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The mediating role of employee engagement in the relationship between employer branding and turnover intention: Evidence from government banks

Magdalena Linda L Sibarani[1*], Yeni Absah[2], Iskandar Muda[3], Endang Sulistya Rini[4]

[1,2,3,4]*Universitas Sumatera Utara, North Sumatera, Indonesia.*

Corresponding author: Magdalena Linda L Sibarani (*Email: magdalenaleonita@usu.ac.id*)

Abstract

This study investigates the mediating role of employee engagement in the relationship between employer branding and turnover intention in government banks. While employer branding has been widely examined concerning talent attraction, its influence on employee retention through engagement in the public banking sector remains underexplored. A quantitative research design was employed using a cross-sectional survey of 160 employees from government banks in Indonesia. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. Established scales were adapted to measure employer branding, employee engagement, and turnover intention. Reliability, convergent, and discriminant validity were assessed, and hypotheses were tested through bootstrapping with 5,000 resamples. The results demonstrate that employer branding has a significant positive effect on employee engagement and a significant negative impact on turnover intention. Employee engagement also negatively influences turnover intention. Mediation analysis confirmed that employee engagement partially mediates the relationship between employer branding and turnover intention. These findings highlight the dual role of employer branding: directly reducing turnover intention and indirectly enhancing engagement. This study contributes to the literature by extending employer branding research into the retention domain, confirming the mediating role of engagement, and providing empirical evidence from government banks, a context rarely examined in prior studies. For managers and policymakers in government banks, the findings underscore the importance of strengthening employer branding and fostering employee engagement as strategic levers to reduce turnover, enhance workforce stability, and improve organizational performance.

Keywords: Employee engagement, Employer branding, Government banks, PLS-SEM, Turnover intention.

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1. Introduction

The banking sector has long been recognized as a vital economic growth and financial stability driver. However, one of the most pressing challenges confronting banks—particularly government banks—is the problem of high employee turnover. High turnover rates increase recruitment and training costs, disrupt continuity of operations, and undermine customer service quality, ultimately affecting organizational performance [1, 2]. In this context, understanding the factors that influence turnover intention has become a priority for scholars and practitioners.

Among the many antecedents of turnover intention, employer branding (EB) and employee engagement (EE) have emerged as two critical constructs. Employer branding, defined as an organization's reputation and attractiveness as an employer, plays a significant role in attracting, engaging, and retaining talent [3, 4]. A strong employer brand enhances the organization's appeal to prospective employees and strengthens employees' sense of pride, loyalty, and identification with the organization [3]. In the highly competitive banking sector, employer branding gives government banks a strategic advantage in retaining skilled employees.

On the other hand, employee engagement is a psychological state reflecting employees' vigor, dedication, and absorption in their work [5, 6]. Engaged employees display higher motivation, stronger commitment, and lower turnover intention [7, 8]. Engagement is shaped by various organizational factors, including HRM practices, supervisory support, organizational culture, and job satisfaction [9]. Studies across industries consistently show that employee engagement predicts job performance, organizational commitment, and retention [10, 11]. In government banks, engagement is particularly relevant as employees face demanding work environments, heavy workloads, and public accountability pressures.

Recent literature highlights the mediating role of engagement in linking organizational practices to employee retention. Engagement has been found to mediate the relationship between recruitment and retention [1] person–organization fit and turnover intention [11] and HRM practices and organizational commitment [12]. Similarly, employer branding can reduce turnover intention directly by shaping a positive organizational image, and indirectly through its positive effect on employee engagement [4]. This suggests that employee engagement is a crucial mechanism through which employer branding influences turnover outcomes.

Furthermore, consistent and rising themes in the literature strengthen this argument. Research consistently emphasizes the role of HRM practices, leadership dynamics, and job autonomy in shaping employee engagement and retention [6]. Rising themes, such as workplace well-being and flexible work arrangements, also highlight the importance of addressing psychological and social aspects of work in order to foster engagement and reduce turnover [13]. These insights demonstrate that employee engagement is not only an outcome of organizational practices but also a mediator of their impact on retention.

Despite these insights, research focusing on the mediating role of employee engagement in the relationship between employer branding and turnover intention in the context of government banks remains limited. Government banks are distinct from private banks because they emphasize long-term employment, public trust, and career stability, yet face the same challenges of turnover and disengagement. Addressing these issues is crucial for building a committed and sustainable workforce.

Therefore, this study examines the mediating role of employee engagement in the relationship between employer branding and turnover intention in government banks. By integrating employer branding and engagement theories with empirical evidence from the banking sector, this study contributes to organizational behavior research. It offers practical recommendations for managers in government banks to strengthen employer branding, enhance engagement, and reduce turnover intention.

2. Literature Review and Hypotheses Development

2.1. Employer Branding and Employee Engagement

Employer branding (EB) has become central to strategic human resource management. Berthon, et al. [14] first introduced EB as the process of building an identifiable and unique employer identity that differentiates an organization in the labor market. It encompasses dimensions such as organizational values, culture, and reputation, which influence current and potential employees' perception of the firm. Employer branding is particularly crucial in the banking industry, where talent competition is intense.

A strong employer brand has positively influenced employee engagement (EE). Yadav, et al. [3] demonstrated that EB is directly related to EE, and this relationship is further strengthened by organizational trust. Similarly, Sahu, et al. [4] emphasized that employer branding enhances psychological attachment, creating conditions that allow employees to engage more fully in their roles. In the context of government banks, which are often perceived as offering stability but lacking competitiveness compared to private banks, developing a strong employer brand can foster employee pride and commitment.

Hypothesis 1: Employer branding positively influences employee engagement.

2.2. Employee Engagement and Turnover Intention

Employee engagement refers to the degree of energy, enthusiasm, and involvement employees bring to their work Schaufeli and Bakker [15]. Rothmann [5] further conceptualized it as a cultural and contextual construct that integrates cognitive, emotional, and behavioral dimensions. Engaged employees are characterized by vigor, dedication, and absorption, which translate into higher productivity, stronger organizational commitment, and reduced turnover intention [8].

Engagement is vital in reducing burnout and turnover in the banking sector, where employees face demanding work conditions and high customer expectations. Salahudin, et al. [10] found that engaged Islamic bankers in Brunei Darussalam demonstrated significantly lower turnover intentions. Similarly, Merlin, et al. [12] confirmed that EE reduces turnover intention by enhancing organizational commitment.

Beyond the banking sector, consistent themes in the literature highlight that engagement is strongly influenced by HRM practices such as performance appraisals, training, and career development [6]. Rising themes, including workplace well-being and flexible work arrangements, also indicate that organizations must address psychological and social needs to maintain engagement [9, 13].

Hypothesis 2: Employee engagement negatively influences turnover intention.

2.3. Employer Branding and Turnover Intention

Employer branding not only strengthens engagement but also directly reduces turnover intention. Employees who perceive their organizations as attractive employers are less inclined to seek employment elsewhere. Tanwar and Prasad [16] argued that EB enhances retention by aligning organizational values with employee expectations, thus lowering turnover intention. Yadav, et al. [3] similarly found that EB negatively correlates with turnover intention, both directly and indirectly through mediators such as engagement and organizational trust.

For government banks, employer branding is particularly important. While these banks often emphasize job stability and public trust, they are sometimes perceived as less innovative than private banks. By strengthening EB, government banks can enhance their attractiveness, reduce voluntary turnover, and ensure long-term workforce stability.

Hypothesis 3: Employer branding negatively influences turnover intention.

2.4. The Mediating Role of Employee Engagement

The mediating role of employee engagement in organizational behavior research has gained substantial scholarly attention. Alzoraiki, et al. [1] demonstrated that EE mediates the relationship between recruitment practices and employee retention. Sharma [11] showed that EE mediated the relationship between person–organization fit and turnover intention in the IT sector. These findings suggest that engagement is a critical psychological bridge, translating organizational practices into employee retention outcomes.

In the context of EB, Sahu, et al. [4] and Yadav, et al. [3] confirmed that EE mediates the link between EB and turnover intention. This implies that while EB directly influences retention by creating a positive organizational image, its effect is amplified when employees feel emotionally and cognitively engaged.

Expanding this perspective, rising themes in the literature—such as workplace well-being and job autonomy—further support the mediating role of engagement. When organizations invest in well-being programs or grant autonomy, employees become more engaged, lowering turnover intention [13]. Thus, engagement represents how employer branding initiatives translate into reduced turnover intention.

Hypothesis 4: Employee engagement mediates the relationship between employer branding and turnover intention.

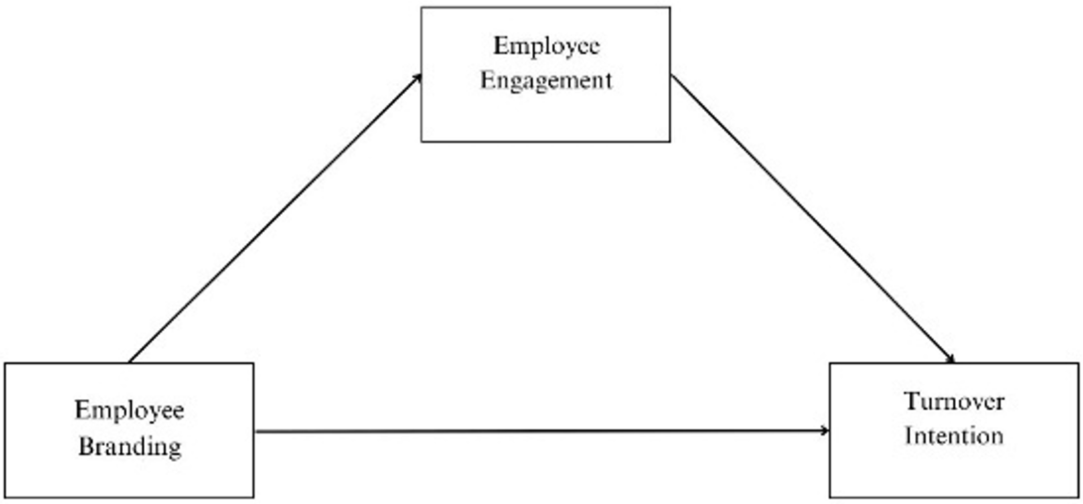

Figure 1.
Conceptual Framework

Figure 1 illustrates the conceptual framework of this study. It proposes that employer branding directly influences employee engagement and turnover intention, while employee engagement negatively influences turnover intention and mediates the EB–TI relationship.

3. Methodology

3.1. Research Design

This study adopted a quantitative, cross-sectional survey design to examine the mediating role of employee engagement in the relationship between employer branding and turnover intention in government banks. A quantitative approach was considered appropriate because the study's objective was to test causal relationships among latent variables and to evaluate mediation effects statistically.

The model was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. PLS-SEM was chosen over covariance-based SEM (CB-SEM) because it is particularly suitable for prediction-oriented studies, for models with mediation effects, and when data distributional assumptions such as multivariate normality may not be strictly met [17].

3.2. Population and Sample

This study's population consisted of employees working in government banks in Indonesia. This context was chosen because government banks play a crucial role in promoting financial inclusion, stability, and public trust, but they still face persistent challenges related to employee turnover intention.

A purposive sampling technique was employed to ensure the relevance and quality of responses. The inclusion criteria were: (1) full-time employment in a government bank, (2) a minimum of one year of work experience, and (3) occupying either managerial or non-managerial positions. These criteria were set to ensure that respondents had sufficient familiarity with the organization and could meaningfully answer the survey questions.

One hundred sixty valid responses were collected, meeting the PLS-SEM analysis requirements. According to the "10-times rule," the minimum sample size should be ten times the maximum number of structural paths directed at any construct. Since the maximum number of paths directed at a construct in this study was two, the minimum sample size was 20; thus, the 160 responses were more than adequate. Cohen [18] power analysis also indicated that this sample size provides sufficient power to detect medium effect sizes at a 0.05 significance level.

3.3. Data Collection Procedures

Data were collected using a structured questionnaire distributed both online (via Google Forms) and in printed copies. Respondents were reached through professional contacts, human resource departments, and internal bank communication channels. Before the main survey, a pilot test was conducted with 30 employees to ensure clarity, readability, and contextual appropriateness of the items. Feedback from the pilot study was incorporated into the final instrument.

The questionnaire used a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Respondents were assured of anonymity and confidentiality, and participation was entirely voluntary.

3.4. Measurement of Constructs

The constructs in this study were operationalized using established and validated scales adapted to the government banking context:

- Employer Branding (EB): Measured using 18 items adapted from Berthon, et al. [14] and Tanwar and Prasad [16] covering five dimensions: economic value, development value, social value, interest value, and application value.
- Employee Engagement (EE): Measured using nine items from the Utrecht Work Engagement Scale (UWES) developed by Schaufeli and Bakker [15] covering vigor, dedication, and absorption.
- Turnover Intention (TI): Measured using seven items adapted from Mobley [19] and Tett and Meyer [20], reflecting employees' thoughts of quitting, job search behavior, and intention to leave.

All constructs were modeled as reflective indicators.

3.5. Data Analysis

Data were analyzed using SmartPLS 4.0 following a two-stage procedure:

3.5.1. Measurement Model (Outer Model):

- Indicator reliability was examined through factor loadings, with values above 0.70 considered acceptable.
- Convergent validity was assessed using Average Variance Extracted (AVE), with values above 0.50 as the threshold.
- Internal consistency reliability was evaluated using Cronbach's alpha and Composite Reliability (CR), which required an increase of 0.70.
- Discriminant validity was confirmed using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio, with a cut-off of 0.90.

3.5.2. Structural Model (Inner Model):

- Path coefficients and their significance levels were estimated using bootstrapping with 5,000 resamples.
- Mediation analysis was conducted to test the indirect effect of EB on TI via EE.
- Model explanatory power was assessed using the coefficient of determination (R^2).
- Stone–Geisser's Q^2 test was used to evaluate predictive relevance, and effect sizes (f^2) were calculated to assess the relative impact of each exogenous variable.

4. Results

4.1. Measurement Model

The reliability and validity of the constructs were first assessed. Table 1 presents each construct's factor loadings, Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach’s Alpha.

Table 1.
Reliability and Validity of Constructs.

Construct	Item	Loading Factor	AVE	CR	Cronbach’s Alpha
Employer Branding	EB1	0.786	0.629	0.968	0.965
	EB10	0.846			
	EB11	0.787			
	EB12	0.806			
	EB13	0.801			
	EB14	0.783			
	EB15	0.743			
	EB16	0.740			
	EB17	0.860			
	EB18	0.749			
	EB2	0.794			
	EB3	0.758			
	EB4	0.823			
	EB5	0.852			
	EB6	0.837			
	EB7	0.733			
	EB8	0.799			
	EB9	0.767			
Employee Engagement	EE1	0.881	0.704	0.955	0.947
	EE2	0.807			
	EE3	0.845			
	EE4	0.831			
	EE5	0.810			
	EE6	0.841			
	EE7	0.830			
	EE8	0.851			
	EE9	0.856			
Turnover Intention	TI1	0.854	0.702	0.943	0.929
	TI2	0.786			
	TI3	0.866			
	TI4	0.899			
	TI5	0.798			
	TI6	0.822			
	TI7	0.835			

All factor loadings exceeded the minimum recommended threshold of 0.70 [17] with only a few items (e.g., EB7 = 0.733, EB16 = 0.740) slightly above the cut-off but still acceptable in exploratory research [21]. The AVE values for Employer Branding (0.629), Employee Engagement (0.704), and Turnover Intention (0.702) all surpassed the recommended threshold of 0.50 [22] confirming convergent validity. Both Cronbach’s Alpha and Composite Reliability values exceeded 0.90, indicating strong internal consistency reliability [23].
These results demonstrate that all constructs in the measurement model are valid and reliable.

4.2. Discriminant Validity

Discriminant validity was evaluated using the Heterotrait–Monotrait (HTMT) ratio and the Fornell–Larcker criterion.

Table 2.
HTMT Criterion.

	Employee Engagement	Employer Branding	Turnover Intention
Employee Engagement			
Employer Branding	0.842		
Turnover Intention	0.839	0.821	

All HTMT ratios were below the conservative threshold of 0.90 [24] indicating that each construct was empirically distinct.

Table 3.
Fornell–Larcker Criterion.

	Employee Engagement	Employer Branding	Turnover Intention
Employee Engagement	0.839		
Employer Branding	0.809	0.793	
Turnover Intention	0.790	0.780	0.838

As shown in Table 3, the square roots of AVE (diagonal values) were higher than the correlations among constructs, thereby confirming discriminant validity [22].

4.3. Structural Model

Following the establishment of construct validity and reliability, the hypothesized relationships were tested using the structural model. Path coefficients, t-statistics, and p-values were obtained using the bootstrapping procedure with 5,000 subsamples.

Table 4.
Hypothesis Testing.

Hypothesis	Path Relationship	Path Coefficient (O)	T Statistics	P Value	Decision
H1	Employer Branding → Employee Engagement	0.809	17.107	0.000	Supported
H2	Employee Engagement → Turnover Intention	0.460	3.186	0.001	Supported
H3	Employer Branding → Turnover Intention	0.407	2.979	0.003	Supported
H4	Employer Branding → Turnover Intention (via Employee Engagement)	0.372	2.912	0.004	Supported

The results indicate that all hypotheses were supported. Employer Branding had a strong and positive effect on Employee Engagement (β = 0.809, t = 17.107, p < 0.001), consistent with earlier findings that a strong employer brand enhances employees' psychological attachment and engagement [3, 4].

Employee Engagement, in turn, negatively and significantly affected Turnover Intention (β = 0.460, t = 3.186, p = 0.001). This finding aligns with prior studies demonstrating that engaged employees are more committed and less likely to quit [5, 8, 10].

Employer Branding also negatively affected Turnover Intention (β = 0.407, t = 2.979, p = 0.003). This is consistent with Tanwar and Prasad [16] who argued that a strong employer brand enhances retention by aligning organizational values with employee expectations.

Finally, mediation analysis revealed that Employee Engagement partially mediates the relationship between Employer Branding and Turnover Intention (β = 0.372, t = 2.912, p = 0.004). This supports the argument that engagement is a psychological mechanism through which employer branding reduces turnover [1].

Overall, the findings confirm that Employer Branding directly and indirectly reduces turnover intention through Employee Engagement, highlighting the critical role of engagement as a mediating construct.

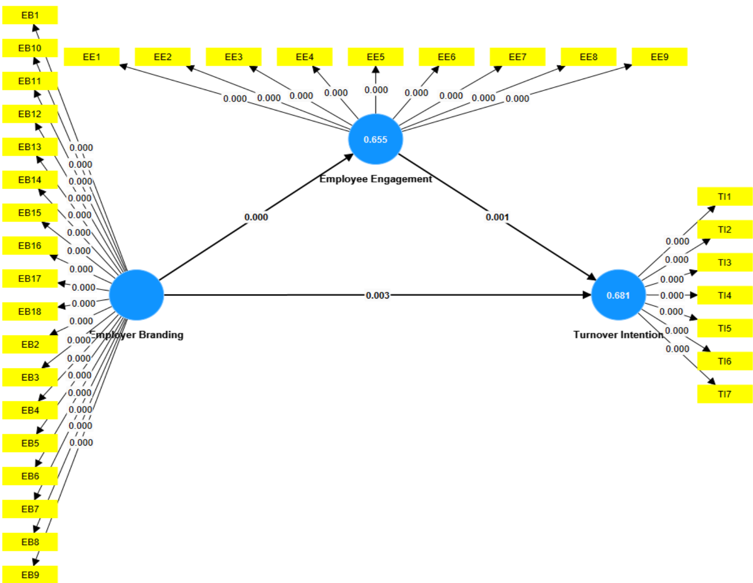

Figure 1.
Structural Model (PLS-SEM Results).

Figure 1 illustrates the PLS-SEM results, including outer loadings, path coefficients, and p-values. The model demonstrates that Employer Branding significantly influences Employee Engagement (p = 0.000) and Turnover Intention (p = 0.003). Employee Engagement significantly reduces Turnover Intention (p = 0.001). The indirect path from Employer Branding to Turnover Intention through Employee Engagement is also significant (p = 0.004), confirming partial mediation.

5. Discussion

This study aimed to examine the mediating role of employee engagement in the relationship between employer branding and turnover intention in government banks. Using PLS-SEM with data from 160 respondents, the results strongly supported all four hypotheses. Employer branding was found to enhance employee engagement significantly, significantly reduce turnover intention, directly reduce turnover intention, and partially mediate the relationship between employer branding and turnover intention. These findings highlight the interconnectedness of employer branding and employee engagement in shaping turnover outcomes. Employer branding influences employees' perceptions of the organization and increases engagement, reducing turnover intention. This aligns with previous studies that emphasized the dual role of employer branding as both a recruitment and retention tool [14].

The results confirmed that employer branding has a strong positive effect on employee engagement. This supports earlier findings that a strong employer brand enhances employees' psychological attachment and motivation [4]. In the context of government banks, which are often perceived as bureaucratic and less dynamic, employer branding initiatives can be particularly effective in instilling pride and enhancing engagement. By highlighting career stability, opportunities for professional growth, and the public value of their work, government banks can leverage employer branding to strengthen employee commitment.

Employee engagement was also found to significantly reduce turnover intention, consistent with the literature that emphasizes engagement as a key predictor of retention [5, 8]. Engaged employees are more dedicated, energetic, and absorbed in their work [15] making them less likely to consider leaving. Previous studies in the banking sector have similarly demonstrated that engagement lowers turnover intention [10]. This finding underscores the need for government banks to implement engagement-focused HR practices, such as recognition systems, career development programs, and supportive leadership, to reduce attrition.

The study also confirmed a direct negative effect of employer branding on turnover intention. This result aligns with Tanwar and Prasad [16] who argued that employer branding enhances retention by aligning organizational values with employee expectations. In government banks, where pay and promotion systems may not be as competitive as private banks, strengthening the employer brand by emphasizing job stability, social value, and public service contribution can help retain employees.

Most importantly, the findings validated the mediating role of employee engagement. Engagement partially mediated the relationship between employer branding and turnover intention, confirming that employer branding reduces turnover directly and indirectly by fostering engagement. This is consistent with studies by Alzoraiki, et al. [1] and Sharma [11], who found that engagement bridges organizational practices with retention outcomes. In practical terms, employer branding efforts should be accompanied by initiatives to foster engagement; branding without engagement may not fully translate into reduced turnover intention.

This study contributes to theory in several ways. It extends the literature on employer branding by demonstrating its role in retention, not just attraction. It enriches engagement theory [15] by confirming engagement as a mediating construct in government banks. It also supports organizational behavior models linking job satisfaction, engagement, and turnover intention [20] while situating these constructs in the context of public-sector banking.

From a managerial perspective, the findings suggest that government banks should treat employer branding as a strategic human resource management tool. Efforts should focus on communicating organizational strengths, such as stability, integrity, and opportunities for public service, to build a strong internal brand. At the same time, HR practices should foster engagement by offering professional development, supportive supervision, and recognition systems [6]. Engagement initiatives such as wellness programs, flexible work arrangements, and opportunities for autonomy can further strengthen employee commitment and reduce turnover.

The findings are especially relevant for government banks in emerging economies like Indonesia. Unlike private banks, government banks are expected to provide long-term job security and uphold public trust, but they often struggle with maintaining competitiveness in attracting and retaining talent. This study shows that strengthening employer branding in government banks can offset these challenges by creating a perception of stability and growth opportunities. When coupled with strong engagement practices, government banks can retain skilled employees despite the appeal of higher-paying opportunities in private institutions. By leveraging employer branding and engagement, government banks can overcome bureaucratic constraints and build a committed workforce.

The results are consistent with a wide range of previous findings. For example, Sahu, et al. [4] showed that employer branding enhances engagement and reduces turnover intention, while Salahudin, et al. [10] demonstrated the same effect among Islamic bankers in Sharma [11] confirmed engagement's mediating role between person–organization fit and turnover intention in the IT sector, while Alzoraiki, et al. [1] identified engagement as a mediator between recruitment practices and retention. By confirming these findings in the context of government banks, this study extends the generalizability of the engagement–turnover model across sectors.

While the study offers valuable insights, several limitations open avenues for future research. The cross-sectional design restricts causal inference, suggesting that future studies should use longitudinal approaches. The study was also limited to government banks in Indonesia, so future research could examine private banks or compare public and private sectors. Furthermore, additional mediators (e.g., organizational commitment, psychological contract) and moderators (e.g., leadership style, job autonomy) could be examined to better understand how employer branding influences retention. Mixed-methods research could also provide deeper insights by combining quantitative surveys with qualitative interviews.

Overall, this study demonstrates that employer branding and employee engagement are critical levers for reducing turnover intention in government banks. Employer branding directly and indirectly influences retention through engagement, highlighting the need for integrated HR strategies that align organizational image with internal employee experience. The findings contribute to engagement and branding literature, and practically, they provide actionable strategies for managers in government banks to strengthen retention and organizational performance.

6. Conclusion and Implications

This study examined the mediating role of employee engagement in the relationship between employer branding and turnover intention in government banks. Drawing on data from 160 employees analyzed through PLS-SEM, the findings confirmed that employer branding significantly enhances employee engagement, employee engagement significantly reduces turnover intention, employer branding directly reduces turnover intention, and employee engagement partially mediates the relationship between employer branding and turnover intention. These results underscore the strategic importance of employer branding and employee engagement as complementary mechanisms in reducing turnover intention.

The study offers several theoretical contributions. First, it extends the employer branding literature by moving beyond attraction and recruitment to emphasize retention, demonstrating that employer branding directly reduces turnover intention. Second, it enriches engagement theory [15] by confirming that engagement mediates between organizational practices and retention outcomes. Third, it situates these relationships within the underexplored context of government banks, thus adding to the organizational behavior literature in public-sector institutions, which are often overlooked compared to private organizations.

The practical implications of the study are equally significant. The findings highlight the need to treat employer branding as a strategic human capital tool for human resource managers and policymakers in government banks. Strong employer branding not only enhances the external reputation of the bank but also strengthens internal perceptions among employees, thereby fostering pride and loyalty. In practical terms, employer branding should be communicated through clear organizational values, professional development programs, and transparent career advancement opportunities. At the same time, government banks should invest in initiatives that foster engagement, such as recognition systems, supervisory support, wellness programs, and flexible work arrangements. By aligning employer branding strategies with engagement initiatives, government banks can reduce turnover intention, build a stable workforce, and enhance organizational performance.

This research contributes to contextual understanding by showing that government banks can strengthen retention outcomes through strategic employer branding and employee engagement despite their reputation for bureaucracy and limited flexibility. By emphasizing both the stability and developmental opportunities associated with government bank employment, these institutions can compete more effectively with private banks in attracting and retaining talent.

Despite its contributions, this study is not without limitations. The use of a cross-sectional survey design limits the ability to infer causality. Future research could adopt longitudinal designs to observe how employer branding and engagement initiatives influence turnover intention. The study was also limited to government banks in Indonesia, which may restrict generalizability to other banking contexts. Comparative studies involving private banks or cross-country analyses could provide deeper insights. Moreover, additional mediators and moderators, such as organizational commitment, psychological contract, or leadership styles, could be incorporated to refine the understanding of how employer branding influences retention.

In conclusion, this study demonstrates that employer branding and employee engagement are powerful levers for reducing turnover intention in government banks. Employer branding not only directly reduces turnover but also indirectly does so by fostering employee engagement. The findings underscore the need for integrated HR strategies that align organizational image with employees' lived experiences and create a committed and stable workforce. For theory, this study confirms the mediating role of engagement within the branding–retention nexus. For practice, it offers actionable recommendations for government banks to enhance their human resource strategies to remain competitive and sustainable in the long run.

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