increases an organization's ability to retain employees and improve long-term financial success. Iyer and Shukla (2019) revealed that boosting employee engagement leads to improved productivity and has a positive impact on employee retention and overall corporate financial performance. Patel and Desai (2021) studied the workforce dynamics that emerged after the pandemic, and determined that by adopting flexible working arrangements and comprehensive employee well-being initiatives, organizations can significantly reduce attrition and increase their overall financial success.

Numerous studies have concluded that large rates of attrition are detrimental to an organization's bottom line, while innovative and effective employee retention programs will have a positive impact on organizational stability, efficiency, and profitability; however, limited empirical evidence currently exists for IT companies publicly traded on the BSE Sensex in India during the 2020–2025 period, and therefore represents a gap in the

current research, which this research study contributes to addressing.

### Statement of the Problem

Recent trends in employee attrition rates experienced by an increasing number of Indian IT firms have become erratic post COVID-19 Period. While these Indian IT firms continue to achieve considerable revenue increases, the impact of erratic employee attrition and its potential long-term effect on the overall profitability, operational efficiency, and asset-utilization remain a concern. In most instances, High employee attrition creates additional expenses associated with recruitment and training, as well as diminishing valuable Company-specific knowledge, which may negatively impact corporate profits. Although the importance of this topic continues to grow, an extremely small quantity of empirical research currently exists that specifically examines the relationship among employee attrition, employee retention and corporate financial performance of Indian IT Firms whose stock shares are listed and traded on Sensex Index. Therefore, this study is being undertaken in order to identify the extent to which employee attrition and retention rates are correlated with selected financial performance measures of these Indian IT Firms.

### Objectives of the Study

The primary goals of this study are:

Analysing employee attrition and retention trends over the selected BSE Sensex indexed IT firms.

Describing the financial performance of these firms from 2020 through 2025.

Investigating the relationship between employee attrition and the various financial performance measures.

Identifying the correlation between employee retention rate and the profitability of a Corporate Entity.

## 3. RESEARCH HYPOTHESES

### Null Hypotheses (H<sub>0</sub>):

H<sub>01</sub>: There is no significant relationship between attrition rate and financial performance.

H<sub>02</sub>: There is no significant relationship between retention rate and financial performance.

### Alternative Hypotheses (H<sub>1</sub>):

H<sub>11</sub>: There is a significant relationship between attrition rate and financial performance.

H<sub>12</sub>: There is a significant relationship between retention rate and financial performance.

### Scope of the Study

This study focuses on specific companies in the Information Technology Industry (IT) that are listed in the Bombay Stock Exchange (BSE) Sensex in India: Tata Consultancy Services (TCS); Infosys; HCL Tech; and Wipro. The time frame for the study is 2020–2025, and all information used for analysis comes from secondary sources, specifically: annual reports; company websites; published financial reports; and recognised financial databases.

## 4. RESEARCH METHODOLOGY

### Research Design

The study examines the relation between three specific workforce metrics (employee attrition and retention) and a company's financial performance using each company's annual report and other publicly available documentation. All these data sources provide sufficient information to support the conclusions of this analysis.

### Sources of Data

Annual reports of the selected companies

Data published by BSE and recognized financial databases

Published research articles, industry reports, and company disclosures

### Variables Used

#### Independent Variables:

Attrition Rate (%)

Retention Rate (%)

#### Dependent Variables:

Revenue Growth (%)

Net Profit Margin (%)

Return on Assets (ROA) (%)

### Statistical Tools Used

Data will be analysed using the following statistical tools: percentage analysis; trend analysis; correlation analysis. All of these tools will allow for the identification of patterns/relationships and the effects of employee metrics on the company's overall financial performance.

### Data Analysis and Interpretation

**Table 1: Attrition Rate (%) of Selected IT Companies (2020–2025)**

Year	TCS	Infosys	HCL Tech	Wipro
2020	10.5	13.2	18.3	20.0
2021	12.4	16.0	20.1	23.2
2022	11.2	15.6	18.8	21.5
2023	8.4	12.4	15.6	17.3
2024	6.2	12.0	16.1	16.5
2025	11.8	12.3	18.5	19.2

**Interpretation:** Table 1 illustrates that for the years of 2020–2025 wide variances exist in the attrition rates of numerous IT Organizations. Significant increases in attrition levels occurred from 2021 to 2022 because of the effect of the post-pandemic job market, high Staff movement, and increased competitiveness for hiring qualified talent working in IT. The Organizations, Wipro and HCL, had much higher attrition rates than did TCS and Infosys during this peak time indicating that the

workforce in these Organizations was relatively less stable. In general beginning with the year 2023, most Organizations have now begun to see a downward trend in the attrition rate which likely indicates that organization has better attitude management and improved workforce stabilization systems in place through better retention strategies with greater organizational structuring and overall employee engagement. TCS averaged the lowest attrition rates overall in most years indicating that the Organization has a relatively strong human resource management approach to managing its workforce. A minor increase in attrition in the year 2025 suggests that workforce related challenges still exist for the Organization. In general, the overall trend demonstrates that while employee turnover was significantly higher earlier in the post-pandemic years for IT Organizations, over time the organizations have begun to stabilize their workforce management practices.

**Table 2: Retention Rate (%) of Selected IT Companies (2020–2025)**

Year	TCS	Infosys	HCL Tech	Wipro
2020	89.5	86.8	81.7	80.0
2021	87.6	84.0	79.9	76.8
2022	88.8	84.4	81.2	78.5
2023	91.6	87.6	84.4	82.7
2024	93.8	88.0	83.9	83.5
2025	88.2	87.7	81.5	80.8

**Interpretation:** Table 2 shows the retention trends of four IT companies over five years (2020-2025), whereas attrition data reveals an antipodal relationship between retention and attrition trends. There were substantial reductions in all four firms' retention during 2021 due to heightened employee turnover rates following COVID-19. TCS and Infosys have achieved superior retention rates than Wipro and HCL Technologies over the same period and will face future issues related to workforce sustainability. Beginning with 2023, all firms experienced considerable gains in retention due to increased employee engagement initiatives, employee-friendly work policies, and increased support from management. Historically, TCS has consistently performed the best at achieving retention rates, which can be attributed to efficient HR practices employed by TCS. There was a minor decline in retention for all four companies during 2025, indicating that retaining employees is still a problem for all companies; however, the many positive improvements made by the four companies should all contribute to improving workforce sustainability and organizational performance over the long term.

**Table 3: Financial Performance Indicators (Average % 2020–2025)**

Company	Revenue Growth (%)	Net Profit Margin (%)	ROA (%)
TCS	8.5	19.2	12.1
Infosys	7.8	18.0	11.5
HCLTech	6.9	16.4	10.4
Wipro	6.2	15.1	9.8

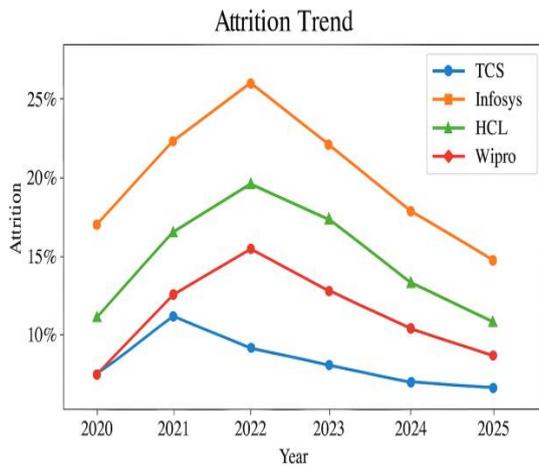
TCS	8.5	19.2	12.1
Infosys	7.8	18.0	11.5
HCLTech	6.9	16.4	10.4
Wipro	6.2	15.1	9.8

**Interpretation:** The data represented in table 3 shows that of the four IT companies included in this analysis, TCS generates the highest revenue growth (8.5%), has the largest net profit margin (19.2%), and has the highest return on assets (12.1%), indicating that TCS has produced high profitability while using its assets efficiently to generate revenue. In addition to TCS, Infosys ranks second in revenue growth (7.8%), net profit margin (18.0%), and return on assets (11.5%), indicating that Infosys is operating efficiently. HCL Technologies has produced generally moderate levels of profitability, while Wipro produces the least amount of profitability and asset efficiency; therefore, the data reveals that there is a correlation between the financial performance of organizations and their respective workforce stability, as organizations with higher retention rates generally have a greater degree of profitability.

**Table 4: Correlation between Attrition and Financial Performance**

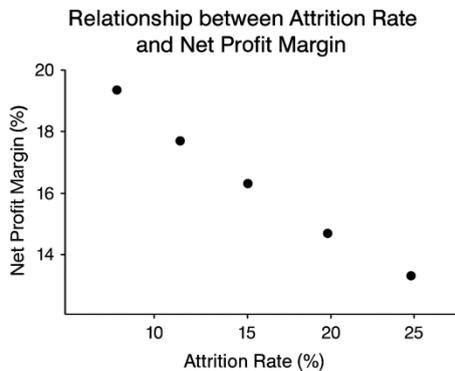
Company	Attrition vs Revenue Growth	Attrition vs Net Profit Margin	Attrition vs ROA
TCS	-0.62	-0.71	-0.65
Infosys	-0.58	-0.69	-0.60
HCLTech	-0.55	-0.63	-0.57
Wipro	-0.60	-0.68	-0.61

**Interpretation:** The analysis done on table 4 presents evidence of the relationship between employee attrition and key performance indicators as measured through financial results as reported by selected IT firms. The results demonstrate a strong negative relationship between higher attrition rates and lower financial performance. TCS is reported to have the strongest negative correlation (-0.71) with net profit margin. This indicates that there is a significant impact of attrition on TCS's profitability. Infosys also has strong negative correlations with both net profit margin (-0.69) and revenue growth (-0.58). HCL Technologies and Wipro have moderate to strong negative correlations with all the indicators. All firms consistently show negative correlations with ROA indicating that attrition reduces the efficiency of their assets. Therefore, having a stable workforce leads to better financial performance for Indian IT companies.



**Figure 1: Trend of Attrition Rates (2020–2025)**

**Interpretation:** As shown in figure 1, during 2020–2025, attrition rates are shown to follow a similar trend across all four selected IT firms. The increase in attrition seems to be gradual beginning in 2020 with increased levels of attrition occurring in 2022 which reflects a period of increased employee turnover for the IT industry. Following the peak period in 2022, there was a gradual decline in attrition rates for each of the four firms indicating that they improved their ability to retain employees and are stabilizing as an industry. TCS continuously had lower attrition rates than the other firms indicating they have better employee retention practices. Whereas Infosys had the highest level of attrition of all four firms for this period, there was a noticeable improvement in their attrition level between 2022 and 2025.



**Figure 2: Relationship between Attrition and Net Profit Margin**

**Interpretation:** The chart indicates that there is an inverse correlation between the attrition rate and the net profit margin for companies in the business sector. Companies with a low attrition rate (8-10%) tend to realise a higher net profit margin (18-20%) than those with a higher attrition rate (12-15%). Similarly, as the attrition rate increases to a moderate range (12-15%), there is a corresponding decrease in the net profit margin, due to the added costs associated with hiring, training, and managing additional employees. At a high level of attrition (20-25%+), there is an even sharper drop in the net profit margin to 13-15%. The chart suggests that it is important to retain employees in order to maintain a company's

profit margin, and that by managing attrition, companies may not only maintain a stable workforce, but they will also experience better financial performance and overall health.

**Findings of the Study**

In examining the attrition trends of selected IT companies that are indexed by the BSE Sensex from 2020-2025, there was a great deal of volatility in the years of 2021-22. This spike in attrition rates was attributable to the increased mobility of workers after the pandemic, the demand for increasing numbers of skilled IT workers, and the competitiveness of the labour market for IT workers. Furthermore, beginning in 2023, there has been a decline in the attrition rate for selected IT companies; this decline is indicative of a stabilising workforce and improved retention strategies. The decline in attrition is related to a strengthening of the inverse relationship of attrition to retention; therefore, as there were periods of increased attrition, there were periods of lower retention, and likewise, periods of improved retention were associated with increased employee engagement, the flexibility of work, and improvements in talent management practices. The analysis of various companies reveals that Tata Consultancy Services (TCS) maintained the lowest level of employee turnover (attrition) and the greatest level of employee retention; therefore, TCS has a strong Human Resources (HR) department and offers its employees a stable place to work. Conversely, Wipro and HCL Technologies had increased levels of attrition and lower levels of employee retention, resulting in an unstable workforce at both companies. Furthermore, these companies experienced similar financial trends, with TCS leading the competition in terms of revenue growth, net profit margins and Return on Assets (ROA). Additionally, correlation analyses prove that a company will suffer from decreased profitability and productivity due to high levels of attrition but will benefit from increased productivity and operational efficiency due to high levels of employee retention, thereby emphasizing the important influence that a stable workforce will have on the company's long-term financial performance.

**Suggestions**

IT corporates can retain employees by providing clear career paths, promotion opportunities, and structured skill development programs. Motivating internal mobility and continuous learning reduces attrition and builds commitment. Competitive salaries, performance-based incentives, retention bonuses, and recognition enhance loyalty. Facilitating well-being through mental health initiatives, flexible work arrangements, and work-life balance boosts engagement and productivity. Fostering teamwork, transparency, and inclusivity, encouraging with HR analytics and aligned HR strategies, strengthens long-term commitment. Monitoring progress ensures workforce stability and improved organizational performance.

**5. CONCLUSION**

This research studied the relation between the employee turnover and retention rate on how well these companies performed financially during the time of Jan 2020 - Dec

2025. From the data collected, it appears that when there is a stable workforce within a company, it has a positive effect on their profitability. When a company has high turnover rates, there tends to be a negative correlation with the company's revenue growth, their net profit margin and their return on assets. When a company has high retention rates, it is generally associated with greater profitability and better operational performance for that organization.

The increased turnover rates at companies have resulted in increased costs and loss of quality talent post-pandemic; however, improved HR practices and increased employee engagement through various initiatives have resulted in improved employee retention. Companies that had lower employee turnover rates, namely TCS, were able to produce greater financial returns than did those with higher employee turnover rates.

In conclusion, in order for companies to grow their business long-term and remain competitive within their industry, they must have effective talent management and retention strategies.

### Conflict of interest

The authors state no conflicts of interest connected to this research..

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