

**EFFECTS OF HUMAN RESOURCE MANAGEMENT PRACTICES ON
EMPLOYEE RETENTION IN DEPOSIT-TAKING MICROFINANCE
INSTITUTIONS (MFIs) IN KENYA**

ANNE WAMBUI MBURU

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DECLARATION

I declare that, this project is my own original work and has not been presented for award of any degree in any University.

Signed: _____

MBURU ANNE WAMBUI

Date

REG No: D61/63237/2010

This project has been submitted for examination with my approval as the University Supervisor.

Signature Date

DR. FLORENCE MUINDI

LECTURER

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI

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DEDICATION

I would like to dedicate this research work to my family and friends who are my pillars and sources of great inspiration. My parents Mr. and Mrs. Mburu who have supported me during my studies. May the Almighty God bless you all.

LIST OF ABBREVIATIONS AND ACRONYMS

AMFI	Association of Microfinance Institutions
CBK	Central Bank of Kenya
DTMS	Deposit-taking Microfinance Institutions
HRM	Human Resource Management
HRMP	Human Resource Management Practices
SACCOs	Savings and Credit Co-operative

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ABSTRACT

The most successful organizations are the ones attract, develop and retain individuals who have the ability to manage a global organization, that is responsive to customers and the opportunities being presented by technology. DTMs ability to provide credit facilities to low income earners who lack the desired securities and collaterals demanded by the well-established financing institutions, makes them vulnerable and exposed to higher risk. However, the growing interest to tap on the wider base of these low earners has made the existing financial institutions encroach into the DTMs customer base. A closer look at the operations of many DTMs reveals that they all face challenges related to human resources management. The study sought to determine the effect of human resource management practices on employee retention in Deposit-taking Microfinance Institutions in Kenya. Secondary data was obtained from published accounts of the DTMs. The data collected was coded, edited and tabulated to ensure consistency and completeness. This was done by entering data into a computer through an excel spreadsheet to enable manipulation of the data before entering the data into the statistical package for social sciences software (SPSS) after which analysis was done. Descriptive statistics were used to describe the basic features of the data gathered from study. The descriptive statistics were presented in simple tabular and graph analysis, which formed the basis of quantitative analysis of the data collected. Arithmetic means, standard deviations were calculated that and used to draw up observations and make conclusions. Mean scores showed the ranking of the human resource management practices and employee retention by respondents organizations. The study concluded that the deposit taking microfinance institutions are able to achieve the intended organizational goals as measures have been put in place to ensure that quality of life and a balanced worklife for all employees and managers. Employee engagement entails creating opportunities for employees to connect with their colleagues, managers and the wider organization. The DTMs are able to offer creative career development opportunities that are woven into the fabric of the organization and present mentoring programs and overall retention results from a mix of rewards rather than any single reward. The study recommended that Human resource practices should be highly regarded in every organization. The deposit taking microfinance institutions for that matter should not be left out. Organizations should establish and review their human resource practices as this contributes greatly to employee retention leading to the inward success and outward success of the organization.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Today we are living in a dynamic world. Advancement of information technology has brought to centre stage the importance of human resource, more than ever before. In a competitive scenario, effective utilization of human resource has become necessary and the primary task of organizations is to identify, recruit, and channel competent human resources into their business operations for improving productivity and functional efficiency (Jyothi and Venkatesh, 2006). The responsibility of recruiting, selecting and retaining qualified, motivated, and experienced human resources for the organization is vested in the human resource department through their human resource management practices (HRMP). Human resource management practices can therefore be described as the formulation of procedures that constitute the development of employees capacity to maximise their potential in a manner that furthers the objectives of both the individual and the organization to gain competitive advantage (Khadka, 2009).

In view of the fact that the competitiveness and performance of the organization is achieved by the human resource element, the HRM practices of the firm should be aligned with the overall corporate strategy of ensuring that the right personnel is at the right place at the right time. The firm can obtain this goal through formulating and implementing employee retention strategies based on the HRM practices (Kelliher & Perret, 2001). Retention of employees and their appreciated skills helps the organization to preserve their investment of employee training, which causes lower loss of human

capital and yields higher retention (Acton & Golden, 2003). Organisations use different techniques to retain their employees, such as having compensation, training and development, competitive work environment, and other benefits (Stavrou-Costea, 2005). Based on this review, the study will be based on Social exchange theory (Blau, 1964) which posits that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. This implies that employees extend their effort and loyalties in return for the material commodities and social rewards given to them by the organization (Blau, 1964). Based on the norm of reciprocity, HRM practices are theorized to indirectly impact employee attitudes and behaviors by creating a sense of obligation within individuals that results in reciprocation in terms of commitment to work, loyalty, retention amongst others (Eisenberger *et al.*, 1986).

Deposit-taking Microfinance institutions (DTMs) in Kenya are currently facing competitive business environment caused by the current trends by established financial institutions such as banks, offering financial services customized for the low-income earners, a niche that had been previously dominated by the MFIs (Helmut, 2011). In a bid to remain competitive in such markets, DTMs have been forced to ensure that they implement appropriate HRM practices in order to retain their employees and remain competitive. This study sought to establish the HRM practices adopted by Deposit-taking MFIs and their effect on retention of employees.

1.1.1 Concept of Human Resource Management

Managing human resource is one of the main functions that organisations undertake. Armstrong and Baron (2004) postulate that people and their collective skills, abilities and

experience, deployed in the interests of the employing organization through human resource management practices, are now recognized as making a significant contribution to organizational success and constituting a major source of competitive advantage. According to Werbel and DeMarie (2005) human resource management practices is the managing of human resources (HR) in the modern organization based on the understanding that the most critical resource that any organization must provide itself of is HR. Therefore human resource management develops practices which foster teamwork and flexibility and makes the employees feel that they are valued and their contribution is essential for the development and growth of organization (Wright, 2005). According to Armstrong (2009), human resource management practices emphasizes the need for the HR plans and strategies to be formulated within the context of overall organizational strategies and objectives and to be responsive to the changing nature of the organization's external environment. It is an approach, which requires interpretation and adaptation by practitioners to ensure the most suitable fit between HR business strategies and plans.

Flippo (2009) defines human resource management practices as the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organisational and social objectives are accomplished. Available literature also demonstrates that the fundamental HRM practices include human resource planning, recruitment and selection, job analysis; compensation and reward, performance appraisal, training and development, career management, employee relations and welfare (Matthis & Jackson, 2010). Therefore, human resource management practices founded on the human resource

management function to ensure that there is a good fit between the individual employees' values and the organisation's values during the recruitment, selection, development, compensation and retention process (Van Vianen, 2011).

According to Bratton and Gold (2009), HRM practice as a strategic approach to managing employment relations, which emphasises that leveraging people's capabilities is critical to achieving competitive advantage achieved through a distinctive set of integrated employment policies and programmes. Thus, HRM practices aims at carrying out sets of HRM programmes, functions and activities designed to maximize employee wellbeing and organisational objectives. Milkovich and Newmen (2009) assert that leveraging employees' full potential and gaining the commitment of all employees, which is considered necessary for competitive advantage, requires changes in three aspects of managerial control; namely, organisational design, culture and HRM policies and practices.

Therefore, practices of HRM such as resourcing, training and development, employee relations and reward management are concerned with how people are employed and managed in organizations so as to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce.

1.1.2 Employee Retention

Armstrong (2006) asserts that employee retention refers to policies and programmes aimed at ensuring that the organization keeps its productive employees for a long period. Retention programmes are therefore designed to ensure that people remain as committed

members of the organization. Taplin & Winterton, (2007) describe employee retention as the ability of the management to keep its employees for a longer period. It needs favorable HRM policies and practices, which let the key employees commit to an organization. Therefore, the retention of talented employees is an advantage to an organization because employees' knowledge and skills are central to a company's ability to be economically competitive. Pfeffer (2005) affirms that acquisition, development and retention of talent form the basis for developing competitive advantage in many industries and countries. Accordingly, for any organisation to thrive and remain competitive, it is important that it implements HRM practices that attracts and retains competent human resources.

To begin with, organizations need to understand what causes people to commit themselves to being productive and loyal. Then they design jobs, systems and organizations that support rather than inhibit it (Van Vianen, 2011). Therefore, to achieve quality retention programs, organizations ought to determine the retention factors relevant to each of their employee groups and then focus strategies on these factors. Dobbs (2001) asserts that for each employee group, information can be gathered from current and former employees on their perceptions of why people stay or leave. Exit interviews and follow-up surveys with former employees are being adapted to yield more accurate, useful information. Interviews, focus groups, and surveys among current employees provide perceptions of the relevant factors and their importance. It is advocated that there may be a distinctive edge in simply doing all of the key things well.

By providing a reasonably high level of attention to the factors important to employees, a strong organizational culture is built and maintained (Marchington & Wilkinson 2008).

Organisations use different techniques to retain their employees, such as having compensation, training and development, competitive work environment, and other benefits (Samuel & Chipunza, 2009). Much of the emphasis of “good” employment practices has been placed on strategies to retain staff with emphasis on flexible employment, communication, family-friendly work policies, telecommuting, well-being programmes, employment conditions, and social and community practice (Beauregard & Henry, 2009). All these efforts are aimed at improving HRM practices and workplace relations, and thus leading to organisational performance through shaping employees' attitudes and behaviours. It is believed that these practices have the potential of motivating employees as well as offering them some level of security, autonomy, recognition and improved self-worth leading to affective commitment (Dockel, Basson, & Coetzee, 2006).

1.1.3 Deposit-taking Microfinance Institutions in Kenya

Microfinance is the provision of financial services to low-income individuals and households as well as micro, small and medium enterprises using specially designed methodologies that will ensure sustainability for the lenders and lead to improvement in the standard of life for the consumers. This provides an enormous potential to support the economic activities of the low-income people and thus contributes to poverty alleviation. Microfinance refers to the small-scale financial services that involve mainly credit and savings services to the poor (Robinson and Barron, 2007).

The Kenyan microfinance sector began in the late 1960s with a few NGOs that set up pilot programs providing donor funded credit services. According to Association of Microfinance Institutions (AMFI, 2014) there are 49 formal Microfinance institutions (MFIs) with 9 Regulated as Deposit taking MFIs (DTMS), 5 banks offering microfinance services, 4 Wholesalers advancing loans to other MFIs, 1 SACCO, 1 Development organization and 29 Retail lenders. According to CBK website two more DTMs were license early this year bringing up the number of DTMs to 11 (www.cbk.co.ke). The exact number of the informal MFIs is however hard to determine due to its diversity and complete regulation platform which includes all Microfinance service providers. All these groups came in to bridge the gap created by mainstream banks. Currently, they serve over 6.5 million clientele according to the AMFI (2015). Their success stories and contributions to both social and economic factors has made the industry become an icon in the country hence many parties have drawn their focus to it.

DTMs in Kenya has face a number of constraints and challenges with stiff competition in the sector being the most current. Some of the major challenges to the development of microfinance business in Kenya include lack of specific legislation and set of regulations to guide the operations and insufficient use of human resource management practices since the industry is labour intensive. The task and challenge for human resource management practitioners is to introduce innovative techniques that help managers within an organization to articulate clear goals that can be understood and undertaken by a workforce (Romano, Chege, Mutua & Musiega, 2014). It is until recently that a

microfinance bill was enacted that became an act of parliament. This law has enabled microfinance institutions to seek licensing for deposit taking (CBK, 2013).

Initially Microfinance institutions in Kenya were registered under eight different Acts of Parliament. Some of these forms or registrations did not address issues regarding ownership, governance, and accountability. They contributed to a large extent to the poor performance and eventual demise of many Microfinance Institutions because of a lack of appropriate regulatory oversight. This has had a bearing on a number of other constraints faced by the industry, namely: diversity in institutional form, inadequate governance and management capacity, limited outreach, unhealthy competition, limited access to funds, unfavourable image and lack of performance standard. The lack of oversight, however, has enabled them to innovate and develop different techniques of providing microfinance services (CBK, 2010).

1.2 Research Problem

The most successful organizations are the ones attract, develop and retain individuals who have the ability to manage a global organization, that is responsive to customers and the opportunities being presented by technology (Armstrong, 2009). Given this, organisations take steps to retain employees, to avoid unwanted turnover due to stress, low job satisfaction, unsatisfactory working condition, and inadequate benefits. It is the human resource department's responsibility to find, assimilate, develop, compensate and retain these talented employees through HRM practices (Benkhoff, 2007). However, employee retention is a challenge still facing many organisations both public and private

because talented candidates in the global job skills market have the luxury of choice (Harris, 2007).

Microfinance Institutions are expected to play a vital role in the realization of the Kenya Vision 2030, which localizes the United Nations' Millennium Development Goals. DTMs ability to provide credit facilities to low income earners who lack the desired securities and collaterals demanded by the well-established financing institutions, makes them vulnerable and exposed to higher risk. However, the growing interest to tap on the wider base of these low earners has made the existing financial institutions encroach into the DTMs customer base. Unfortunately, the institutions are not only targeting the customers but also the employees who are well versed with the rough terrain of micro financing (CBK, 2013). A closer look at the operations of many DTMs reveals that they all face challenges related to human resources management. First and foremost these institutions are labour-intensive since they offer services that are highly personalized and relational in nature. Lack of clear training and development programs as well as leadership that is not wholly committed to employee welfare, are some of the challenges that have dogged effective strategic human resource management practices in deposit-taking Microfinance Institutions (DTMs) (Helmut, 2011).

The case of DTMs scenario has been compounded by the fact that mainstream banks offer more attractive employment terms and benefits than the microfinance sector because of its great potential. Granted banks have the financial muscle to offer better terms of service to the workers they poach from the microfinance institutions (Njuguna, 2008). Therefore, to avoid the vicious cycle of hiring, training and loosing, DTMs must

wake up to the call and tame the increasing movement of their best employees. This can be achieved through improved HRM practices.

Locally, studies have been carried out on human resource management practices on employees and retention. Wangui (2009) looked at employee retention in local Kenyan banks with a focus on Equity bank. Her study established that Equity Bank uses both financial and non-financial incentives to encourage its employees to stay. Romano et al., (2014) undertook a study on Effects of Employee Engagement on Employee Retention in Micro-Finance Institutions. The results indicated a declining trend of employee engagement that perhaps explains the current increasing rates of staff turnover. Gachunga (2010) undertook a study on influence of human resources management practices on retention of core employees in the media sector in Kenya, a case of Standard Group Ltd. The study showed that Standard Group values leadership qualities that are aligned with the retention strategies and recruitment process. Wanjiru (2007) did a survey of factors that influence employee retention in manufacturing firms in Nairobi. The study found out that the manufacturing firms valued gaining competitive advantage and engage in HRM practices to retain employee to a great extent. Lepilale (2009) investigated the relationship between employee retention management practices and voluntary labour turnover in Five Star Hotels in Nairobi. The study deduced that organization value compensation practices as a way of retaining employees and that compensation influences on employee retention.

An analysis of the above studies shows that the focus is in different concepts on HRM. However, no study to the knowledge of the researcher had been undertaken on effect of

human resource practices on employee retention in Deposit-taking Microfinance Institutions in Kenya to the knowledge of the researcher. This therefore created a research gap in this area, which this study sought to fill guided by the following research question; what is the effect of human resource practices on employee retention in Deposit-taking Microfinance Institutions in Kenya?

1.3 Research Objective

The study sought to determine the effect of human resource management practices on employee retention in Deposit-taking Microfinance Institutions in Kenya.

1.4 Value of the Study

This research aimed at providing workable solutions to a real and problematic issue within almost all organisations; employee retention. Generally, the microfinance industry may find the results of the study very valuable because it will provide comprehensive HRM practices that affect employee retention. This study might also help to shape HR policies of the microfinance industry thereby facilitating the government of Kenya's aim of ensuring effective and efficient services in the financial sector.

The findings of this study may be beneficial to the management as well as the human resource managers of the various microfinance institutions. This is because it is expected to provide possible answers to why employees stay or leave their organisations, thus providing some answers as to how to tackle the critical management issue of employee turnover. This will invariably help the organization in formulating appropriate retention

policies, making informed decisions and adopting strategies that will boost retention, performance and productivity.

Theoretically, the study is expected to bridge the gap in the literature on the effects of HRM practices on employee retention in Kenya. It can further serve as secondary data for prospective researchers. Also, the study shall seek to provide new evidence on how HRM practices could best influence employee retention in the microfinance industry. Finally, it will serve as a reference point for further research and add to existing literature on the subject.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review on HRM practices and employee retention. It is organized as follows; first is a theoretical orientation on HRM practices and employee retention whereby the relevant theory is discussed. It is followed by a discussion on HRM practices, factors affecting retention management and thereafter, empirical review of the relationship between HRM practices and employee retention.

2.2 Theoretical Foundation of the Study

This study is based on the Social Exchange Theory as proposed by Blau (1964). The theory is based on a social psychological and sociological perspective that explains social change and stability as a process of negotiated exchanges between parties. Social exchange theory posits that human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. The theory has roots in economics, psychology and sociology. Social exchange theory features many of the main assumptions found in rational choice theory and structuralism. It is also used quite frequently in the business world to imply a two-sided, mutually contingent and rewarding process involving transactions or simply exchange.

In relation to human resource management practices and employee retention, the exchange theory views employment relationship as consisting of social or economic exchanges (Aryee, et al., 2002). Economic exchange relationships involve the exchange of economic benefits in return for employees' efforts and are often dependent on formal

contracts which are legally enforceable. On the other hand, social exchanges are ‘voluntary actions’ which may be initiated by an organization’s treatment of its employees with the expectation that the employees will be obligated to reciprocate the good deeds of the organization (Gould and Davies, 2005). The exchange approach view of organizational commitment and engagement posits that individuals attach themselves to their organizations in return for certain rewards from the organizations. According to this view, employees enter the organization with specific skills, desires and goals, and expect to find an environment where they can use their skills, satisfy their desires and achieve their goals. Perception of favorable exchange and rewards from the employees’ viewpoint are expected to result in increased retention to the organization. On the other hand, failure by the organization to provide sufficient rewards in exchange for employees’ efforts, is likely to result in decreased organizational retention.

From this perspective, social exchange theory suggests that employees respond to perceived favorable working conditions by behaving in ways that benefit the organization and or other employees. Equally, employees retaliate against dissatisfying conditions by engaging in negative work attitudes such as absenteeism; lateness of preparing to quit the organization (Haar, 2006). The exchange theory has also been used to explain the employees retention to the organization. According to the exchange perspective, employees exchange their identification, loyalty and attachment to the organization, in return for incentives from the organization. This implies that an individual’s decision to become and remain a member of an organization is determined by their perception of the fairness of the balance of organizational inducements and the employee contribution.

Meyer and Smith, (2009) argue that unless employees believe they have been treated fairly, they will not be committed to the organization.

2.3 Human Resource Management Practices

HRM concept implies that employees are resources of the employer. HRM is blend of policies, practices and systems that influence employees' behavior, attitudes, and performance (Khadka, 2009). Armstrong, (2009) defined HRM practice as a tactical and strategic way to attain, develop, manage and motivate and gaining the commitment of the employees. HRM practice is seen as the available talents and energies of people who are available to an organization as potential contributors to the creation and realization of the organization's mission, vision, strategy and goals (Jackson and Schuler, 2000).

Various scholars (Pfeffer, 2005) have identified that HRM can be source for competitive advantage of a company and company performance is influenced by a set of effective HRM practice. McMillan (1983) argued that the emerging importance of HRM practice tends to be overlooked by many organizations as a tool to achieve a competitive advantage through retention of key employees. Academicians (Guest, 2007) identified that HRM practice is the backbone of an organization. Thus achieving an organizational accomplishment needs to be facilitated by employment of sophisticated HRM infrastructure (Jyothi and Venkatesh, 2006) and HRM practice needs to be strategically designed, installed and adopted to promote desirable outcomes.

Recruitment is seen as a bridge-building activity bringing together those with jobs to fill and those who are seeking jobs. Recruitment involves locating and attracting potential

employees to apply for jobs in the organization. Its objective is to attract a number of qualified personnel for each particular job opening. Werbel and DeMarie (2005) indicate that recruitment can either be external or internal or both. Employers can recruit directly from the labour market, at the company's gates, through private employment agencies and through licensed brokers. On the other hand, selection is the process of determining which job applicant fits the jobs. The selection process involves activities like interviews, employment history, background checks, physical examination and placement (Lloyd and Leslie, 2009)

Training and development is the field concerned with organizational activity aimed at improving the performance of individuals and groups in organizational settings. It has been known by several names, including employee development, human resource development, and learning and development (Snell, 2006). Training focuses on learning the skills, knowledge, and attitudes required to initially perform a job or task or to improve upon the performance of a current job or task, while development activities are not job related, but concentrate on broadening the employee's horizons (Down, 2007).

Performance Management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do) skills (expected to have) and behaviours (expected to be). The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization (Bret and Mike, 2009).

Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly equitably and consistently in accordance with their value to the organization (Wright, 2005). In the ideal situation, employees feel they are paid what they are worth, are rewarded with sufficient benefits, and receive some intrinsic satisfaction (good work environment, interesting work, etc. Compensation programmes must be internally equitable, externally equitable and be personally motivating to employees (Walker, 2009).

Employee motivation brings about commitment which is a driving force for the success of any organization. Eisenberger *et al.*, (1986) identifies motivation as a key dimension because it can result not only in more loyalty and better performance for the organization, but also in self-worth, dignity, psychological involvement, and identity for the individual.

2.4 Factors Influencing Retention

Organizations make enormous efforts to attract handfuls of employees and sustain them in the organization. In today's business scenario high salary and designation only are not significant factors to retain employees in the organization. Others factors also play important role in their retention. Stavrou-Costea, (2005) recognized that factors influencing employee's retention need to be managed congruently i.e. compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice etc. Accordingly, organization utilizes extensive range of human resource management factors to influence employee commitment and retention (Stein, 2000).

To begin with, Osteraker (2009) notes that employee satisfaction and retention are considered the cornerstone for the success of an organization. His study divided the factors influencing retention into social, mental or physical dimension. The grouping is based on social contacts at works, characteristics of the work task or the physical and material circumstances associated with work. The retention factors of the mental dimension are work characteristics, employees are retained by flexible tasks where they can use their knowledge and see the results of their efforts. The social dimension refers to the contact employees have with other people, both internal and external. The physical dimension consists of working conditions and pay. In order to retain employees the organization needs to gain information about the dynamics that characterized the motivation to work.

Employees have also been found to become more loyal and stay in the organization when they identify themselves within a group and contribute to the performance as a group (Van Knippenberg, 2011). This suggestion relies on work performed by Locke (1994) and the goal setting theory he developed, whereby the goal is team performance and the individual feeling part of the group. The focus of Locke (1994) was on the goal, but in order to reach the goal one must associate oneself with the group and task. Employees who are valued and they feel esteemed will take an active part in the organization goals, show productive behavior in the workplace and increased job involvements, which decrease absenteeism and turnover intention rates (Silbert, 2005). Freyermuth (2007) states that in organizations, employees respond to admiration, support and encouragement. On the other hand, Kristof (2006) asserts that retention is enhanced by

person value match with the job. This is considered in the perspective of employee selection and based on the beliefs of employee value congruent with organization, or person and organization goals. To achieve this, Cable and Judge (2007) posit that employee selection process should consider improving matching between employee values and corporate culture to retain core employees.

Silbert (2005) argues that rewards are very important in enhancing employee retention because it has enduring impression on employees and support the perception of employee's that they are valued. Reward is an amount of pay, benefits, or equivalents employee receive in return for service which employee render to organization. A reward can be intrinsic or extrinsic, it can be in form of cash bonuses or reward can be in form of recognition/certificate such as commendation certificate or worker of the month. In business environment rewards are offered in several forms such as recognition, cash bonuses, awards, free trips and free merchandise. A reward offered by the organization in response to their contribution can motivate to do better in future.

Another factor that has been shown to influence employee retention is training offered by the organization. It has been argued that organizations that offer training to their employees are likely to experience less turnover. This is because, training enables employees to acquire new knowledge & skills, which they apply on the job, share with other employees as well as use it outside the organization (Noe, 2009). It therefore, boosts their capacity to handle their job assignments. It is against this background that Goldstein (2001) states that when employees are hired, the organization needs to start a training program to enhance their skill. However, Lauri, Benson & Cheney (2006) found

that organizations often delay employee training program to ascertain that workers personal value matches with the organization culture or otherwise, decrease the employee turnover intention.

Finally, Pasewark and Viator (2006) places flexible work arrangement as a very important part of work family support that plays pivotal rule in the retention of employees. Thompson and Prottas (2005) examined the relationship between employee turnover intention and organization support such as supervisor support, flex time work family culture and co-worker support etc, and they conclude that organization support reduced the employee turnover intention. Yanadoria and Katob (2010) investigated the family support effects at workplace and concluded the statistical importance of relationship between work family support and employee retention, the recent research recognize that existence of family support within the organization reduce the turnover intention and help the retention of talented employees in the organization.

2.5 Empirical Review of HRM Practices and Employee Retention

There are numerous studies on human resource management practices influence on employee's retention both locally and internationally. Internationally, Abduljlil, Yazam and Ahmid (2011) conducted a study to investigate the mediating effect of HRM Outcomes (employee retention) on the relationship between HRM practices and organizational performance. Based on the evidence derived from the literature, the paper concludes that employee retention is likely to mediate in the relationship between HRM practices and organizational performance.

On the other hand, Li-Qun, (2013) did a study on the impact of human resource management practices on marketing executive turnover of leasing companies in China. This study empirically evaluated six Human Resource (HR) practices (realistic job information, job analysis, work family balance, career development, compensation and supervisor support) and their likely impact on the Marketing Executive Intention to Leave (MEIL) in the China leasing companies. The sample consisted of hundred marketing executives working for 10 different leasing companies in China. The results indicated job analysis, career development, compensation, realistic job information variables were negatively and significantly correlated with MEIL. The work family balance was not negatively correlated with MEIL. Results of regressing the HR practices on MEIL showed that compensation and job analysis are strong predictors of MEIL.

Further, Hussain and Rehman (2013) conducted a study on whether human resource management practices inspire employees' retention. Human resource management practices deployed in the study were training and Development, development of teams, performance appraisal, internal communication system, employment security, person-organization fit, employee empowerment and reward and compensation. Four hundred questionnaires were distributed among the middle management cadre employees of textile industry. It is explored that four human resource management practices: person-organization fit, employment security, communication and training and development are contributing strongly in developing the employees' intentions to stay with organization. Further, strong positive inter-relationships were found between human resource

management practices and employees' retention. It is concluded that adoption of human resource management practices enhances employees' retain-ability of organizations.

Locally, Mutua, Karanja and Namusonge (2012) conducted a study on the role of Human Resource Management Practices on Performance of Financial Cooperatives Based in Nairobi County. Wangui (2009) looked at employee retention in local Kenyan banks with a focus on Equity bank. Her study established that Equity Bank uses both financial and non-financial incentives to encourage its employees to stay. Romano et al., (2014) undertook a study on Effects of Employee Engagement on Employee Retention in Micro-Finance Institutions. The results indicated a declining trend of employee engagement that perhaps explains the current increasing rates of staff turnover.

Gachunga (2010) undertook a study on influence of human resources management practices on retention of core employees in the media sector in Kenya, a case of Standard Group Ltd. The study showed that Standard Group values leadership qualities that are aligned with the retention strategies and recruitment process. Wanjiru (2007) did a survey of factors that influence employee retention in manufacturing firms in Nairobi. The study found out that the manufacturing firms valued gaining competitive advantage and engage in HRM practices to retain employee to a great extent.

Lepilale (2009) investigated the relationship between employee retention management practices and voluntary labour turnover in Five Star Hotels in Nairobi. The study deduced that organization value compensation practices as a way of retaining employees and that compensation influences on employee retention. Wambui (2014) did a study on effect of

human resource management practices on employees' retention in institutions of higher learning in Kenya: a case study of Kenyatta University. Descriptive statistics and inferential statistics were used in this study to analyse quantitative data, which was obtained from the closed ended questions. The study established that there is a positive relationship between the employees training and employee recruitment employees retention at Kenyatta University. The study found that Kenyatta University does not conduct a needs analysis before offering training. In addition, training helps organization to increase employee retention and decrease turn over, helps employees to develop and identify the career development strategies, serves as a tool to enhance the commitment with organization and improves employee's skills.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

The chapter outlines the methodological process guiding the study by giving the research design, study area, target population, sampling techniques, research instruments, pre-testing, validity and reliability of research instruments, data collection, data analysis logistical and ethical consideration.

3.1 Research Design

This study adopted a descriptive research design as it is suitable for fact finding and captures varied opinions and views held at a given time. The design allowed the generalization of findings from a sample to a wider representation of the population (Kothari, 2008).

3.2 Population

The target population for the study was 968 employees of the 9 Deposit Taking Microfinance Institutions (DTMs) in Kenya (CBK, 2014) based at the institutions headquarters.

3.3 Sampling and Sample Size

For each employee to be sampled, a list of the top and middle level as well as the lower cadre employees was obtained from the HR department. This list of employees was put together by arranging the names in alphabetical order to constitute the sampling frame. In total population of the DTMs was 968 employees. Out of this number, 10% represented the top level, 30% represented the middle level employees and 60% represented the lower cadre employees.

Multi stage sampling technique was employed in this study. First, a sample size of 97 which constituted 10% of the total population was selected. This percentage was chosen because Mugenda and Mugenda (2003) also notes that a sample size of 10%-30% of the target population for a social study is adequate for research. In the second stage stratified sampling procedure was used to select employees from the top and middle level as well as the lower cadre employees who make up the target population. Finally proportionate sampling was used to pick the actual respondents for the study.

Table 3.1: Sample Size

DTM	Management	Population	%	Sample
Faulu Kenya DTM Limited	Top	12	10%	1
	Middle	37	30%	4
	Lower	75	60%	7
	Total	124	1	12
Kenya Women Finance Trust DTM Limited	Top	20	10%	2
	Middle	59	30%	6
	Lower	117	60%	12
	Total	196	1	20
SMEP Deposit Taking Microfinance Limited	Top	10	10%	1
	Middle	30	30%	3
	Lower	59	60%	6
	Total	99	1	10
Remu DTM Limited	Top	9	10%	1
	Middle	26	30%	3
	Lower	52	60%	5
	Total	87	1	9
Rafiki Deposit Taking Microfinance	Top	12	10%	1
	Middle	37	30%	4
	Lower	73	60%	7
	Total	122	1	12
UWEZO Deposit Taking Microfinance Limited	Top	7	10%	1
	Middle	21	30%	2
	Lower	41	60%	4
	Total	69	1	7
Century Deposit Taking Microfinance Limited	Top	5	10%	1
	Middle	16	30%	2
	Lower	32	60%	3
	Total	53	1	5
SUMAC DTM Limited	Top	7	10%	1
	Middle	21	30%	2
	Lower	42	60%	4
	Total	70	1	7
U&I Deposit Taking Microfinance Limited	Top	15	10%	2
	Middle	44	30%	4
	Lower	89	60%	9
	Total	148	1	15
	Overall Total	968		97

3.4 Data Collection

The researcher used both primary and secondary sources of data collection. The primary data was collected through a questionnaire. The questionnaire had both semi-structured and structured items. The questionnaire were divided into 2 parts, Part A containing questions on general information about the organization and part B dealt with the human resource management practices and employee retention in the organization. The Likert 5-point Scale (degree of agreement scale) and Yes/No choice questions was used (Appendix 1).

Primary data was collected using the drop and pick method for confidentiality purposes. Advance notification to respondents by phone of the study and its intent was carried out including follow up of the non- respondents. Respondents were briefed and informed that participation was voluntary and anonymity was observed and encouraged. Secondary data was obtained from published accounts of the DTMs.

3.4 Data Analysis

The data collected was coded, edited and tabulated to ensure consistency and completeness. This was done by entering data into a computer through an excel spreadsheet to enable manipulation of the data before entering the data into the statistical package for social sciences software (SPSS) after which analysis was done. Descriptive statistics were used to describe the basic features of the data gathered from study. The descriptive statistics were presented in simple tabular and graph analysis, which formed the basis of quantitative analysis of the data collected. Arithmetic means, standard

deviations were calculated that and used to draw up observations and make conclusions. Mean scores showed the ranking of the human resource management practices and employee retention by respondents organizations. Descriptive statistics according to Cooper and Schindler (2008) means statistical measures are used to depict the center, spread and shape of distribution when presenting the findings.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides the details as regards data analysis results and discussions of the study findings as set out in the research objective and research methodology. The study sought to establish the effect of human resource management practices on employee retention in Deposit-taking Microfinance Institutions in Kenya.

4.2 Response Rate

Ninety seven employees from the top and middle level as well as the lower cadre employees made up the target population in the target institutions. 74 out of the 97 respondents filled in and returned the questionnaires making a response rate of 76%. The response rate was representative as according to (Mugenda, 1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to be excellent and satisfactory to make conclusions for the study.

Table 4.2: Response Rate

	Frequency	Percent (%)
Responded	74	76
Non-respondents	23	24
Total	97	100

4.3 General Information

This section presents the findings on the general information on the respondents. The general information sought was in terms of respondents gender, work experience and position in the organization.

4.3.1 Respondents Gender

The respondents were requested to indicate their gender. Accordingly, the findings are as presented in the Figure 4.1.

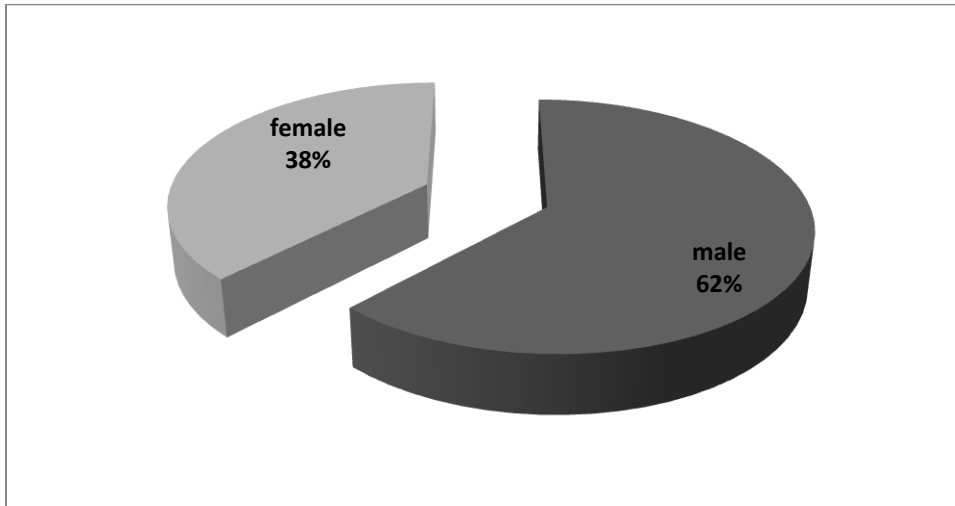


Figure 4.1: Respondents Gender

The findings show that majority (62%) were male and 38% were female. This implies that even though most of the responses emanated from males there was gender balance.

4.3.2 Respondents Working Experience

The study also sought to establish how long respondents had worked for their organization. The findings are as shown in table 4.3.

Table 4.3: Respondents Working Experience

	Frequency	Percent
less than 1	2	3
1 to 5	50	67
6 to 10	22	30
Total	74	100.0

The findings depict that 50 of the respondents had worked for their organization for 1-5 years, 22 had worked for their organization for 6-10 years, and 2 respondents had worked for their organization for less than 1 year. This illustrates that the most of the respondents have worked for their organization for a reasonable period of time and therefore had been there for long enough to understand the issue relating to HR practices and retention in their respective organization.

4.3.4 Respondents' Position in the organization

The respondents were asked to indicate their position in their organization and the findings are as shown in Figure 4.2.

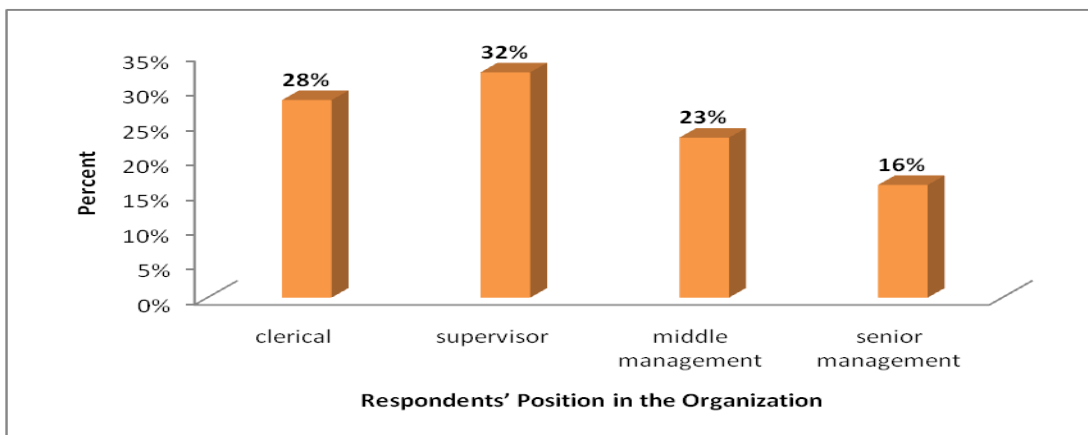


Figure 4.2: Respondents' Position in the Organization

According to the findings, majority of the respondents (60%) were lower cadre employees comprising of supervisors (32%), clericals (28%), 23% were in the middle management, and 16% were in the senior management level. This information shows that the respondents were drawn from all the levels in the organizations and therefore the information could be generalized.

4.4 Human Resource Management Practices on Employee Retention

The objective of the study was to determine the effect of human resource management practices on employee retention in Deposit-taking Microfinance Institutions in Kenya. The HR practices studied were; worklife balance, employee engagement, career development and compensation.

In order to investigate the effect of human resource management practices on employee retention in Deposit-taking Microfinance Institutions in Kenya, the study used a likert scale in which 5,4,3,2, and 1 represented continuum scores for: 1 - 1.8 (to no extent): 1.8 - 2.6 (little extent): 2.6 - 3.4 (moderate extent): 3.4 - 4.2 (great extent): 4.2 - 5.0 (a very great extent). These enabled the tabulation and interpretation of the responses from the research instrument. A mean of above 3 is regarded to measure satisfaction on the test variables. Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread out over a large range of values. This is well elaborated in the table and narratives below which show the respondents and the statistics.

4.4.1 Influence of Working Life Balance on Employee Retention

The study looked at the extent to which various worklife balance practices in the Human resource department applied in the DTMs. The table below shows the outcome of the analysis.

4.4.1: Influence of Working Life Balance on Employee Retention

Working Life Balance	Mean	Std Dev.
I remain in this organization because my working life balances well with my family life	3.662	0.556
I am committed to this organisation because it offers me flexibility as to when to start and end the day's work.	3.784	0.530
My ability to achieve the desired balance between work and family life is a source of good health.	3.987	0.630
The organisation allows me to work for longer days per week to get a day off.	4.000	0.549
I give better output for my work because the organization offers a good work-life balance	4.041	0.711
I have stayed in this organization because the volume of work that I have been assigned does not give me stress.	4.068	0.648
I am content with the amount of time I spend at work.	4.095	0.666
I am loyal to my organization as I can easily take time off for "home crisis" such as accidents or illness involving loved ones	4.189	0.612
I am satisfied with this job as I have the time and energy to fulfil my responsibilities outside of work.	4.189	0.655
I am devoted to my work because other organisations do not offer better work-life balance than mine	4.203	0.596

The study found that all the various worklife balance practices were used to a great extent in the DTMs. It was observed that the employees are devoted to their work to a great extent because other organisations do not offer better work-life balance than theirs (mean= 4.203). The employees are satisfied with this job to a great extent as they have the time and energy to fulfil their responsibilities outside of work and they are loyal to their organization to a great extent as they can easily take time off for "home crisis" such as accidents or illness involving loved ones (mean= 4.189 each). The employees are content with the amount of time they spend at work to a great extent (mean= 4.095). The

employees have stayed in this organization to a great extent because the volume of work that they have been assigned does not stress them (mean= 4.068). The employees give better output for their work to a great extent because the organization offers a good work-life balance (mean= 4.041). The employees organisation allows them to work for longer days per week to a great extent to get a day off (mean= 4.000). The employees ability to achieve the desired balance between work and family life is to a great extent a source of good health (mean= 3.987). The employees are committed to their organisation to a great extent because it offers them flexibility as to when to start and end the day's work (mean= 3.784). The employees remain in the organization to a great extent because their working life balances well with their family life (mean= 3.662).

The above analysis implies that employees of DTMs in Kenya have adequate worklife balance as evidenced by; the employees are satisfied with their job as they have the time and energy to fulfil their responsibilities outside of work. Additionally, they are loyal to their organization as they can easily take time off for "home crisis" such as accidents or illness involving loved ones.

4.4.2 Influence of Employee Engagement on Employee Retention

The study looked at the extent to which various employee engagement practices in the Human resource department applied in the DTMs. The findings are as tabulated below.

4.4.2: Influence of Employee Engagement on Employee Retention

Employee Engagement	Mean	Std Dev.
I care about the success of this organisation.	3.878	0.572
I am committed to my work because communication across all levels in this organisation is good.	3.946	0.546
My supervisors recognize and value my ideas, suggestions and opinions.	3.946	0.680
I am prepared to put in a great deal of effort beyond what is normally expected in order to help this organisation to succeed.	3.973	0.640
I feel a strong sense of belonging to this organisation.	4.027	0.702
I value the recognition and rewards that this organisation offers for my loyalty.	4.095	0.706
I am proud to tell others that I am a member of this organisation.	4.108	0.587
I plan to build my career with this organisation.	4.135	0.648
My supervisors create a motivating and supportive work climate.	4.162	0.663

The study found that to a great extent the following employee engagement practices applied in the DTMs: supervisors create a motivating and supportive work climate (mean= 4.162). The employees plan to build their career with their organisation (mean= 4.135). The employees are proud to tell others that they are a member of their organisation (mean= 4.108). The employees value the recognition and rewards that their organisation offers for their loyalty (mean= 4.095). The employees feel a strong sense of belonging to their organisation (mean= 4.027). The employees are prepared to put in a great deal of effort beyond what is normally expected in order to help this organisation to succeed (mean= 3.973). The supervisors recognize and value their ideas, suggestions and opinions as well as The employees are committed to their work because communication across all levels in their organisation is good (mean= 3.946 each). The employees care about the success of their organisation (mean= 3.878).

This findings portray that employee engagement in DTMs in Kenya positively influences employee retention by creating opportunities for employees to connect with their colleagues, managers and the wider organization. It also creates an environment where employees are motivated to want to connect with their work and really care about doing a good job. It places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in the organizations.

4.4.3 Influence of Career Development on Employee Retention

The study looked at the extent to which various career development practices in the Human resource department applied in the DTMs. The study findings are as presented in the table below.

4.4.3: Influence of Career Development on Employee Retention

Career Development	Mean	Std Dev.
I have received sufficient training in this organisation to enable me do my job effectively.	3.649	0.584
I appreciate that this organization has assigned me a mentor who advises me on my career plans.	3.905	0.645
There are better career and learning opportunities in this organisation as compared to others.	3.973	0.662
This organisation provides opportunities for staff training and career development on a yearly basis.	4.027	0.682
The training I receive for my current job is adequate.	4.054	0.639
I enjoy training and career development programs.	4.054	0.594
I am satisfied with the training and career development offered to me by the organization.	4.081	0.636
I feel that supervisors take an interest in my professional growth and career development.	4.149	0.696
I value how the organisation sometimes sponsors me to participate in training or career development programmes.	4.176	0.627
There are opportunities for employees to advance their career.	4.230	0.673

The study found that to a great extent that career development in the DTMs affects employee retention as; There are opportunities for employees to advance their career (mean= 4.230). The employees value how the organisation sometimes sponsors them to participate in training or career development programmes (mean= 4.176). The employees feel that supervisors take an interest in their professional growth and career development (mean= 4.149). The employees are satisfied with the training and career development offered to them by the organization (mean= 4.081). The employees enjoy training and career development programs and the training they receive for their current job is adequate (mean= 4.054 each). The organization offers sponsored training to employees, The employees feel that the employee training and career development programs offered are linked to their career needs and their organisation provides opportunities for staff training and career development on a yearly basis (mean= 4.027). There are better career and learning opportunities in their organisation as compared to others (mean= 3.973). The employees appreciate that their organization has assigned them a mentor who advises them on their career plans (mean= 3.905). The employees have received sufficient training in their organisation to enable them do their job effectively (mean=3.649).

These findings reveal that career development in DTMs in Kenya positively influences employee retention by; offering creative career development opportunities that are woven into the fabric of the organization and present mentoring programs. This essentially results in creation of opportunities for promotions within the organization but also opportunities for training and skill development that allow employees to enhance their employability in the internal and external labour markets.

4.4.4 Influence of Compensation on Employee Retention

The study investigated the extent to which various compensation practices in the Human resource department applied in the DTMs. The findings are as tabulated below.

4.4.4: Influence of Compensation on Employee Retention

Compensation	Mean	Std Dev.
I am proud that my hard work and results-orientation is rewarded in the organisation.	3.797	0.641
I am dedicated to my work because of the non-monetary benefits, such as vacation time and medical insurance that I receive here are better than those I	3.865	0.669
I am devoted to my work because I earn more than others who occupy similar positions in other financial institutions.	3.892	0.424
I am enthusiastic to my work as the salary and benefits I receive in this organisation is commensurate with my responsibilities.	4.054	0.617
I am grateful that the rewards and benefits offered are commensurate with the amount and quality of work I do	4.068	0.669
I am contented that my compensation is satisfactorily reviewed from time to time.	4.149	0.634
I stay in this organization because of the educational subsidies given by the organization.	4.162	0.663
I am satisfied with the number of annual leave days given by the organization.	4.176	0.582
I am keen on my work because the rewards and benefits I am offered are comparable with what the market offers.	4.284	0.768

The study observes that compensation affects employee retention in the DTMs to a great extent as; The employees are keen on their work because the rewards and benefits they are offered are comparable with what the market offers (mean= 4.284). The employees are satisfied with the number of annual leave days given by the organization (mean= 4.176). The employees stay in their organization because of the educational subsidies given by the organization (mean= 4.162). The employees are contented that their compensation is satisfactorily reviewed from time to time (mean= 4.149). The employees are grateful that the rewards and benefits offered are commensurate with the amount and quality of work they do (mean= 4.068). The employees are enthusiastic to their work as the salary and benefits they receive in their organisation is commensurate with their

responsibilities (mean= 4.054). The employees are devoted to their work because they earn more than others who occupy similar positions in other financial institutions (mean= 3.892). The employees are dedicated to their work because of the non-monetary benefits, such as vacation time and medical insurance that they receive there are better than those they could get at other organizations (mean= 3.865). The employees are proud that their hard work and results-orientation is rewarded in the organisation (mean= 3.797).

The findings depict that compensation in DTMs in Kenya positively influences employee retention through the rewards and benefits employees are offered, the number of annual leave days given by the organization and the educational subsidies given by the organization.

4.5 Discussion of Findings

The study found out that employees of DTMs in Kenya have adequate worklife balance as evidenced by; the employees are satisfied with their job as they have the time and energy to fulfil their responsibilities outside of work. Additionally, they are loyal to their organization as they can easily take time off for “home crisis” such as accidents or illness involving loved ones. Similarly, (Hewitt, 2012) assert that quality of life can be improved by ensuring an appropriate physical working environment as well as ensuring a balance between work and life. An employee who does not find time to attend to his personal life issues will most likely be frustrated. This will in turn affect his performance and increase his disengagement levels. An engaged employee trusts and believes that the organization cares about his/her quality of life. Ultimately, the employee will tend to care for the

organization, get more engaged and progressively improve the performance (Marcos, 2010).

The study established that employee engage in DTMs in Kenya positively influences employee retention by creating opportunities for employees to connect with their colleagues, managers and the wider organization. It also creates an environment where employees are motivated to want to connect with their work and really care about doing a good job. It places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in the organizations. On the same note International Educational Studies (2004) observe that engagement has a positive attitude held by employees towards the organization and its values. An engaged employee is aware of the business context and works with his colleagues to improve the performance of the organization. In their study, Hewitt (2012) perceive engagement as the state of emotional and intellectual involvement that motivates employees to do their best work.

The study revealed that career development in DTMs in Kenya positively influences employee retention by; offering creative career development opportunities that are woven into the fabric of the organization and present mentoring programs. This essentially results in creation of opportunities for promotions within the organization but also opportunities for training and skill development that allow employees to enhance their employability in the internal and external labour markets. This is supported by a study Allen, Share & Griffeth (2003) who observe that, employees perception of growth opportunities offered by their employer reduced turnover intentions. Kochanski and Ledford (2001) survey showed that career opportunities yielded more significant

predictors of retention than any other type of reward followed by training opportunities and employee's relation with the supervisor.

The study established that compensation in DTMs in Kenya positively influences employee retention through the rewards and benefits employees are offered, the number of annual leave days given by the organization and the educational subsidies given by the organization. Similarly, Amamo (2005) in her survey of factors associated with employee retention in FM radio presenters in Kenya site compensation as the factor most associated with employee retention. In addition Hagginbotham (1997) observed that high salaries are not essential, but good and 'fair' salary showed a strong correlation with intention to stay indicating that as long as the compensation is competitive, financial rewards are not the primary factor in retention.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of research findings, discussion of key findings, conclusions made from the study and the recommendations for policy and practice. The chapter also presents suggestions for further research.

5.2 Summary of Findings

The study established that even though most of the responses emanated from males there was gender balance. Furthermore most of the respondents have worked for their organization for a reasonable period of time and therefore had been there for long enough to understand the issue relating to HR practices and retention in their respective organization. In addition, the respondents were drawn from all the levels in the organizations and therefore the information could be generalized.

The study found that all the various worklife balance practices were used to a great extent in the DTMs. It was observed that respondents are devoted to their work to a great extent because other organisations do not offer better work-life balance than theirs. The employees are satisfied with this job to a great extent as they have the time and energy to fulfil their responsibilities outside of work and they are loyal to their organization to a great extent as they can easily take time off for “home crisis” such as accidents or illness involving loved ones. The employees are content with the amount of time they spend at work to a great extent. The employees have stayed in their organization to a great extent

because the volume of work that they have been assigned does not stress them. The employees give better output for their work to a great extent because the organization offers a good work-life balance. The employees organisation allows them to work for longer days per week to a great extent to get a day off. The employees ability to achieve the desired balance between work and family life is to a great extent a source of good health. The employees are committed to their organisation to a great extent because it offers them flexibility as to when to start and end the day's work. The employees remain in the organization to a great extent because their working life balances well with their family life.

The study also found out that to a great extent the following employee engagement practices applied in the DTMs: supervisors create a motivating and supportive work climate. The employees plan to build their career with their organisation. The employees are proud to tell others that they are a member of their organisation. The employees value the recognition and rewards that their organisation offers for their loyalty. The employees feel a strong sense of belonging to their organisation. The employees are prepared to put in a great deal of effort beyond what is normally expected in order to help this organisation to succeed. The supervisors recognize and value their ideas, suggestions and opinions as well as the employees are committed to their work because communication across all levels in their organisation is good. The employees care about the success of their organisation.

The study established that to a great extent that career development affects employee retention as; There are opportunities for employees to advance their career. The

employees value how the organisation sometimes sponsors them to participate in training or career development programmes. The employees feel that supervisors take an interest in their professional growth and career development. The employees are satisfied with the training and career development offered to them by the organization. The employees enjoy training and career development programs and the training they receive for their current job is adequate. The organization offers sponsored training to employees, The employees feel that the employee training and career development programs offered are linked to their career needs and their organisation provides opportunities for staff training and career development on a yearly basis. There are better career and learning opportunities in their organisation as compared to others. The employees appreciate that their organization has assigned them a mentor who advises them on their career plans. The employees have received sufficient training in their organisation to enable them do their job effectively.

Finally, the study determined that compensation affects employee retention in the DTMs to a great extent as; The employees are keen on their work because the rewards and benefits they are offered are comparable with what the market offers. The employees are satisfied with the number of annual leave days given by the organization. The employees stay in their organization because of the educational subsidies given by the organization. The employees are contented that their compensation is satisfactorily reviewed from time to time. The employees are grateful that the rewards and benefits offered are commensurate with the amount and quality of work they do. The employees are enthusiastic to their work as the salary and benefits they receive in their organisation is

commensurate with their responsibilities. The employees are devoted to their work because they earn more than others who occupy similar positions in other financial institutions. The employees are dedicated to their work because of the non-monetary benefits, such as vacation time and medical insurance that they receive there are better than those they could get at other organizations. The employees are proud that their hard work and results-orientation is rewarded in the organisation.

5.3 Conclusions

The study concluded that the organizations is able to achieve the intended organizational goals as measures have been put in place to ensure that quality of life and a balanced worklife for all employees and managers. Case in point is the employees are satisfied with their job as they have the time and energy to fulfil their responsibilities outside of work and they are loyal to their organization as they can easily take time off for “home crisis” such as accidents or illness involving loved ones.

The study also concludes that employee engagement entails creating opportunities for employees to connect with their colleagues, managers and the wider organization. It is also about creating an environment where employees are motivated to want to connect with their work and really care about doing a good job. It places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in the organizations.

This study further concluded that the DTMs are able to offer creative career development opportunities that are woven into the fabric of the organization and present mentoring

programs. This essentially results in creation of opportunities for promotions within the organization but also opportunities for training and skill development that allow employees to enhance their employability in the internal and external labour markets.

The study finally concluded that overall retention results from a mix of rewards rather than any single reward. The employee perceive the reward offered as attractive in addition to the rewards being seen as timely and tied to effective performance. Similarly,

5.4 Recommendations

Human resource practices should be highly regarded in every organization. The deposit taking microfinance institutions for that matter should not be left out. Organizations should establish and review their human resource practices as this contributes greatly to employee retention leading to the inward success and outward success of the organization. Likewise, the study recommended that deposit taking microfinance institutions should accept human resource practices as a tool for effective employee retention so as to realize their objectives set with ease.

In addition, to avoid the vicious cycle of hiring, training and loosing, DTMs must wake up to the call and tame the increasing movement of their best employees. This can be achieved through improved human resource management practices. These include such simple approaches like recognition, transfers, involvement in decision making and ensuring a clear, transparent and equal opportunity of growth without favoritism. It is also recommended that the organizations need to balance extrinsic and intrinsic sources of motivation.

5.5 Limitations of the Study

The scope of study is limiting in that it focused on Nairobi and it is thus not possible to conclude that these retention factors affect the whole industry in Kenya and this therefore forms the basis of future study.

5.6 Suggestions for Further Studies

Use of inferential statistics in establishing the relationship between human resource management practices on employee retention in Deposit-taking Microfinance Institutions in Kenya. The study was carried out on Deposit-taking Microfinance Institutions in Kenya thus the same study should be carried out in the other Microfinance Institutions to find out if the same results will be obtained. This research has not yet expressed all variables related to human resource management practices that influence employee retention, then in order to increase knowledge development, other researchers who are interested in similar problems are suggested to conduct a continuation research by adding variables like: reward, performance appraisal, training and development, career management, employee relations and welfare.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

This questionnaire seeks to collect data on effect of human resource management practices on employee retention in Deposit-taking Microfinance Institutions in Kenya. All information received will be treated confidentially and will be used for academic purposes only.

Section A: Background Information

Please indicate

1. Name of Deposit-taking Microfinance Institution:.....

2. Gender: Male Female

3. Working experience

Less than 1 year [] 1-5 years []

6-15 years [] Over 15 years []

4. Position in the organization

Clerical []

Supervisory []

Middle Management []

Section B: Human Resource Management Practices on Employee Retention

(Use a scale of 1-5, where 1= to no extent, 2= little extent, 3=moderate extent, 4=great extent and 5= to a very great extent.)

Working life balance	1	2	3	4	5
I remain in this organization because my working life balances well with my family life					
I am committed to this organisation because it offers me flexibility as to when to start and end the day's work.					
The organisation allows me to work for longer days per week to get a day off.					
I have stayed in this organization because the volume of work that I have been assigned does not give me stress.					
I am devoted to my work because other organisations do not offer better work-life balance than mine					
I am loyal to my organization as I can easily take time off for "home crisis" such as accidents or illness involving loved ones					
I am content with the amount of time I spend at work.					
I am satisfied with this job as I have the time and energy to fulfil my responsibilities outside of work.					
My ability to achieve the desired balance between work and family life is a source of good health.					
I give better output for my work because the organization offers a good work-life balance					
Employee Engagement	1	2	3	4	5
I care about the success of this organisation.					
I am committed to my work because communication across all levels in this organisation is good.					
I am proud to tell others that I am a member of this organisation.					
I am prepared to put in a great deal of effort beyond what is normally expected in order to help this organisation to succeed.					
I feel a strong sense of belonging to this organisation.					

I value the recognition and rewards that this organisation offers for my loyalty.					
I plan to build my career with this organisation.					
My supervisors create a motivating and supportive work climate.					
My supervisors recognize and value my ideas, suggestions and opinions.					
Career Development	1	2	3	4	5
I have received sufficient training in this organisation to enable me do my job effectively.					
I appreciate that this organization has assigned me a mentor who advises me on my career plans.					
This organisation provides opportunities for staff training and career development on a yearly basis.					
There are better career and learning opportunities in this organisation as compared to others.					
I value how the organisation sometimes sponsors me to participate in training or career development programmes.					
The training I receive for my current job is adequate.					
There are opportunities for employees to advance their career.					
I feel that supervisors take an interest in my professional growth and career development.					
I enjoy training and career development programs.					
I am satisfied with the training and career development offered to me by the organization.					
I feel that the employee training and career development programs offered are linked to my career needs.					
The organization offers sponsored training to employees.					
Compensation	1	2	3	4	5
I am devoted to my work because I earn more than others who occupy similar positions in other financial institutions.					
I am dedicated to my work because of the non-monetary benefits, such as vacation time and medical insurance that I receive here are better than those I could get at other organizations.					
I am proud that my hard work and results-orientation is rewarded in the organisation.					
I am enthusiastic to my work as the salary and benefits I receive in this organisation is commensurate with my responsibilities.					
I am contented that my compensation is satisfactorily reviewed from time to time.					

I grateful that the rewards and benefits offered are commensurate with the amount and quality of work I do					
I am keen on my work because the rewards and benefits I am offered are comparable with what the market offers.					
I am satisfied with the number of annual leave days given by the organization.					
I stay in this organization because of the educational subsidies given by the organization.					

THANKYOU FOR YOUR INPUT AND COOPERATION!!!

APPENDIX II: LIST OF DEPOSIT TAKING MICROFINANCE INSTITUTIONS IN KENYA

- 1) Faulu Microfinance Bank Ltd
- 2) Kenya Women Microfinance Bank Ltd
- 3) SMEP Microfinance Bank Ltd
- 4) Remu Microfinance Bank Ltd
- 5) Rafiki Microfinance Bank Ltd
- 6) Uwezo Microfinance Bank Ltd
- 7) Century Microfinance Bank Ltd
- 8) Sumac Microfinance Bank Ltd
- 9) U&I Microfinance Bank Ltd

(Source: CBK Report, 2014)