

INFLUENCE OF REWARD MANAGEMENT ON EMPLOYEE TURNOVER IN MICROFINANCE INSTITUTIONS IN KISII COUNTY, KENYA

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Abstract: *Microfinance institutions in Kenya are operating in a highly competitive environment and one of the challenges they face is employee turnover. This has been occasioned by globalization which has intensified competition and increased the mobility of highly skilled employees yet the microfinance institutions depend on these staff for success and sustainability. The study was conducted using descriptive survey design. The target study units for this research were 6 conveniently selected microfinance institutions in Kisii County registered by AMFI Kenya and have been in operation in the county for the past 5 years. The findings revealed that the relationship between Reward Management and Employee Turnover was strong, positive and statistically significant ($r = 0.510$; $p < 0.05$). This means that as Reward Management by Microfinance Institutions increase, there is an increase in Employee Turnover in microfinance institutions. The study concluded that reward management is a key determinant in employee turnover in microfinance institutions in Kisii County; microfinance institutions in Kisii County depend on incentives as tool for implementing strategies which has reduced the rate of turnover and microfinance institutions in Kisii County high level of pay has contributed to retaining of highly qualified labor force.*

Keywords: *microfinance institutions, employee turnover, reward management*

Introduction

Employee turnover is termed as the rate at which workers move in to and out of employment usually expressed as a percentage based on the number of employees leaving an organization (Armstrong, 2011). It is the rate at which people leave an organization, sometimes known as ‘wastage’ or ‘attrition’ (Hedwiga 2011). Marisoosay (2009) argued that in human resources context it refers to the relative rate at which an organization gain and losses its personnel. Kazi and Zedah (2011) define labor turnover as the rotation of workers around the marketplace between firm, jobs and occupations and between the states of employment and unemployment.

Shoaib, Noor, Tirmizi and Bashir (2009), recognize that employee rewards are very important since they have lasting impression on the employee and continue to substantiate the employees’ perception of their value to the organizations they work with. Moreover, they contend that employees judge the quality of their job in the intrinsic satisfaction and the personal reward they earn from their work. Using intrinsic rewards to increase employee commitment and retention is achievable in all organizations. Sutherland (2004) demonstrates that reward is the basic element, which indicates how much employees gain by dedicating their time and effort towards the achievements of company objectives; therefore, employers have the responsibility to designing an

attractive reward package to attract and retain valuable employees. Shoaib et al., (2009), also attest that it is important for employers to know the value employees place in their reward systems and to formulate strategies that address equitable and adequate reward for their employees. When appropriate reward strategies are understood and embedded in the organization's culture, productive employees remain (Shechtman, 2008). A valued employee is more likely to stay in employment than an unvalued employee is. Sutherland (2004) argues that reward systems ought to be a significant sphere of innovation for employers. The increasing diversity of the workforce, she states, suggests the need for more creative approaches to tailoring the right rewards to the right people. She concluded that recognition and reward are part of a more comprehensive effort at keeping workers or adopting good workplace practices, which can contribute to increased retention. Recognition programs are an important component of an employee retention plan. The importance of these kinds of program is rooted in theories of positive reinforcement. By saying 'thank you' to employees for a job well done or a 'pat on a shoulder' to show appreciation, an organization is reinforcing ideal behavior and encouraging more of the actions that will make it successful.

Reward Management and Employee Turnover

Maintenance of employee/employer relationships that contribute to satisfactory productivity, motivate employees and ensure healthy employee morale. Among many ways to successfully manage employee relations, performance management and open communication are key. Employee relations' is a common title for the industrial relations function within personnel management and is sometimes used as an alternative label for the academic field of industrial relations. The term underlines the fact that industrial relations is not confined to the study of trade unions but embraces the broad pattern of employee management, including systems of direct communication and employee involvement that target the individual worker" (Smith, G. 2007).

Relationship management entails aspects that satisfactorily enhance productivity, motivation, human relations that are value addition and conducive for employees (Cole, 1991). An employee relation is a common title for the industrial relations function within personnel management. Human Resource Management practices still assert that human capital remains the most sensitive resource for any organizational survival (Bernardin, 2003). The term underlines the fact that industrial relations is not confined to the study of trade unions but embraces the broad pattern of employee management, including systems of direct communication, leadership styles and employee involvement in decision making (Crowling, 2009).

Statement of the Problem

It is important that financial institutions adequately motivate and retain skilled and experienced workforce for strategy implementation (CBK, 2010). Financial institutions have witnessed considerable human capital flight despite the growth in profitability for the past five years. The survey report released on business daily noted increased competition for high-end clients, qualified, trained and experienced staff to implement financial institutions strategies. However, a mismatch in compensation and disparity in disposable incomes rewards, bonuses and allowances for employees is unrepresentative of the super abnormal profits reported. Managers are finding it hard to stick with top talents employees in the face of stiff competition for human resources (Chepkony, 2012).

Studies in Kenya such as Abuti (2006) have focused on assessing why employees leave the companies they work for. Kinyanjui (2008) did a study on employee turnover to show that salaries are not the main drivers of employee turnover. Gachanja (2004) carried out a study on workers' motivation and labour turnover among sales agents which was a case study of British American insurance company. Njoroge (2007) did a survey of

factors that influence employee retention in manufacturing firms in Nairobi. The study focused on employees who had been retained by their employer for more than 10 years. Very little, if any has been done on factors influencing labour turnover in microfinance institutions in Kenya. This forms a research gap and since this is important, especially for the banking industry experiencing high labour turnover rates, it was important to carry out the study to determine the factors influencing employee turnover in microfinance institutions in Kenya.

Study Objective

The general objective of this study were to assess the determinants of employee turnover in microfinance institutions in Kisii County, Kenya with a specific objective to determine the influence of reward management on employee turnover in microfinance institutions.

Theoretical Framework

The study applied relevant motivation theories in trying to assess the determinants of employee turnover. Most notable are Equity theory (1965), Expectancy theory (1964); McClelland theory (1971) and Herzberg two factor theory (1959), all of which were relevant to the study.

Research methodology

This study used the descriptive survey research design. Lavrakas (2008) describes a descriptive survey research design as a systematic research method for collecting data from a representative sample of individuals using instruments composed of closed-ended and/or open-ended questions, observations, and interviews.

The target population for this study were divided into two levels. The first target population was at institutional level where the study targeted 6 licensed micro-finance institutions operating in Kisii County. The second level of target population was the senior management employees of the 6 microfinance institutions in operation in Kisii County as at 31st December, 2017. The main reason for choosing senior management employees was due to their responsibility for employees of their respective institutions and have higher level of appreciation on determinants of employee turnover. They are also responsible for managing employees of their units through the departmental budgets and action plans. According to the AMFI Kenya annual supervision report of year 2017, as at 31st December 2017 there were 300 management employees in the 6 microfinance institutions operating in Kisii County of which approximately 20% were in the senior management cadre.

AMFI is the leading association of microfinance institutions in Kenya and hence it's used as an authoritative source for microfinance sector information. The study used a purposive sampling procedure to identify the sample units. The sample units were six (6) microfinance institutions registered under AMFI operating in Kisii County. The sampled microfinance institutions were selected because they have readily available information and have a higher level of information disclosure. These are also the microfinance institutions that have been consistently in operation for the past five years in Kisii County. These institutions also account for a significant size of over 80% of the Kisii County microfinance sector in terms of a composite market share index of net assets, total deposits, shareholders' funds, number of loan accounts and number of deposit accounts (AMFI, 2017).

Testing for Multi-Collinearity between the Study Variables

Besley, Kuh and Roy (1980) cited in Keraro (2014) and Opiyo (2017) concluded that identification of multi-collinearity in a model is important and is tested by examining the tolerance and the variance inflation factor (VIF) diagnostic factors. The variance inflation factor (VIF) measures the impact of multi-collinearity among the variables in a regression model. Green (1998), also cited in Keraro (2014) argued that even though there is

no formal criterion for determining the bottom line of the tolerance value or VIF, tolerance values that are less than 0.1 and VIF greater than 10 roughly indicate significant multi-collinearity. According to Cohen et al., (2003), the suggested cut-off point for multi-collinearity is tolerance level of 0.8. Also, Hair et al., (2006) and Leech et al., (2014) proposed a cut-off point for determining presence of multi-collinearity at a tolerance value of less than 0.10, or a VIF of above 10. From Table 1, the study concluded that there was no case of multi-collinearity between the dependent and independent variables.

Table 1: Multi-Collinearity Test between Study Variables

Model	Research Variables	Collinearity Statistics	
		Tolerance	VIF
1	Reward Management	.986	1.015

Normality Check on the Dependent Variable (Employee Turnover)

According to Pallant (2010), a test of normality is done by inspecting the output of the normal Q-Q plot for the dependent variable. A normality check on the dependent variable (Employee Turnover) was done by generating a Normal Q-Q plot of the data using the SPSS program. An assessment of the normality of data is a prerequisite for many statistical tests because normal data is an underlying assumption in Classical Linear Regression Modelling (CLRM) as well as parametric testing. A normality test is used to determine whether sample data has been drawn from a normally distributed population (within some tolerance) and that the data set is well-modelled by a normal distribution. It is also important as it enables a researcher to compute the likelihood of a random variable underlying the data set to be normally distributed (Cooper & Schindler, 2011).

A normality test was carried out on the dependent variable, the Employee Turnover in microfinance institutions. A Normal Q-Q plot of the data was generated from the SPSS software and the findings are presented in Figure 1. The figure shows that most of the scatter dots fell within the line of best fit and, therefore, the study concluded that the dependent variable was drawn from a normally distributed population.

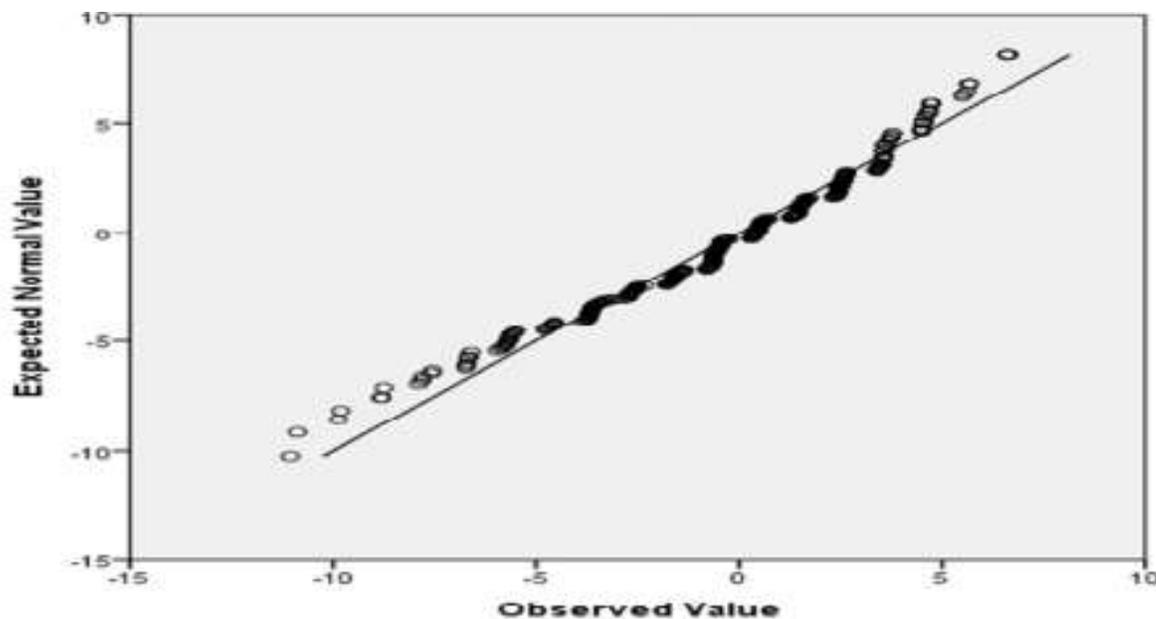
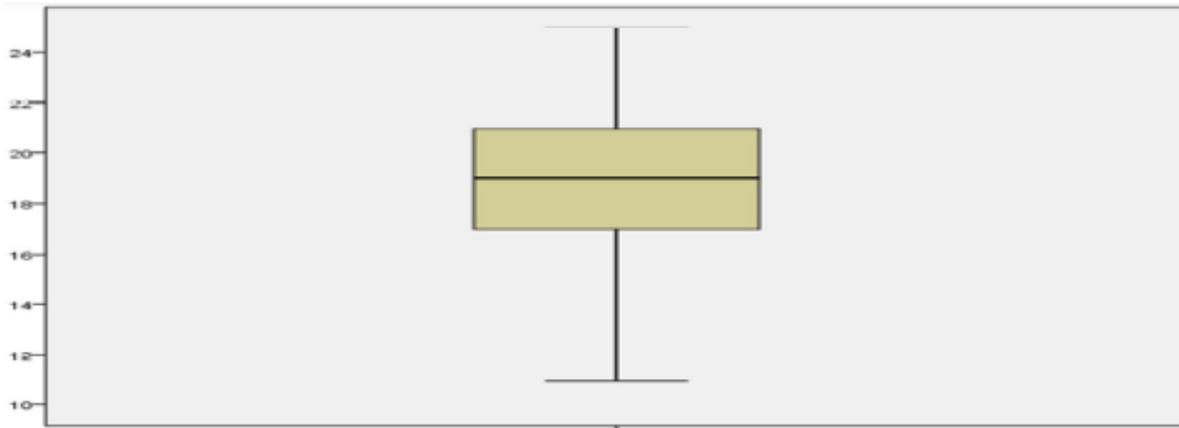


Figure 1: Normal Q-Q Plot on the Dependent Variable (Employee Turnover)

Checking for Outliers on the Dependent Variable

A box-plot was generated from the SPSS software so as to establish if the dependent variable, Employee Turnover had any outliers. The findings presented in Figure 2 show that there are no observed outliers as there are no scatter dots below and above the box-plot.



Findings on Influence of Reward Management on Employee Turnover

The analysis in this section is in line with the third objective of the study which sought to determine the influence of reward management on employee turnover in microfinance institutions in Kisii County. The descriptive results are shown in Table 2.

Table 2: Descriptive Statistics for Reward Management

Statement	SA %	A %	N %	D %	SD %	Mean	S.D
My organization undertakes pay review at regular intervals which has contributed to low labor turnover.	20.0	30.0	33.3	16.7	0.0	3.53	1.008
My organization provides a wide range of rewards which reduce the tendency by employees to leave the organization for greener pastures.	26.7	30.0	26.7	16.7	0.0	3.67	1.061
My organization offer monetary rewards to employees whose performance is high to reduce the number of employees who quit the organization.	10.0	60.0	26.7	0.0	3.3	3.73	.785
My organization’s high level pay has contributed to retaining of highly qualified labor force.	16.7	56.7	16.7	10.0	0.0	3.80	.847
My organization depends on incentives as tool for implementing strategies which has reduced the rate of turnover.	20.0	56.7	20.0	3.3	0.0	3.93	.740

Key: N=60, SD=Strongly, Disagree D=Disagree, N=Neutral, A=Agree, SA= Strongly Agree, S.D=Standard Deviation

Findings on Influence of Reward Management on Employee Turnover

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Key: N=60, SD=Strongly, Disagree D=Disagree, N=Neutral, A=Agree, SA= Strongly

Findings on Employee Turnover

The analysis in this section is in line with the dependent variable which sought to establish the perceptions held by the respondents regarding employee turnover in microfinance institutions in Kisii County. Table 4 shows the descriptive results.

Table 4: Descriptive Statistics for Employee Turnover

Statement	SA	A	N	D	SD	Mean	S.D
	%	%	%	%	%		
Most employees in my institution plan to work at their present jobs for as long as possible.	23.3	46.7	23.3	0.0	6.7	3.80	1.031
Most employees in my institution are actively searching for an alternative to this institution.	16.7	70.0	10.0	3.3	0.0	4.00	.643

Most employees in my institution would hate to quit their jobs.	23.3	63.0	10.0	3.3	0.0	4.07	.691
As soon as is possible, most employees in my institution will leave this institution.	30.0	50.0	13.3	6.7	0.0	4.03	.850
Most employees in my institution are in this institution for lack of an alternative employer.	53.3	40.0	6.7	0.0	0.0	4.47	.629

Key: N=60, SD=Strongly, Disagree D=Disagree, N=Neutral, A=Agree, SA= Strongly Agree, S.D=Standard Deviation

Relationship between Reward Management and Employee Turnover

Table 5 outlines the results of correlation analysis between Reward Management and Employee Turnover.

Table 5: Correlation between Reward Management and Employee Turnover

		Employee Turnover	Reward Management
Employee Turnover	Pearson Correlation	1	.510**
	Sig. (2-tailed)		.000
	N	60	60
Reward Management	Pearson Correlation	.510**	1
	Sig. (2-tailed)	.000	
	N	60	60

** . Correlation is significant at the 0.05 level (2-tailed).

The findings in Table 5 revealed that the relationship between Reward Management and Employee Turnover was strong, positive and statistically significant (r = 0.510; p < 0.05). This means that as Reward Management by Microfinance Institutions increase, there is an increase in Employee Turnover in microfinance institutions in Kisii County.

Conclusions of the Study

The study derived the following conclusion.

Reward Management is a key determinant in employee turnover in microfinance institutions in Kisii County; microfinance institutions in Kisii County depend on incentives as tool for implementing strategies which has reduced the rate of turnover and microfinance institutions in Kisii County high level of pay has contributed to retaining of highly qualified labor force.

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