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**PERFORMANCE-BASED REWARDS AS A DETERMINANT OF EMPLOYEE  
RETENTION AMONG TIER-ONE COMMERCIAL BANKS IN KENYA**

**JULIANNA M DAUDI**

**MBA/114479/18**



**A DESSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION STRATHMORE BUSINESS SCHOOL,  
STRATHMORE UNIVERSITY,**

**NAIROBI, KENYA**

**NOVEMBER 2021**

## Declaration

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Approval

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## ABSTRACT

Globally, organizations face a threat of losing talent to competition due to the growth experienced in the world economy (Hay Group, 2015). Further, workers globally are seeking new opportunities and there is emergence of new businesses and labour market is also advancing. Kenya's banking industry has experienced high turnover rates where employees quit one bank and seek better opportunities in other banks within and outside the country. This is mainly attributed to long working hours, poor leadership, increased workload, poor work environment, insecurity, lack of work-life balance and dissatisfying salaries. These factors, have led to talent flight, where highly skilled employees look for greener pastures in other banks. The general study objective was to establish the performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya. Specific objectives were to examine the effects of remuneration, bonuses, job promotion, and recognition on employee retention in tier-one commercial banks in Kenya. Herzberg two factor theory and the expectancy theory was used. Descriptive research design was adopted. The study population comprised 3510 management level employees in the 8 tier-one banks at their headquarters. The Yamane formula was used to calculate the study sample. The sample size of the study was 395 respondents. Multistage sampling technique was used in sample selection. The study collected primary data using a semi-structured questionnaire. The drop and pick later method was used in data collection. A pilot test was done to determine the validity and reliability of the questionnaire. Descriptive statistics which include frequencies, standard deviation and mean helped in analyzing quantitative data. The data was presented in form of tables, pie charts and 3-D graphs. Content analysis was used to analyze data from open questions. The multiple regression analysis helped in establishing the relationship between dependent variable and independent variables. The results were presented in form of tables. The results revealed that remuneration had a statistically significant relationship with employee retention ( $\beta = 0.394$ ,  $P = 0.003$ ) among tier-one commercial banks in Kenya. The study also revealed that bonuses had a statistically significant relationship with employee retention ( $\beta = 0.352$ ,  $P = 0.003$ ). It was established that job promotion had a statistically significant relationship with employee retention ( $\beta = 0.347$ ,  $P = 0.003$ ) among tier-one commercial banks in Kenya. The study revealed a statistically significant relationship ( $\beta = 0.362$ ,  $P = 0.003$ ) between employee recognition and employee retention among tier-one commercial banks in Kenya. The study recommends that commercial banks should ensure that basic pay, commission and performance related pay is integrated its human resources strategies. The study recommends that the commercial should ensure that individual bonuses, team bonuses and company-wide bonuses are part of their employees plans to ensure employee retention. The study suggests that commercial banks should consistently make use of job enrichment, advancement in benefits and advancement in designation. The study recommends that commercial banks adopt different recognition methods such as formal recognition, informal recognition and day-to-day recognition. This would assist in ensuring employee retention.

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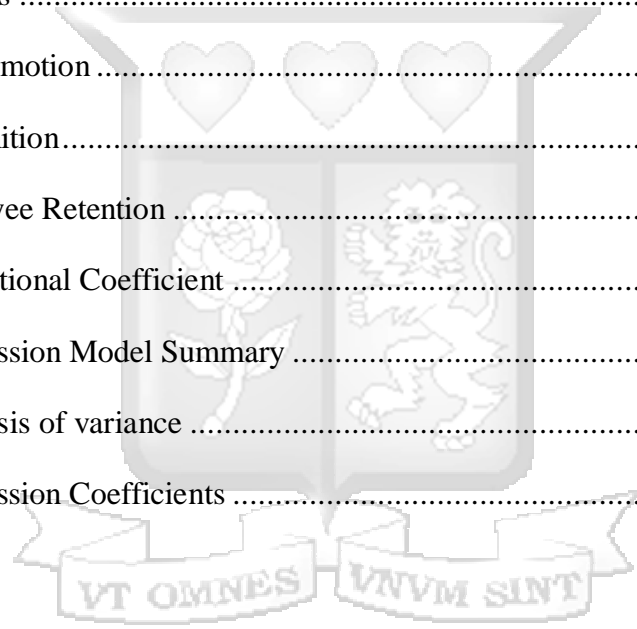
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## OPERATIONAL DEFINITION OF TERMS

- Bonuses** In this study bonus is a monetary payment made to an employee over and above their standard salary or compensation package (Blinder, 2014).
- Employee retention** In this study it is the process in which the bank encourages the employees to remain in the organization for a long period of time (Das, 2012).
- Job promotion** In this study it is a situation where an employee advances from one job position to another one that pays more, is of a higher level and most of the time it comes with additional job responsibilities (Manzoor, 2012).
- Performance-based rewards** In this study it is an incentive form of compensation on the basis of an individual or group's achievements in an organization, it can be in form of commissions, incentive systems, piece work play plans (Blinder, 2014).
- Recognition** In this study it refers to the process where performance, behaviour, effort, and accomplishment of a team which aids in achievement of organizations goals and values is acknowledged (Ashmore & Gilson, 2015).
- Remuneration** In this study it is the entire amount that an employee is given in return for the services they have provided to the company they are employed in (Ashmore & Gilson, 2015).

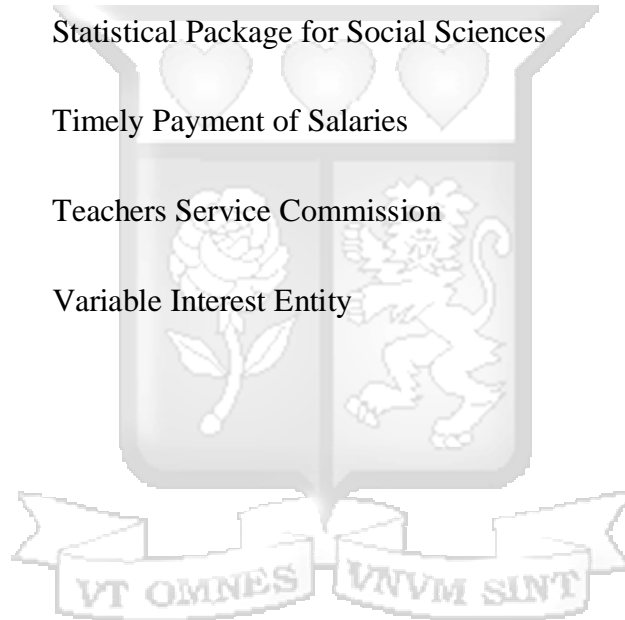
## **Tier-one banks**

In this study they are the large banks characterised by a huge asset holding (eight Kes Billions) and a large customer base i.e. command over 65% market share (Al-Smadi & Al-Wabel, 2014).



## ABBREVIATIONS/ACRONYMS

<b>CBK</b>	Central Bank of Kenya
<b>IT</b>	Information Technology
<b>KBA</b>	Kenya Bankers Association
<b>NGO</b>	Non-Governmental Organizations
<b>PLS</b>	Partial Least Squares
<b>SEMs</b>	Structural Equation Models
<b>SPSS</b>	Statistical Package for Social Sciences
<b>TPS</b>	Timely Payment of Salaries
<b>TSC</b>	Teachers Service Commission
<b>VIE</b>	Variable Interest Entity



## DEDICATION

I wish to dedicate my research dissertation to my son Arthur Nyamweya, nephew Adam O'Connor, my parents, siblings, and the larger family who supported, encouraged me, and offered moral support through the entire learning journey.



## ACKNOWLEDGEMENT

My sincere gratitude to my supervisor Prof. Joseph Onyango for his guidance and value advice.



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Introduction

This chapter covers the background information on performance-based rewards and employee retention in commercial banks. The statement of the problem, objectives, research questions, significance of the study and the study scope.

#### 1.2 Background of the Study

In today's environment it becomes very important for organizations to retain their employees. Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. But the need of retaining employees is more important to prevent employees from getting poached. High turnover rates results to high costs of hiring which includes hundreds of thousands of dollars to the company's expenses (Letchmiah & Thomas, 2017). Employee retention involves a systematic effort by the organization to create an environment that addresses diverse employee needs so employees will stay with the company (Irs & Türk, 2012).

Globally, organizations face a threat of losing talent to competition due to the growth experienced in the world economy (Hay Group, 2015). Further, workers globally are seeking new opportunities and there is emergence of new businesses and labour market is also advancing (Hay Group, 2015). According to research done by the Hay Group (2015), 47 percent of employees are not certain whether they are in a position to accomplish their career objectives in the companies they are working in. Consequently, majority of them try to seek opportunities to learn and develop in other companies (44 per cent) and get support from supervisors in other companies (43 per cent) (Hay Group, 2015).

In the United States, 23 percent of employees plan to leave their current positions annually (Pregnoiato, Bussin & Schlechter, 2017). A study by Achieve Global (2015), a business skills training firm, found that population shifts are having significant effects on talent retention. In the West, Baby Boomers are retiring in droves. In Europe, vacancies are multiplying due to low birth and immigration rates, resulting in a deficit of younger workers. In China, the one-child policy also has led to an employee deficit; its aging workforce is stretched even tighter over its expanding markets (Nwokocha & Iherirohanma,

2012). Education trends also are having profound effects on talent retention, with certain degrees being highly popular in some regions, and the increasing prevalence of partnerships between education and enterprise to equip students for the job market (Cao, Chen & Song, 2013).

A study by Mandhanya (2015), which surveyed 738 managers worldwide, found that retention issues affect organizations differently from one geographic region to the next. In the United States and Asia, managers reported that their highest levels of attrition occur in employees younger than 25, followed by midlevel and frontline managers. In Europe, attrition rates are particularly severe for IT professionals and frontline managers. From the study, managers worldwide agreed on the three top causes of attrition were: insufficient compensation and benefits, lack of growth and development opportunities and lack of recognition for achievements by management (Cao, Chen & Song, 2013).

In Tanzania Kugler and Pica (2008) observed that staff retention is affected by a number of controllable and uncontrollable as well as demographic factors. The controllable factors include short contract, poor working condition, poor recruitment procedure, lack of motivation, and poor or inadequate incentives and rewards are the reasons that influence voluntary labor turnover. In other hand job security concerns continue to be a primary cause of voluntary turnover. In Zimbabwe, Chiboiwa (2009) note that a number of factors have been attributed to the increase in the level of employee turnover. These include the way workers are paid, recognized and achieve salary advancement.

Based on a survey on rewards and management of talent that was done in 2016 where 1,605 employers were surveyed globally, it was found that majority of banking institutions are facing challenges with attracting and retaining highly skilled staff which is crucial for competitive advantage (Talent Management and Rewards Survey, 2016). In this study, seventy five percent of banks indicated that they faced challenges with attraction of critically skilled workers and more than 50% indicated they faced challenges with retention of skilled workers (Talent Management and Rewards Survey, 2016). Approximately 6 out of 20 banks indicated they faced challenges with retention of skilled employees and a similar proportion faced challenges in retaining top performers and high-potential staff (Talent Management and Rewards Survey, 2016). Based on a report provided by Hudson Institute and Walker Information (2014), employees who are at a higher risk are approximately 33%. This means that their commitment level to their employer is low and

they don't plan to continue working with the employer past two years. 39% despite not being committed they still plan to continue their employment for two years and above and only 24% are both committed and loyal to their employers and plan to stay not less than two years. According to Reed (2001) as cited in Armstrong (2007) each staff member is five minutes away from receiving their notice and 150 hours from looking for greener pastures. Currently, there's no intention to work for a single organization and employees have less doubts when it comes to exiting their jobs to look for better opportunities.

In Kenya, Kamau (2012) explained that retention of key employees is not the main focus of managers. In yet another report, Wahito (2014), explained that majority of companies in Kenya are struggling with retention of talent. Kirubi (2016) also asserts that job markets in Kenya are facing the challenge of retaining talent despite the fact that it's not possible for companies to triumph without excellent human resource. One big challenge that bank managers are facing today is retention of talent (Conradie, 2012). Conradie (2012) explained that the competitive advantage in any business emerges from its employees. Therefore, retention of qualified personnel is the main concern of Kenyan banks. Conradie (2012) asserts that because of high demand for top talent, staff turnover is expected and therefore losing of talented employees by banks is normal.

Commercial banks in Kenya face a challenge of losing key talent to competition. Employees of these banks are constantly seeking for opportunities in other banks as well as other organizations. This is occasioned by different reasons such as job benefits, security and flexibility (Meso & Kaino, 2018). Employee retention is a strategy that most companies have embraced with the intention of retaining talented employees who are effective and can meet the operational needs of the company (Mehta, Kurbetti & Dhankhar, 2014a). Commercial banks can only leverage on key talent to gain competitive advantage (Maxwell, 2015). Banks offer more or less similar products and services in a very competitive environment. Therefore, commercial banks should deliberately implement rewards system that encourage and make sure that workers are taken care of fittingly (Bhatnagar, 2014). Retention of talented staff is easier and cheaper than recruiting and selecting new employees for the purpose of identifying employees with talent (Bhatnagar, 2014).

According to Gerhart and Fang (2015), in order to retain employees, managers need to look at things from the employees' point of view. They need to know about the expectations

and ultimate goals and desires of the employees so that these can be well aligned with the organizational goals and employees tend to feel committed. While formulating retention strategies the employers should keep into consideration some of the basic expectations that almost all the employees have from their employer. For instance a good pay and compensation package exciting and challenging jobs, growth opportunities, respectable treatment, a fairly good work environment, autonomy (Balkin, Roussel & Werner, 2015).

Kim and Fernandez (2017) notes that effective employee retention strategies include giving corrective feedback to the employees so as to improve their performance, good performers should also be given positive feedback as a means of appreciation. The organization can offer training and sponsor education programmes for their employees in order to retain the best talent (Weng & McElroy, 2012). Promotion from within is very important as it helps in satisfying the need for career advancement (Gerhart & Fang, 2015). Fostering a culture of respect throughout the organization and ensuring work-life balance also motivates employees to stay in the organization (Cran, 2012). Communicating more openly with the employees not only formally but informally also helps in building a strong bond between the employee and the employer (Gerhart & Fang, 2015). As far as retention is concerned money is not everything. An attractive compensation package comprising of monetary as well as non-monetary benefits makes the employees feel that their time and work is valued (De Gieter & Hofmans, 2015). Further, creating a culture of teamwork, trust, support, cooperation, friendliness, positive leadership and maintaining a safe and comfortable work environment goes a long way in retaining employees (Kuvaas, Dysvik & Buch, 2014).

Belle (2015) refers to rewards as something that increases the frequency of an employee action. The reward system in an organization consists of its integrated policies, processes, and practices for rewarding its employees in accordance with their contribution, skills, competences and market worth (Harvey-Beavis, 2013). This implies that performance-based reward corresponds closely with employees' actual experiences (Bénabou & Tirole, 2013). Performance-based rewards are extended to employees following an assessment of their performance and, typically, the achievement of objectives. It was first introduced in the UK on a wide scale in the 1980s and many organizations had high hopes that performance based rewards would bring about cultural change and

encourage higher levels of individual and organisational performance (Fehr & Falk, 2012). PBR forms a key element of many organizations' reward strategies particularly in sectors such as financial services. But it is increasingly more likely to be applied as part of a broader approach that does not rely on performance reward alone to encourage higher levels of motivation and commitment (Gneezy, Meier & Rey-Biel, 2014).

### **1.2.1 Performance Based Rewards**

Performance based rewards are those incentives which are given on the basis of performance of an employee in an organization, it can be paid by way of commissions, incentive systems and piece work pay plans (Fletcher, 2012). Irs and Turk (2012) defines a performance related reward as a form of reward whereby employees are compensated according to their performance. On the other hand, Dransfield as cited in Irs and Turk (2012) provides that performance related systems use performance and competence as basis to decide the level of increments as well as the rate of progress through a salary band. Further, Manson and Watts (2010) provides that rewards matter in organisations.

Armstrong (2010) notes that performance based rewards is a total package that includes compensation which comprises base pay, short-term incentives and long-term incentives, benefits that include health, retirement and work/life benefits, which account for an increasing portion of the rewards package and careers which comprises training and development, lateral moves, stretch assignments and career incentives. Other reward systems consist of financial rewards (fixed and variable pay) and employee benefits, which all together may comprise total remuneration. The system also incorporates non-financial rewards like recognition, praise, achievement, responsibility and professional growth, and in many cases, performance management processes (Heinrich & Marschke, 2015). Mas (2016) notes that non-monetary recognition can be very motivating, helping to build feelings of confidence and satisfaction. Another important goal is increased employee retention. Shaw (2014) reports on retention research identified consistent employee recognition as a key factor in retaining top-performing workers. Allen and Helms (2012) argues that to achieve desired goals, reward systems should be closely aligned to organizational strategies. In general, employees may stay in the organization when they feel strongly connected to and valued by the organization (Shaw, 2014).

Some of the potential advantages of PBR are that it can provide a direct incentive, is a tangible means of recognizing individuals' achievements, and provides the flexibility to retain key staff. On the downside, critics of rewarding for performance in this way say that it can be discriminatory, demotivate the majority of employees at the expense of a few high performers, and undermine 'felt fair' perceptions of equity (Belle, 2015). Zhou, Zhang and Sanchez (2011) and Canos-Daros, (2013) outlines that rewards come in many forms such as base salary increases or remuneration, performance bonuses, coupons, allowances, acquisitiveness, cash prizes, promotions, recognition, team incentives, retirement and security benefits.

Base pay increases are used to maintain competitive pay levels for those performing at an acceptable level, as well as recognize outstanding performance. Promotional increases are used to reward significant growth in responsibility, accountability, knowledge, skills and expertise (Heinrich & Marschke, 2015). Employee recognition is the acknowledgment of a company's staff for exemplary performance. Essentially, the goal of employee recognition in the workplace is to reinforce particular behaviours, practices, or activities that result in better performance and positive business results. Performance bonuses are intended to be motivational tools that encourage employees to keep goals in mind and take action in their everyday (Armstrong, 2010).

Among many retention strategies used in organizations, reward is the most crucial component (Onyije, 2015). According to Armstrong (2010), the main concern of rewarding individuals is designing, implementing and maintaining reward systems which are focused towards improving organizational, individual and team levels of performance. There are financial rewards and non-financial. Companies need to embrace reward system that encompasses all approaches because it increases the probability of allowing the company to develop competitive advantage over its competitors and aside from attracting talented staff also their retention (Armstrong, 2010). The key factor that will determine whether an employee will remain in a company is its rewards (Armstrong & Baron, 2014).

With existence of particular conditions, rewards have been seen to be motivators for performance. Blinder (2014) asserts that employees are motivated to remain in a company when they are convinced that through their behaviour, they are going to achieve some outcomes that are attractive and that it is possible to achieve certain performance levels. According to Vroom, people will practice behaviours that they believe will allow them to

achieve some outcomes of value. When deciding the amount of effort to put on a behaviour, there are three key things that individuals will consider; valence, instrumentality and expectancy. These aspects are commonly known as VIE and are well-thought-out to affect employee motivation and retention (Randell, 2014). As explained by Ryan and Pointon (2014), it is the responsibility of managers to convince their staff that increasing their efforts will result to a better performance and as a result increase reward value.

### **1.2.2 Employee Retention**

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time (Das, 2012). Every organization invests time and money to groom a new employee, make him a corporate ready material and bring him at par with the existing employees. The organization is completely at a loss when the employees leave their job once they are fully trained (Arthur, 2016). Fitzenz (2016) explained that retention of employees is affected a number of factors that require congruent management: the strategy, culture, systems for career development, pay and benefit philosophy of an organization. Day (2012) explained that in situations where the company lacks the ability of retaining employees, the result would be devastated economy for the company. When valuable employees exit the company, they can end up being the competition or work for competing company.

Companies that incur high costs during recruitment and selection (Pfeffer, 2018), those that lose or lag productivity during the period of assimilation (Davis, 2013), likelihood of losing opportunities for business (Walker, 2011), poor relationship with clients (Clarke, 2011), and hidden costs that result from productivity loss (Das, 2012) have consequently indicated the benefits of retention of committed employees as characteristic of organizations success. Organizations try to treat its employees as valuable assets that result to competitive advantage by adaptability, trust, commitment and high-quality skills and knowledge (Storey, 2014). Empowerment is responsible for increasing business competitiveness. Arthur (2016) reached the conclusion that through the use of commitment strategies, companies have high significant performance and reduced turnover rates in comparison to those applying the use of control strategies.

Therefore, a company is in a position to increase its employee retention rate and commitment by identifying the retention factors that increases the level of commitment.

The main reason for skilled employees to quit their employment is as a result of lack of satisfaction, low pay, lack of motivation, lack of training opportunities, opportunities for promotion and career growth (Coff, 2013), and as they try to retain employees in the company, other challenges may be presented. Employees can demand salary increase, may fail to obey company practices and fail to interact with co-workers or align with the vision of their team leaders.

### **1.2.3 Commercial Banks in Kenya**

In Kenya, establishment of commercial banks is done under the Cap 488 Act 8 of 2009 of the Kenyan law, the banking Act (Constitution of Kenya 2010). As explained in the banking act, a bank is a firm whose responsibility is to conduct banking business in Kenya. Total number of commercial banks in Kenya is 42, while representative offices of foreign banks are 8. Out of the 42 banks 40 are private owned companies while Kenyan government has majority stake in only three institutions. Regulation of Commercial banks operations is by the CBK and the Kenya Bankers Association. There are three major classifications of commercial banks and this classification is done based on their weighted composite index which is made up of capital and reserves, net asset size and customer deposits. Using the weighted composite index Analysis 65.32% are 8 large banks, 25.90% are 11 medium banks and 8.77% are 23 small banks (Central Bank supervision annual report, 2016).

Commercial banks in Kenya are expected to provide safekeeping of clients' deposits. A key role for banks is provision of lending services where loans are disbursed to prequalified borrowers for a pre-agreed period while attracting interest above the principal amount borrowed. Banks offer payments solutions to facilitate financial transactions from one party to the other. They carry out other roles including managing foreign exchange, provision of financial advice and providing investment services (Central Bank supervision annual report, 2016). Banks provide different rewards for their employees. The rewards may be monetary or non-monetary. Hence, this study aims to establish the performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya.

### **1.3 Statement of the problem**

Kenya's banking industry has experienced high turnover rates where employees quit one bank and seek better opportunities in other banks within and outside the country. This is

mainly attributed to long working hours, poor leadership, increased workload, poor work environment, insecurity, lack of work-life balance and dissatisfying salaries (Ng'ethe *et al*, 2012). These factors, have led to talent flight, where highly skilled employees look for greener pastures in other banks or institutions like consultancy (KBA, 2018). The increase of new entrants in the banking industry and other financial institutions e.g. Financial Technology Companies, Micro-Finance Institutions etc., has resulted to an increase in competition for talent among key players in the sector and an increase in competition has both positive and negative effects.

Reward management has been a contentious issue among employees in Kenyan banking sector. Majority of the employees indicated that they have been working in their respective capabilities and position for five years and they haven't been promoted, others for more than a decade and still serve in the same job group and the result has been decreased employee morale, poor services, increased absenteeism caused by lack of proper management that will make sure that policies for managing rewards are in place (KBA, 2014).

For any organization to succeed, retention of employees is mandatory (Lyria *et al*, 2014). The banking industry in Kenya experiences the challenge of employee retention which has affected its growth, this challenge should be dealt with for the purpose of ensuring the banks attain competitive advantage and remain employer of choice. For banks, high skilled human resource is a strategic component for driving overall Bank financial performance. Service industry is extremely competitive and to retain delighted clients and differentiated service, banks must embrace competitive reward schemes. There is need for banks to develop better employee retention strategies, such as better reward incentives to attract, motivate and retain staff therefore boost employee performance and general performance of the organization (Armstrong, 2014).

Sethunga and Perera (2018) studied the impact of performance rewards on employee turnover in Sri Lankan IT Industry. Ismail, Ridwan and Razak (2017) did a study on performance-based reward administration on employee's feelings in interactional justice. Nyberg, Pieper and Trevor (2016) researched on pay-for-performance's effect on future employee performance. O'Halloran (2016) researched on performance pay and employee turnover. Muchiri (2016) studied effects of rewards on employee performance in the hospitality industry. Waithira (2018) researched on the effects of rewards strategies on

employee performance of Farm Concern International, Kenya. Anyango (2014) researched on the manager's perception of the influence of rewards on employee retention at South Nyanza Sugar Company Limited. Chelangat (2020) researched on perceived organisational support and turnover intention in the banking sector in Nairobi City County Kenya.

From the reviewed studies it is evident that there are few studies that have tried to link performance based rewards with employee retention in commercial banks. Further, the studies focused on other sectors other than the commercial banks. There is high competition level in commercial banks in Kenya, hence the manner a firm provide performance-based rewards would determine whether an employee is willing to remain in the organization. The results in the different sectors had very contrasting results showing that the findings of the studies could only be used in the context of the specific sectors and hence it is not possible to make generalizations with such results to the banking industry. Based on this backdrop, this study sought to establish the performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya.

#### **1.4 Objective of the Study**

##### **1.4.1 General Objective**

The general objective of the study was to establish the effects of performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya.

##### **1.3.2 Specific Objectives**

The study was guided by the following specific objectives

- i. To examine the effects of remuneration on employee retention in tier-one commercial banks in Kenya.
- ii. To assess the effects of bonuses on employee retention in tier-one commercial banks in Kenya.
- iii. To determine the effects of job promotion on employee retention in tier-one commercial banks in Kenya
- iv. To establish the effects of recognition on employee retention in tier-one commercial banks in Kenya.

## **1.4 Research Questions**

The study sought to answer the following research questions

- i. What are the effects of remuneration on employee retention in tier-one commercial banks in Kenya?
- ii. To what extent do bonuses affect employee retention in tier-one commercial banks in Kenya?
- iii. To what extent does job promotion affect employee retention in tier-one commercial banks in Kenya?
- iv. What are the effects of recognition on employee retention among tier-one commercial banks in Kenya?

## **1.5 Significance of the Study**

The findings would be significant to the management of commercial banks. It would enhance their understanding on how performance based rewards are critical in attracting top talent, creating staff members who are committed, retain them and also motivate them for the purpose of improving performance levels and lower rates of turnover.

It is expected that Kenya Bankers association would find the study beneficial from its findings, conclusions, and recommendations and would guide in developing policies and planning to make sure that the output of the bank is enhanced by integrating the practice of reward management in its operations.

The study would also be beneficial to the government and policy makers. Since this paper established how different performance-based rewards affect employee retention it would make contributions towards adjustment of reward policies as well as structures in the Kenyan commercial banks.

Other organizations facing similar challenges to the ones analysed would also benefit from the study findings. Such organizations may use the findings of the study to make adjustments and changes in their policies.

The study would also be beneficial to academicians because it will act as point of reference for researches that would be conducted in the future in similar areas. Also, the study findings would add to the body of knowledge on performance-based rewards and employee retention.

## 1.6 Scope of the Study

The study sought to establish the performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya. Specifically, the study sought to determine the effects of remuneration and bonuses which are transactional rewards job promotion and recognition which are relation rewards on employee retention among tier-one commercial banks in Kenya. The study targeted employees of tier-one banks in their office headquarters in Kenya. Employees targeted in this study were management level employees' that is top, middle and low level management, from where the sample size of the study was selected.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter discusses the theoretical review, empirical review on the performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya, study gaps, conceptual framework and variables operationalization.

#### **2.2 Theoretical Review**

Herzberg two factor theory and expectancy theory was adopted in explaining the performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya. These theories have been adopted because they are motivation theories. The main study focus was a performance-based reward which is a form of motivation in the organization. Hence, these theories are suitable in explaining the performance-based rewards as a determinant of employee retention.

##### **2.2.1 Herzberg Two factor theory**

This theory was advanced in 1959 by Frederick Herzberg. The theory focus is on job satisfaction and people's motivation. This theory assumes that employee motivation in any workplace is dependent on two factors; they are motivators and hygiene factors. Motivators steer up employee satisfaction and improve their motivation. These might include rewards, recognition, advancement opportunities, and access to training. Hygiene factors are responsible for ensuring employee comfort, security and happiness. They include; working in a safe environment, good work relationships, having a competent manager and fair compensation. If the hygiene factors are not available or inadequate, they can cause significant levels of dissatisfaction among employees. Failure to fulfill hygiene factors results to the feeling that there is something missing or something isn't right.

Hygiene factors in relation to the study are employee bonus and remuneration. Bonus is an additional payment aside from the basic pay while remuneration is pay given as an interchange for services provided by employees. Herzberg posits that pay structures need to be fair and reasonable and should be competitive with other companies operating in the same sector. When there is adequacy of hygiene factors in a job it ensures that the employees are pacified and satisfied (Lyria, Namusonge, & Karanja, 2014).

There is some form of relationship between motivators and motivation of employees which emerge from internal features of the job. Motivators in this study include employee recognition and employee promotion. Armstrong (2009) noted that it's crucial that employees be provided with praise and recognize for their successes. Both superiors and peers should be the source of this recognition. Also, employees should be provided with opportunities to learn new skills. In addition, employees should have access to equal chances for promotion.

This theory is considered beneficial because money is considered to be a secondary motivator because factors like relationship between employees, promotions, and recognition are seen to be key motivators. In this world, almost everything is measured in reference to money and therefore, the theory by Herzberg brings a twist because employee performance is determined through other factors that are equally important other than money. Nonetheless, the challenge with this theory is that different individuals interpret job satisfaction differently and therefore, for instance, some individuals might be interested with flexibility in working hours while others may find it troublesome, on a similar note, some individuals might want increase in salary and not promotions and power and vice versa. Likewise, the perception of the younger populations differs from that of older population when it comes to salary, promotion and job perquisites.

In relation to the study, this theory incorporates different aspects of performance-based rewards. For instance motivators enhance employee satisfaction while lack of hygiene factors may lead to dissatisfaction. Since the study focus is on the effects of remuneration, bonuses, job promotion, and recognition on employee retention. The theory provides an understanding on the performance-based rewards that may influence employee's decision to stay in the organization for long. Hence the suitability of Herzberg theory in establishing the effects of performance-based rewards on employee retention among tier-one commercial banks in Kenya.

### **2.2.2 Expectancy Theory**

The hypothesis of Expectancy was made by Victor H. Vroom in 1964. It asserts that one's behaviour tends to be in certain ways depending on forces exhibiting results (Vroom, 1964). The hypothesis suggests that regardless of the way that individuals may have different game plans of destinations, they can be convinced in case they acknowledge that

extraordinary execution will realize an appealing prize. The prize will satisfy a critical need. The hankering to satisfy the need is adequately ready to invest the energy valuable (Robbins, 2004). The hypothesis relies upon feelings: anticipation, instrumentality and valence.

Anticipation is delineated as belief that high or extended efforts results to enhanced execution. Conditions that update anticipation join having the correct resources available, having the vital scope of capacities for the present undertaking, and having the imperative assistance to do what needs to be done precisely. The regarded outcomes fuse remuneration, prize, headway and affirmation. There are a couple of things that help instrumentality that have some form of relationship between execution and the outcome, rusting and respecting people who decide, get the promised rewards, and see straightforwardness during the time spent (Scholl, 2002).

Valence infers "worth" and insinuates feelings about outcome quality. The significance of the need of a delegate for unessential (remuneration, reward, headway, affirmation) or regular (satisfaction) rewards (Redmond, 2014). Characteristics of the hypothesis are that agent wants are upheld by work results which consolidate pay, prize, headway and affirmation. Having proper set destinations might result in a motivational methodology that enhances the upkeep of expert. Right when the board has a solid handle of hope hypothesis norms, they can use the plans to store up logically ground-breaking work gatherings to accomplish their business goals. They'll better observe absolutely what they bring to the table to energize their delegates, look for any opening in skills that necessities planning, and highlight on passing on prizes (Eraly, 2009).

In any case, the hypothesis takes the supposition that all fragments are as of now known. Really, pioneers must advance an endeavour to find what their employees regard as compensations (valence). They ought to assess employees' capacities (anticipation) and availability of help for workers to ensure they are being productive in their occupations. Managers ought to similarly keep their declaration; employees need to accept that if they put in the work and it endeavours, they will truly get the promised rewards (instrumentality) (Nzuve, 2009).

In relation to the study, the theory postulates that the organization must understand what types of things motivate their staff because what works for one individual may not

work for another. Some individuals may be motivated by recognition from their supervisors while others may be motivated by bonuses or benefits. The more aligned employees' goals match the company's goals, the higher the employee retention rate. Hence the suitability of Expectancy theory in establishing performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya.

### **2.3 Empirical Review**

This section is a review of previous research studies that relate to remuneration, bonus, job promotion, and recognition and employee retention.

#### **2.3.1 Remuneration and Employee Retention**

John and Teru (2015) contemplated the impact of remuneration /pay on retention of staff in chosen banks from Adamawa State, Nigeria. Information was gathered from 197 staff selected from banks in Yola north, Yola south, Mubi north and Numan. Selected tool for gathering data was questionnaire. The results showed that, increasing payments of monetary benefits, increase staff retention, timely payment of salaries (TPS), prompted expansion of staff maintenance and increment in the utilization of cash as a motivating force results to an increase in the rate of staff retention. Discoveries of the investigation thusly uncovered that remuneration/pay has significant influence on retention of staff in banks, with the exception of them being applied as incentives.

Calvin (2017) considered how remuneration affects performance of employees (An Investigation of Abdul Gusau Polytechnic). The study selected a sample of 83 staff from the polytechnic. Selected instrument to gather the required information was questionnaire. It was evident from the analysed data that remuneration had a direct significant influence on staff performance and that motivation of staff members in the institution was affected by their salaries and bonuses. Van Zyl (2021) focused on the impact of employee remuneration inequalities on employee productivity in the South African workplace. Results indicated a strong and significant negative impact of under-remuneration on employee productivity levels. Excess-remuneration levels have a small positive impact on employee productivity levels.

Gatheca (2018) focused on the effects of remuneration on employee performance: a case of German technical corporation (GTZ) Uganda. It was established that most employees perceived the organization's performance related pay (PRP) system as vague, complex and

not transparent. They were of the opinion that it didn't effectively tie performance to pay, that is, its contribution to the employee's attainment of their goals was low or minimal. Furthermore it was established that the benefits offered by GTZ were insufficient especially to expatriates with accompanying spouse and children due to the fact that their income was from on partner unlike back home where the spouse also worked. While, the single expatriates thought they were more than sufficient.

Alwaki (2018) did an evaluation of the impact of remuneration on employee attitude and performance in organizations. A sample of 200 respondents from listed companies of Amman stock exchange were studied and implementing structural equation modelling it was found that in manufacturing organizations remuneration significantly influences employees' attitude that ultimately influences their performance. Hence, remuneration has significant influence on employees 'performance but by influencing their attitudes towards their jobs.

Akeyo and Wezel (2017) considered how remuneration factors affect turnover of employees in humanitarian sector. The investigation embraced descriptive review plan. The number of respondents in this examination was drawn from the workers of different NGOs. Information was gathered through questionnaires. SPSS was utilized to create frequencies, descriptive and inferential insights that were utilized to determine findings and speculations in regards to the populace. In particular, relationship and regression measurements were utilized. The examination discoveries uncovered that remuneration was significant in clarifying staff turnover. This is upheld by a  $p=0.000$  which suggests that remuneration is a factually noteworthy indicator of staff turnover.

Muchai and Makokha (2018) examined how remuneration framework affects performance of Teachers Service Commission (TSC), Kenya. The examination applied a descriptive research plan and the objective populace was 1,500 workers of TSC in Nairobi from which a sample of 316 was drawn. Questionnaire was selected tool for collection of needed information. Descriptive insights information analysis technique was applied. The investigation discoveries hence indicated that worker's turnover influenced the performance of an organization. The examination discovered that employees are profoundly mollified with their work; staff that are exceptionally energetic; standard survey of remuneration frameworks; employee responsibility and positive working conditions influenced performance of an organization.

Sitati, Were, Waititu & Miringu (2019) studied the effects of remuneration on employee retention in hotels in Kenya. This research problem was studied through the use of a survey research design. The target population of this study comprised of 213 hotels registered under Kenya Association of Hotelkeepers and Caterers in Kenya. Data was collected using structured questionnaire administered by the researcher to get response from the sample population. Descriptive and inferential statistics were used to analyze the data. The study established that remuneration influences employee retention in the hotel industry in Kenya both positively and significantly.

Goren (2018) researched on perceived effects of remuneration on employee turnover at teachers' service commission secretariat, Kisumu. Descriptive research design was used. Systematic sampling technique was used to select the respondents for questionnaires who were the employees at TSC. Data was analysed using descriptive statistics. The study realised that remuneration strategies, remuneration policies and timely pay positively influenced employee turnover at Teachers' Service Commission Kisumu secretariat.

Mutuma (2017) did an evaluation of remuneration scheme in relation to staff turnover in Kenyan Private Universities. The descriptive research design was used to obtain data from the targeted and accessible population which comprised of teaching and non-teaching staff at the Nairobi and Nakuru Methodist University campuses. The data collected was analysed using tables, frequency distributions and percentages. The statistical package for social sciences (SPSS) was used to assist in the analysis process. It was revealed that remuneration is key in retaining workers in any organization and it must be the purpose of any human resource management to design a competitive remuneration package which will serve to attract, retain, and motivate staff so as to ensure the ultimate organization's commercial and financial viability.

Nakatawa (2016) researched on the effects of remuneration on the job performance of the support staff in Makerere University. Using questionnaire interviews and in-depth interviews, data was obtained from a sample of 200 support staff that was randomly selected from five faculties of the University. The findings indicated that although the support staff received various types of monetary and non-monetary forms of remuneration including basic salary, medical allowance, promotional opportunities and recognition, most staff was dissatisfied with each type of remuneration. Various job aspects including lack of commitment to work, poor quality of work, little time spent at work station, bad conduct at

the work place and increased absenteeism were mentioned to be affected by the inadequate remuneration with poor quality of work and wasting time being the most affected. The support staff gave various suggestions that they felt can lead to improvements in their current remuneration including increasing their basic salaries, providing top up allowances, increasing the other forms of allowances with most of them suggesting that there is need to increase the basic salary.

Lekartiwa (2020) considered the effects of remuneration on employee turnover in private hospitals Samburu County. This study adopted descriptive survey research design and was conducted in ten private hospitals in Samburu County. Linear regression was used to test each hypothesis while multiple regression analysis was used to measure the effects of remuneration on employee turnover. The study discovered that there was a positive relationship and statistically significant between that remuneration and employee turnover. That simply meant that how employees are rewarded at the end of the agreed contract duration or at the end of the month play a very key part in determining whether they will leave in the near future or not. Poor and inconsiderate remuneration will often make them want leave and look for other better paying ventures.

O'Halloran (2016) researched on performance pay and employee turnover. Utilizing a nationally representative longitudinal dataset of individuals, analysis began with a parsimonious specification of the determinants of turnover and then progressively added various sets of controls known to influence turnover decisions to observe how their inclusion influences PRP coefficients. Estimations employed both standard probits and panel data models. The findings revealed a negative relationship between an aggregate measure of performance pay and turnover. Disaggregating performance pay measures by type reveals a robust negative relationship between profit sharing and turnover. Although one would expect the influence of other performance pay schemes to mimic that of profit sharing, evidence suggests otherwise.

Nyberg, Pieper and Trevor (2016) researched on pay-for-performance's effect on future employee performance. The study tested the role that these four key contextual factors play in pay-for-performance effectiveness using 11,939 employees over a 5-year period. The study revealed that merit and bonus pay, as well as their multiyear trends, are positively associated with future employee performance. Furthermore, the findings indicated that, contrary to what traditional economic perspectives would predict, bonus pay may have a

stronger effect on future performance than merit pay. The results also support a contingency approach to pay-for-performance's impact on future employee performance, as it was revealed that merit pay and bonus pay can substitute for each other and that the strength of pay-for-performance's effect is a function of employee tenure, the pay-for-performance trend over time, and job type (presumably due to differences in the measurability of employee performance across jobs).

### **2.3.2 Bonuses and Employee Retention**

Sethunga and Perera (2018) focused on establishing how performance rewards affected turnover of employees in Sri Lankan IT Industry. This investigation utilized quantitative strategy through an online review. The populace for this examination is software experts working in Sri Lankan programming associations, evaluated to be around 34,000. Information analysis was completed utilizing Pearson relationship and Direct Regression. Financial Prizes, non-fiscal rewards and prize recurrence were adversely corresponded with worker turnover. Itemized analysis uncovered that drawn out fiscal rewards are progressively fruitful in holding workers which are offered at semi-yearly interims.

Van der Stede, Wu and Wu (2018) looked into on an experimental analysis on responses of employees to penalties and bonuses in China. The examination inspected how employees react to bonuses and punishments utilizing an exclusive informational index from an electronic chip maker in China. The investigation inspected the overall impacts of bonuses and punishments and watched a more grounded impact on resulting exertion and execution for punishments than for bonuses. It was discovered that the minor affectability of punishments decreases quicker than that of bonuses, showing that the negligible impact of a reward may in the end surpass that of a punishment when their qualities are adequately enormous. Additionally punishments increased the rate of turnover among employees especially those who are highly talented.

Alhmoud and Rjoub (2019) did an assessment on rewards and retention of employee in a Middle Eastern Context. This examination analyzed the impact of total prizes containing outward, inherent, and social awards on representative retention in Islamic banks in Jordan, with specific spotlight on the worker viewpoint. A sample of 500 staff members was selected and information collected through survey. The collected data was analyzed using PLS where SEMs were applied. Results indicated that outward, characteristic, and social

prizes are terrifically significant factors in accomplishing worker retention. Strangely, social prizes were appeared to have the most significant level of impact on worker retention.

Bowden and Posch (2017) did an evaluation on ascertaining the effects of employee bonus plans. The study made use of data from Taiwan where employee bonus payments are not only mandated by law but are quite often several times a typical employee's annual base salary. The use of this unique data allowed the study to empirically observe interesting relationships difficult to ascertain from traditional datasets. It was found that the performance of bonus-paying firms is related to the size of bonuses paid, both before and after analysis, and across industries. In general, findings indicate that bonus-paying firms tend to achieve higher productivity, better cost control and asset utilization, and share price returns.

Bun and Huberts (2018) studied the impact of higher fixed pay and lower bonuses on productivity. The study aim was to investigate the consequences for company sales of higher fixed pay in combination with lower bonuses. Exploiting shift level data of individual workers the study found that average productivity decreases when the pay structure shifts more to fixed pay. Further results showed that this drop in productivity is larger for older workers and for high-ability employees, while over time the negative effect of the new system becomes smaller.

Anik, Aknin, Norton, Dunn and Quoidbach (2017) researched on prosocial bonuses increase employee satisfaction and team performance. The study explored the impact of providing employees and teammates with prosocial bonuses, a novel type of bonus spent on others rather than on oneself. The study found that prosocial bonuses in the form of donations to charity lead to happier and more satisfied employees at an Australian bank. Further, prosocial bonuses in the form of expenditures on teammates lead to better performance in both sports teams in Canada and pharmaceutical sales teams in Belgium. These results suggest that a minor adjustment to employee bonuses shifting the focus from the self to others can produce measurable benefits for employees and organizations.

Talal and Alzoubi (2020) considered the impact of bonuses and increments on employee's retention. The study was developed on the review of the literature, and how benefit from these different approaches of scholars about the use of the bonus and increment for the

employee retention. The study followed a quantitative method that is to be used to achieve the study objectives. The SPSS package analysed the 50 questionnaires were collected. The results of the analysis used the proper statistical methods. The results showed positive and high impact to the way that any organization uses the bonuses and increments to enhance and improve its level of retaining its employees.

Mattson and Hellgren (2016) reviewed the effects of staff bonus systems on safety behaviors. Fifteen semi-structured interviews with employees were performed based on an eclectically composed framework from motivational and organizational theories. Results do not indicate any negative effects on safety-related behaviours, but rather that safety behaviours may be promoted insofar as bonus rewards are linked to performance goals concerning safety. Differences in bonus system design appeared to affect behavioural outcomes.

Msengeti and Obwogi (2015) investigated impacts of pay and workplace on worker retention: an investigation of hotel Industry in Mombasa. This examination looked to distinguish the impacts of the compensation and workplace staff retention in Lodging Business in Mombasa Province. Discoveries uncovered pay affected worker retention while workplace had the most grounded impact which was critical at ( $p = .005$ ) 2-tailed. While it was clear from the outcomes that workplace assumes a significant job in worker retention, to stay serious it was suggested that businesses in the business additionally need to re-examine the present shortcomings related with pay.

### **2.3.3 Job Promotion and Employee Retention**

Saharuddin (2016) did an examination on the impact promotion and compensation have on working profitability by occupation fulfilment and work inspiration of representatives in Division of Water and Mineral Assets Vitality North Aceh Locale. The examination analysed occupation fulfilment and confidence as an arbiter of the connection between the promotion and pay with profitability just as looking into the directing impact of employment fulfilment and assurance. It inspected 91 workers at the Branch of Water and Mineral Assets Vitality of North Aceh area. Promotion and remuneration significantly ad positively affected work fulfilment and efficiency; work fulfilment critically and positively affected profitability of work; and confidence strongly and positively affected profitability of work.

Izudin, Suharto and Sanusi (2018) examined the impact of occupation promotion and work discipline on representative execution through workers' fulfillment Pt. Bank Capital. This examination point was to decide the impact of promotion and occupation discipline on the exhibition of representatives incompletely and all the while and to decide the impact of promotion and employment discipline on execution through employment fulfillment. Research led on workers of PT. Bank Capital Indonesia. The examining procedure utilized an arbitrary example including 73 workers. Information analysis was done through analysis. In view of information analysis, it was realized that activity promotion factors and order influence the presentation of workers somewhat or at the same time. The investigation additionally secured that position fulfillment variable can't intercede promotion and control variable to worker execution.

Haryonoa, Supardib and Udin (2020) studied the effect of training and job promotion on work motivation and its implications on job performance in Indonesia. The study design was a quantitative survey method and data analysis was based on the structural equation model (SEM) with Amos 24. The results revealed that training and promotion had a positive and significant effect on work motivation, training, promotion and work motivation had a positive and significant effect on job performance but work motivation did not play any significant role in mediating the effect of training and job promotion for job performance. While job promotion had a more dominant direct effect than training in improving employee job performance, efforts to improve employee job performance will be more productive by providing job promotions to employees. Another effort is to provide opportunities for employees to attend training regularly. With job promotion and training, work motivation will increase, and the impact is that employee job performance will increase.

Simbolon, Madhakomala and Santoso (2018) considered the effect of work environment, bonuses and organizational trust on employee engagement in PT. Taspen. The data collection used census method with path analysis approach, by distributing questionnaires to 394 employees. The findings showed that the work environment has a direct positive effect on employee engagement, bonus have a direct positive effect on employee engagement, organizational trust has a direct positive effect on employee engagement, the work environment has a direct positive effect on organizational trust and production services have a direct positive effect on organizational trust. The work environment has an

indirect positive effect on employee engagement mediating through organizational trust and bonus have an indirect positive effect on employee engagement mediating through organizational trust.

Naveed, Usman and Bushra (2016) considered promotion, as a predictor of job satisfaction in glass industry of Lahore (Pakistan). The purpose of this study was to investigate whether promotion can predict job satisfaction or not in employees of glass industry in Lahore (Pakistan). A Likert-type questionnaire was designed to find the predictability of job satisfaction due to promotion. Four glass companies are selected on proportionate stratified random basis. A total 200 questionnaires was administered through human resource managers, out of which 156 filled in questionnaires are received back and then the data is analysed. Results showed that promotion has a modest and positive effect on job satisfaction.

Noori, Khan and Naseem (2017) did an evaluation on impact of job promotion and job advancement on job satisfaction in universities of Kpk Province of Pakistan. This study covered both private and public sector universities situated in Khyber Pakhtunkhwa Province of Pakistan. The sample included faculties from 10 universities including 5 each from private and public sector universities. The results indicated wide differences between public and private sectors on the basis of job satisfaction. The permanent, PhD, and more experienced faculty members reveal greater satisfaction than contractual, non-PhD, and less experienced staff respectively. The study also found that the academic staffs from public higher education institutes were comparatively more satisfied with whole job satisfaction than those working in private higher education institutes. Over all study showed that job promotion and job advancement have positive relationship with job satisfaction.

Boamah (2016) did an assessment of promotional satisfaction among the workers of cocoa marketing company limited. The study adopted the quantitative research approach. Data was collected via questionnaire from 149 employees and analysed with Statistical Package for the Social Sciences (SPSS). The result revealed that, less than half of the employees have received promotion and those who had not been promoted are expecting promotion. The study found out that, the promotion package in Cocoa Marketing Company includes pay increase and promotion from lower rank to high rank. The findings also revealed that workers' acquisition of new productive human capital (by experience); workers' commitment to the firm (tenure); workers adequate ability and skills; and workers'

acquisition of academic degree most relevant to job performance are the major determinant of internal promotion. The study found that staff is satisfied with promotional policies available whilst in the case of implementation of the promotion policy, majority of staff were somewhat dissatisfied.

Lup (2018) looked into the differing impact of promotion to manager on the job satisfaction of women and men. Using fixed-effects models in a longitudinal national sample, this study examined differences in job satisfaction between women and men promoted into lower and higher-level management, after controlling for key determinants of job satisfaction. Results indicated that promotions to management are accompanied by an increase in job satisfaction for men but not for women, and that the differing effect lasts beyond the promotion year. Moreover, following promotion, the job satisfaction of women promoted to higher-level management even starts declining. The type of promotion (internal or lateral) does not modify this effect.

Magaji, Akpa, Ozioma and Goodluck (2018) reviewed the effect of recognition and promotion on employees' job satisfaction of selected outsourced service providers in Jos, Plateau State, Nigeria. A survey research design was adopted. The population of the study was 541 employees which consisted of all the employees of the five (5) selected outsourced service providers in Jos, Plateau State. The sampling technique used was census. Data was analysed using simple linear regression analysis and Pearson product moment correlation test the relationship between recognition, promotion and job satisfaction. The findings revealed that recognition and promotion have a positive significant effect on employees' job satisfaction of selected outsourced service providers in Jos, Plateau State. The study concluded that recognition and promotion factors had a significant positive effect on employees' job satisfaction of the outsourced service providers in Jos, Plateau State.

Chukwu (2019) studied the influence of staff promotion on employee turnover intention in food and beverage industry in Nigeria. The objective of the research was to examine the influence of staff promotion on employee turnover intention. The research adopted a survey research instrument through the administration of questionnaires to three hundred and fifty-five (355) staff of the sampled firms. The data for the research was analysed using descriptive statistics and chi-square. The empirical results from the chi-square analysis showed that promotion as at when due, regular promotion, transparent promotion and when

employees are satisfied with promotion has significant influence on employee turnover intention at 5 percent level of significance.

Tahmasebi, Rahimi and Salimi (2019) considered the effect of career adaptability on the promotion by organizational job mediating ingratiation and moderating job support. The study was a correlation and a questionnaire was used to collect data. A sample of 76 employees of the maskan bank of Semnan province formed the statistical sample of this study. Findings showed that career adaptability has a positive and significant effect on job promotion and ingratiation also the positive effect of ingratiation on job promotion has been confirmed. But job support was not able to moderate the effect of career adaptability on job promotion, and the final assumption that the role of mediating ingratiation between career adaptability and job promotion was confirmed.

Ogini (2020) focused on job promotion and employee commitment of public hospitals in Rivers State, Nigeria Jolly. The study adopted a cross-sectional survey in its investigation of the variables. Primary data was generated through self- administered questionnaire. The population for the study was two hundred and eighty (280) employees of twelve (12) Hospitals in Rivers State. The hypotheses were tested using the Spearman's Rank Order correlation coefficient with the aid of statistical package for social sciences version 23.0. The study findings revealed that there was a positive significant relationship between job promotion and workers commitment of public hospitals in Rivers State. Consequently, all previous hypotheses were rejected as the evidence indicates significant level of relationships in all instances.

Owhondah (2016) focused on promotion and turnover intentions in selected oil firms in Rivers State. Data were drawn through questionnaire from 186 senior employees from 62 selected oil firms as identified in Port Harcourt Business Directory. Combination of descriptive and inferential statistics tools was employed to analyse data with the aid of SPSS (version 20.1). The study revealed that promotion has a negative relationship with Turnover Intentions.

Gathungu (2016) researched on the effect of promotion strategies on the organizational commitment of banking sector employees in Kenya. Data were collected through a self-administered questionnaire from employees in different commercial banks. Correlation results revealed that promotion has a weak relationship with commitment. Further analysis

revealed that promotion has a negative and significant relationship with commitment. The study divided the target population into two groups, those on contract and permanent employees. The results indicate that promotion had a significant relationship with commitment for contract while for permanent employees, there was no significant relationship.

Bibi, Pangil, Johari and Ahmad (2017) examined the effect of remuneration and opportunities for promotion on worker retention in scholastic foundations: the directing job of workplace. The current examination explored the connection between pay, promotional chances and representatives' retention. Review was utilized to gather information from 220 employees working in open division colleges in Pakistan. PLS path modelling was utilized to analyse the information. The outcomes uncovered that remuneration and opportunities for promotion had basic link with retention of employees. Additionally, the outcomes likewise uncovered that workplace directs the connections among pay and worker retention and promotional chances and retention of employees.

Sitati (2016) conducted an examination on the effects of occupation promotion on representative retention in hotels In Kenya. This exploration issue was done using a review look into structure. The objective populace of this examination contained 213 hotels enlisted under Kenya Association of Hotelkeepers and Caterers in Kenya. An agent test of 137 inns was chosen from every inn locale utilizing stratified random sampling. Information was gathered utilizing questionnaires. Information gathered was analysed through descriptive and inferential statistics. It was evident that job promotion results to change in position. Additionally, job promotion results to increased responsibility and also increased the ability of an employee.

Kalunge, Nyagah and Kalai (2018) studied the influence of promotional prospects on turnover intentions of public secondary school teachers in Meru County. The study used a descriptive survey design with both quantitative and qualitative approaches in data collection and analysis. A total of 520 respondents were involved in the study. Data obtained from questionnaires were analysed quantitatively using SPSS version 21. The results showed that promotional prospects have a negative and an inverse relationship with turnover intention. There was also a significant relationship between promotion prospects and turnover intentions of secondary school teachers in Meru County.

Ratemo, Bula and Makhamara (2021) researched on job promotion and employee performance in Kenya forestry research institute headquarter in Muguga, Kiambu County. The study used a positivism philosophy and a descriptive research design. The unit of analysis was Kenya Forestry Research Institute. The target population was all the 178 staff working in Kenya Forestry Research Institute in Muguga. A sample of 121 respondents was selected through stratified random sampling. A semi-structured questionnaire was used in collecting primary data. Analysis of qualitative data was carried out through thematic analysis. Descriptive statistics focused on frequency distribution, percentages, mean and standard deviation. Components of inferential statistics include; Pearson correlation coefficient and multivariate regression analysis. The study found that job promotion practices have significant effect on employee performance in Kenya Forestry Research Institute. Further, the study found that employees acquire new skills through job promotion.

#### **2.3.4 Recognition and Employee Retention**

Danish and Usman (2014) contemplated the effect of remuneration and recognition on work fulfillment and inspiration: an observational investigation from Pakistan. The examination looked to discover the central point that inspire representatives and discover the link between remuneration, recognition and inspiration. Information was gathered from workers of different associations. Taking all things together, 250 self-controlled questionnaires were disseminated among the workers of various parts. The factual analysis demonstrated that various elements of work inspiration and fulfillment were essentially connected and prize and recognition have extraordinary effect on inspiration of the representatives.

Tessema, Ready and Embaye (2017) studied the effects of employee recognition, pay, and benefits on job satisfaction. This was a cross-sectional study, survey responses from university students in the U.S, Malaysia and Vietnam were analysed. Employee recognition, pay, and benefits were found to have a significant impact on job satisfaction, regardless of home country income level (high, middle or low income) and culture (collectivist or individualist). However, the effect of benefits on job satisfaction was significantly more important for U.S. respondents than for respondents from Malaysia and Vietnam. It was resolved that both financial and nonfinancial rewards have a role in influencing job satisfaction, which ultimately impacts employee performance.

Cherrington (2016) considered the effects of employee recognition programs on employee attitudes and behavior. Using employee responses from 28 small- and medium-size organizations in both the private and public sectors, the results indicated that employees who have been recognized have significantly more favourable attitudes than those who have not been recognized. While the differences in self-reported performance measures were generally only minimally significant. Findings also indicated that effective recognition depends mostly on the degree of perceived sincerity, as posited by behaviourism and exchange theory, while the concerns about autonomous control raised by self-determination theory do not appear to be problematic.

Amoatema and Kyeremeh (2016) looked at making employee recognition a tool for achieving improved performance in Ghanaian Universities. The study found that the most effective ways to motivate employees to achieve the desired goals of the organization involve creating an environment with strong, respectful and supportive relationships between the organization and employees and a focus on genuine expressions of appreciation for specific employee achievements, service milestones and a day-to-day acknowledgement of performance excellence.

Mngomezulu (2015) considered the effect recognition has on retention of talented employees. An aggregate of 70 questionnaires were conveyed to workers in various employment classes. The investigation uncovered that administration can apply various ways to deal with hold great ability. Additionally, it is essential for supervisors to endure as a primary concern that these methodologies may affect various people. This investigation additionally addressed the absolute most basic issues the business division is confronted with, for example, representative retention because of the deficiency of talented work and inability to perceive great work done. The discoveries mirror that reward, enthusiasm, recognition, inspiration, and compelling ability the board are a portion of the variables business pioneers need to deliver so as to limit wilful turnover and hold great ability in the work environment.

Ndungu (2017) did an assessment on impacts of remunerations and recognition on representative execution in public learning institutions: The case of Kenyatta University (KU). This examination was led to decide the impacts of remuneration and recognition on job performance. Delineated arbitrary inspecting and purposive irregular examining were utilized in testing plan. Results indicated essentially positive connection among

remuneration and recognition, with worker execution. What's more a positive and noteworthy relationship was additionally seen between work execution and the autonomous factors outward rewards, characteristic prizes and monetary prizes, recognition rewards, working condition and initiative styles.

Sitati and Were (2018) studied the effect of employee recognition on employee retention in the hotel industry in Kenya. The purpose of this study was to examine the effect of employee recognition on employee retention in the hotels in Kenya. This study used descriptive survey research design. The target population of this study comprised of two hundred and thirteen hotels registered under Kenya Association of Hotelkeepers and Caterers in Kenya. A representative sample of one hundred and thirty seven hotels was selected from each region using stratified random sampling. A pilot test was conducted to test the reliability and validity of the data collection instruments. Data was collected by use of a questionnaire and was analysed using descriptive and inferential statistics. The study established that there was a positive and significant relationship between career development and employee retention in the hotel industry.

Sitati, Were, Waititu and Miringu (2019) looked at the effect of employee recognition on employee retention in hotels in Kenya. This research problem was studied through the use of a survey research design. The target population comprised of 213 hotels registered under the Kenya Association of Hotelkeepers and Caterers in Kenya. A representative sample of 137 hotels was selected from each hotel region using stratified random sampling. Data were collected using structured questionnaire administered by the researcher to get response from the sample population. Descriptive and inferential statistics were used to analyse the data. The findings in the Deloitte correlation analysis indicated that employee recognition is positively and significantly associated with employee retention in the hotel industry in Kenya. From the univariate analysis, it was found that employee recognition has a positive and significant influence on employee retention in the hotel industry in Kenya.

Bradler, Dur, Neckermann and Non (2018) looked at employee recognition and performance. The study hired more than 300 employees to work on a three-hour data-entry task. In a random sample of work groups, workers unexpectedly received recognition after two hours of work. The study found that recognition increases subsequent performance substantially, and particularly so when recognition is exclusively provided to the best

performers. Remarkably, workers who did not receive recognition are mainly responsible for this performance increase.

Muriuki (2018) reviewed the relationship of recognition and staff performance in Kenya school of government Baringo Campus, Kenya. The study employed ex-post facto research design which is a descriptive survey research design. The study population comprised of employees at various departments and sections. Stratified sampling technique was employed to select the required sample size of 23 respondents who were picked through simple random sampling technique. A structured self-administered questionnaire was used to collect data. Descriptive statistics that is percentages were used for data analysis using statistical Package for Social Scientist (SPSS) version 20. Findings revealed that recognition has a strong relationship with the performance of employees at KSG Baringo campus.

#### **2.4 Research Gaps**

Akeyo and Wezel (2017) studied the effects of remuneration on turnover of employees in humanitarian industry. This study was about employee turnover in the humanitarian industry while the current study is about employee retention in the banking industry. John and Teru (2015) contemplated the impact of remuneration/pay on retention of staff in chosen banks from Adamawa State, Nigeria. This study was done in Nigeria, the findings cannot be generalised to Kenya. Muchai and Makokha (2018) examined how remuneration framework affects performance of Teachers Service Commission (TSC), Kenya. Though this study focused on remuneration it failed to establish how it affects retention. Goren (2018) researched on perceived effects of remuneration on employee turnover at teachers' service commission secretariat, Kisumu. This study focus was on employee turnover while the present study was on employee retention. Nakatawa (2016) researched on the effects of remuneration on the job performance of the support staff in Makerere University. This study focused was on job performance in universities while the current study is about employee retention in commercial banks in Kenya. Lekartiwa (2020) considered the effects of remuneration on employee turnover in private hospitals Samburu County. This study was about employee turnover in hospitals while the current study was on employee retention in commercial banks in Kenya.

Sethunga and Perera (2018) researched on the effects of performance rewards on turnover of employees in Sri Lankan IT Industry. This study focus was on employee turnover in Sri Lanka while the current study focus is on employee retention in commercial banks in Kenya. Msengeti and Obwogi (2015) researched on how pay and work environment affected retention of staff using the Hotel Industry in Mombasa County as the case study. This study focus was on employee retention in the hotel industry, the findings cannot be generalised to the banking industry. Van der Stede, Wu and Wu (2018) looked into an experimental analysis on responses of employees to penalties and bonuses in China. This study focused on organizations in China, the findings cannot be generalised to Kenya. Alhmoud and Rjoub (2019) did an assessment on rewards and retention of employee in a Middle Eastern Context. This study focused on the Middle East, the findings cannot be generalized to Kenya since their level of economic development differs. Bowden and Posch (2017) did an evaluation on ascertaining the effects of employee bonus plans. This study failed to indicate how bonuses affects employee retention. Anik, Akin, Norton, Dunn and Quoidbach (2017) researched on prosocial bonuses increase employee satisfaction and team performance. This study focus was on bonuses and staff satisfaction while the current study focus is on bonuses and staff retention. Mattson and Hellgren (2016) reviewed the effects of staff bonus systems on safety behaviors. This study focus was on how staff bonuses affect their behavior while the current study is on staff bonus and retention.

Izudin, Suharto and Sanusi (2018) examined the impact of occupation promotion and work discipline on representative execution through workers' fulfillment Pt. Bank Capital Indonesia TBK Branch Kuningan Tower Jakarta, Indonesia. Haryonoa, Supardib and Udin (2020) studied the effect of training and job promotion on work motivation and its implications on job performance in Indonesia. These studies were done in Indonesia, the findings cannot be generalized to the Kenyan situation. Simbolon, Madhakomala and Santoso (2018) considered the effect of work environment, bonuses and organizational trust on employee engagement. However, this study focus was on employee engagement while the current study focus is on employee retention. Naveed, Usman and Bushra (2016) considered promotion, a predictor of job satisfaction in glass industry of Lahore (Pakistan). This study focused on glass industry in Pakistan, the findings cannot be generalized to Kenya banking sector. Magaji, Akpa, Ozioma and Goodluck (2018) reviewed the effect of recognition and promotion on employees' job satisfaction of selected outsourced service

providers in Jos, Plateau State, Nigeria. This study focus was on employee job satisfaction while the current study focused on employee retention. Ratemo, Bula and Makhamara (2021) researched on job promotion and employee performance in Kenya forestry research institute headquarter in Muguga, Kiambu County. This study focus was on employee performance while the current study focused on employee retention.

Ndungu (2017) did an evaluation on ways in which recognition and rewards affected performance of employees in public institutions of higher learning in Kenya. This study focus was on employee performance in the learning institutions, the findings cannot be generalized to the banking industry. Danish and Usman (2014) contemplated the effect of remuneration and recognition on work fulfilment and inspiration: an observational investigation from Pakistan. This study was done in Pakistan the findings cannot be generalised to Kenya due to economic development differences. Tessema, Ready and Embaye (2017) studied the effects of employee recognition, pay, and benefits on job satisfaction in the U.S, Malaysia and Vietnam. This study was done in U.S, Malaysia and Vietnam the findings cannot be generalised to Kenya due to economic development differences. Cherrington (2016) considered the effects of employee recognition programs on employee attitudes and behavior. This study focus was on staff behaviour and attitude while the current study focus was on employee retention. Amoatema and Kyeremeh (2016) looked at making employee recognition a tool for achieving improved performance in Ghanaian Universities. This study context was the universities the findings cannot be generalized to Kenyan banking sector. Bradler, Dur, Neckermann and Non (2018) looked at employee recognition and performance. This study focused on firm performance while the current study focus was on employee retention. Muriuki (2018) reviewed the relationship of recognition and staff performance in Kenya school of government Baringo Campus, Kenya. This study focused on staff performance while the current study focus was on employee retention.

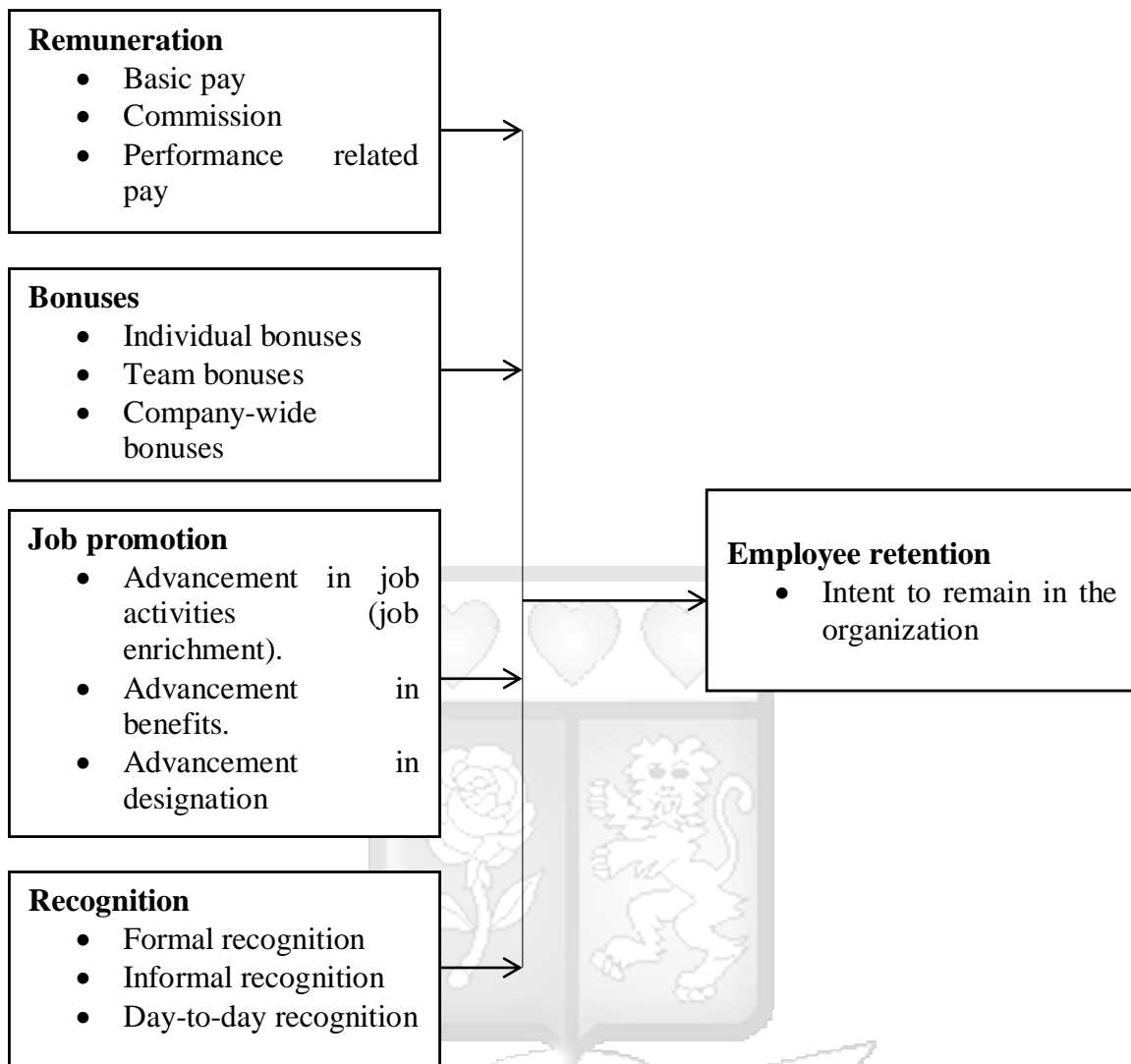
The empirical studies were limited in terms of context and concept. Some of the studies reviewed were carried out in different industries such as the educational institutions and IT firms. Other studies reviewed were in different countries such as Indonesia and Sri Lankan. Therefore the findings cannot be generalized to a Kenyan situation. The present study focused on filling the contextual and conceptual gap by establishing the performance-based

rewards as a determinant of employee retention among tier-one commercial banks in Kenya.

## **2.5 Conceptual Framework**

The representation of the dependent and independent variables being investigated in a study in a diagrammatic form is referred to as conceptual framework. The independent variables of job promotion, remuneration, bonuses and recognition and the dependent variables is employee retention.





Independent variables VT OMNES VNVM SU Dependent variable

**Figure 2.1: Conceptual Framework**

Source: Researcher (2020).

## 2.6 Operationalization of Variables

**Table 2.1: Operationalization of Variables**

Study variable	Operational definition	measurement scale	supporting literature
<b>Independent variables</b>			
<b>Job promotion</b>	<ul style="list-style-type: none"> <li>• Advancement in job activities (job enrichment).</li> <li>• Advancement in benefits.</li> <li>• Advancement in designation</li> </ul>	Five point Likert scale	(Gerhart & Fang, 2015)
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>• Basic pay</li> <li>• Commission</li> <li>• Performance related pay</li> </ul>	Five point Likert scale	(De Gieter & Hofmans, 2015)
<b>Bonuses</b>	<ul style="list-style-type: none"> <li>• Individual bonuses</li> <li>• Team bonuses</li> <li>• Company-wide bonuses</li> </ul>	Five point Likert scale	(Canos-Daros, 2013)
<b>Recognition</b>	<ul style="list-style-type: none"> <li>• Formal recognition</li> <li>• Informal recognition</li> <li>• Day-to-day recognition</li> </ul>	Five point Likert scale	(Shaw, 2014)
<b>Dependent Variable</b>			
<b>Employee retention</b>	<ul style="list-style-type: none"> <li>• Intent to remain in the organization</li> </ul>	Five point Likert scale	(Arthur, 2016).

## 2.7 Chapter Summary

This chapter has discussed the theories that help in explaining the performance-based rewards as a determinant of employee retention. The theories discussed include the

Herzberg two factor theories and Expectancy theory. Literature review in relation to remuneration, bonuses, job promotion, and recognition and employee retention has also been discussed. Gaps that the study aims to fill have been identified. The conceptual framework shows the relationship between the study variables.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter discusses the research methodology to be adopted in the study. These include; the research design, the target population, the sampling technique, data collection instruments, data collection methods, pilot tests, data analysis and presentation and ethical considerations.

#### **3.2 Research Design**

Creswell (2013) defined research design to be a plan that explains the procedure that will be followed in collecting data and analyzing it. In this study, Descriptive research design was adopted. According to Kothari (2013) descriptive research is research used to “describe” a situation, subject, behavior, or phenomenon. It is used to answer questions of who, what, when, where, and how associated with a particular research question or problem. It attempts to gather quantifiable information that can be used to statistically analyze a target audience or a particular subject. Description research is used to observe and describe a research subject or problem without influencing or manipulating the variables in any way. Descriptive design allowed for collection of quantitative data. Descriptive research design was therefore suitable in this study because it helped in answering the research questions by describing, explaining and validating research findings.

#### **3.3 Target Population**

Those respondents selected for a study are defined as target population. Banking institutions in Kenya formed the unit observation while employees in these institutions formed the unit of analysis. In this study, tier 1 banks were targeted. According to CBK report (2019), in Kenya, there are 8 tier 1 banks. Employees targeted in this study were management level employees’ i.e. top, middle and low level management. As presented in Table 3.1, target population was 3510 respondents.

**Table 3.1: Target population**

Target population	Frequency (employee)	Percent
Kenya Commercial Bank	648	18
Equity bank	895	26
Cooperative Bank	720	21
Barclays Bank	296	8
Commercial Bank of Africa (CBA)	267	8
Standard Chartered Bank	241	7
Stanbic Bank	228	6
Diamond Trust Bank (DTB)	215	6
<b>Total</b>	<b>3510</b>	<b>100</b>

Source: Human Resources Report from the Specific Banks (2019)

### 3.4 Sampling and Sampling Techniques

Sampling refers to the practice where a representative group of respondents from targeted population is selected. Target population was 3510 management level employees. The management level employees were targeted because it is believed they have an understanding about performance based rewards and how they affect retention. Hence, they provided information needed for the study. This study calculated its sample size by means of Yamane formula (Yamane, 1967).

$$n = N / [1 + N (e)^2]$$

Where n = the sample size

n = Target population

e = the error of 5% points

$$n = N / [1 + N (e)^2]$$

$$= 3510 / 1 + 3510 * 0.05^2$$

$$= 359 \text{ respondents}$$

From Yamane formula, 359 respondents which represent 10.23 % of study population were selected to form the sample. Multistage sampling method was used. This technique

involves dividing the population into small groups called strata. The commercial banks formed the strata. The multistage sampling was used to draw the respondents from the various sub-groups clusters. This is as presented in Table 2.2

**Table 3.2: Sample Size**

<b>Target population</b>	<b>Frequency (employee)</b>	<b>Sample proportion</b>	<b>Sample size</b>	<b>Categories</b>	
Kenya Commercial Bank	648	10.23 %	66	Top level managers	9
				Middle level managers	25
				Low level managers	32
Equity bank	895	10.23 %	92	Top level managers	13
				Middle level managers	30
				Low level managers	49
Cooperative Bank	720	10.23 %	74	Top level managers	9
				Middle level managers	26
				Low level managers	39
Barclays Bank	296	10.23 %	30	Top level managers	4
				Middle level managers	9
				Low level managers	17
Commercial Bank of Africa (CBA)	267	10.23 %	27	Top level managers	5
				Middle level managers	8
				Low level managers	14
Standard Chartered Bank	241	10.23 %	25	Top level managers	3
				Middle level managers	8
				Low level managers	14
Stanbic Bank	228	10.23 %	23	Top level managers	4
				Middle level managers	6
				Low level managers	13
Diamond Trust Bank (DTB)	215	10.23 %	22	Top level managers	4
				Middle level managers	6
				Low level managers	12
<b>Total</b>	<b>3510</b>	<b>10.23 %</b>	<b>359</b>		

### **3.5 Data Collection Instruments**

The study used primary data gathered using questionnaires. The study adopted semi-structured questionnaire. A semi-structured questionnaire contains open-ended and closed-ended questions. The semi structured questionnaires are preferred because it allows respondents to give their own heart felt responses and also provides qualitative data. The questionnaire was structured in line with the study objectives. Structuring of the questionnaires had three sections; section one covered the demographic information, section two covered questions on performance-based rewards and section three covered questions on employee retention.

### **3.6 Data Collection Method**

Administering of questionnaires to respondents were one by the researcher with the use of drop and pick later technique. One week was allowed to fill their questionnaires and return them. The benefits of questionnaire is that the researcher is able to introduce the study in person and clarify to the respondents what the study intends and clarifies and answers all the questions that the respondents might be having and also allows for clarifications of any doubts that arise as the study is being conducted.

### **3.7 Research Quality**

A pilot test was conducted to determine the validity and reliability of the research instruments. It involved conducting initial test of data collection instruments and processes to spot and eradicate errors.

#### **3.7.1 Validity of the Research Instrument**

The main focus of conducting a pilot test is evaluating feasibility, time, cost, adverse events, and improving the data collection tool (Hulley, 2007). Validity and reliability of the questionnaire was assessed by carrying out piloting. Twenty individuals were nominated from the study population to participate in pilot study. Twenty respondents represent 5.6 % of study population. Findings from pilot test were excluded in actual study.

How well instruments provide measurements of what it was intended to quantity is defined as validity. Oliver (2010) explained that irrespective of the type of study, validity is compulsory. There are different methods used in measuring validity, these include; face, criterion, construct, content and external validity. Face validity refers to researchers'

subjective assessments of the presentation and relevance of the measuring instrument as to whether the items in the instrument appear to be relevant, reasonable, and unambiguous and clear. Criterion or concrete validity is the extent to which a measure is related to an outcome. It measures how well one measure predicts an outcome for another measure. Construct validity refers to how well a researcher translated or transformed a concept, idea, or behavior that is a construct into a functioning and operating reality, the operationalization (Oluwatayo, 2012).

Content validity involves evaluation of a new survey instrument in order to ensure that it includes all the items that are essential and eliminates undesirable items to a particular construct domain. The judgmental approach to establish content validity involves literature reviews and then follow-ups with the evaluation by expert judges or panels. The procedure of judgmental approach of content validity requires researchers to be present with experts in order to facilitate validation. Opinion of experts in the fields was sought. This helped in identifying the questions which need editing to fit in the study.

### **3.7.2 Reliability of the Research Instrument**

Reliability in research is the extent in which the selected research technique results in results that are stable and consistent. A measure is considered to be reliable if after being administered to a subject multiple times, the results obtained are consistent (Kothari, 2008). The study applied the test-retest reliability method. This reliability method is applied in estimating modules of errors in measurements by measuring a subject multiple times while being subjected to the same conditions and compares the findings obtained. The study administered the pilot questionnaires twice in an interval of two weeks. The pilot findings were then be compared to determine how stable the scores are.

The inter-rater reliability was also used to determine the reliability of the research instrument. It helped to assess the degree to which different raters /observers give consistent estimates of the same phenomenon. Reliability was also determined using the internal consistency method. This method helps to assess the consistency of results across items within a test. The internal consistency measure is the Cronbach Alpha coefficient. It is viewed as the most appropriate measure of reliability when making use of Likert scales (Whitley, 2002). Reliability was considered if there is high correlation is greater 0.60

between the scores of different time periods (Robinson, 2009). Hence the research instrument was deemed reliable.

### **3.8 Data Analysis and presentation**

After data collection the study ascertained the response rate of the questionnaires. This was determined by the number of questionnaires dully filled and returned compared to those that were issued. Coding of the collected data was done in SPSS version 20.0. Descriptive statistics like frequencies, percentages and standard deviations was used in analyzing qualitative data collected. Presentations were done in tables, pie charts and 3-D graphs.

Data collected from open-ended was analyzed using content analysis method. In this technique, stories are reformulated based on the context and experience of the respondents.

Multiple regression analysis was conducted and helped in establishing the relationship between dependent variable and independent variables. Therefore, it helped to establish the effects of performance-based rewards on employee retention among tier one commercial banks in Kenya.

The multiple regression equation was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_3X_3 + \varepsilon$$

**Y** = Employee Retention, **X<sub>1</sub>** = Job promotion, **X<sub>2</sub>**= Remuneration, **X<sub>3</sub>** = Bonuses, **X<sub>3</sub>** = Recognition,  $\beta_1, \beta_2, \beta_3, \beta_4$ , are regression coefficients corresponding to  $X_1, X_2, X_3, X_4$  respectively,  $\varepsilon$ = Error term ,  $\beta$  = the beta coefficients of independent variables.

### **3.9 Ethical Consideration**

Ethical clearance was obtained from Strathmore University's Institutional Board before commencement of data collection. The researcher sought the consent of the managers of the banks where data was collected, to get the go ahead for data collection within their organizations. The respondents were allowed to give information voluntarily without being coerced. The researcher guaranteed the respondents that the data was treated with privacy and confidentiality. This empowered them to give honest and consistent data. Name of the banks where data was collected did not appear on the questionnaires, this ensured that confidentiality is maintained. Information gathered was used strictly for academic reasons.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

This chapter will cover data analysis, presentation, interpretation, and discussion of findings obtained from data collection. This chapter also presents background information of the respondents and findings of the analysis based on study objectives. Descriptive and inferential statistics were also analyzed.

#### 4.2 Response Rate

The respondents that were used in the study were 359 and all of them were issued with questionnaires, out of which 288 dully filled and returned their questionnaires which translated to a response rate of 80%. The rate of response was considered excellent and suitable to make inference on the study population because according to Mugenda and Mugenda (2009), a rate of response of 50% is considered to be adequate to make analysis and make a report, while a rate of 60% is considered to be good and that of 70% and above is considered to be excellent.

**Table 4.1: Response rate**

Category	Frequency	Percent
Response	288	80.0
Non-Response	71	20.0
<b>Total</b>	<b>359</b>	<b>100.0</b>

#### 4.3 Reliability Analysis

How reliable the questionnaire was, was determined by conducting reliability analysis. Cronbach's Alpha was used. According to Gliem and Gliem (2003) 0.7 is the threshold value of Alpha which was used as the benchmark in this study. Reliability of each objective was determined using Cronbach's alpha. From the findings shown in Table 4.2 remuneration has an alpha of 0.762, bonuses has an alpha of 0.755, job promotion has an alpha of 0.779 and recognition has an alpha of 0.784. This shows that all the variables are reliable since they exceeded the threshold value of 0.7.

**Table 4.2: Reliability Analysis**

Scale	Cronbach's Alpha	Number of Items
Remuneration	0.762	6
Bonuses	0.755	6
Job Promotion	0.779	6
Recognition	0.784	6

#### 4.4 Demographic Information

This section covers the general information of the respondents. These include gender, period of service and education level.

**Table 4.3: Demographic Information**

Category	Frequency	Percent
<b>Gender</b>		
Male	170	59%
Female	117	41%
<b>Period of service in the organization</b>		
5-10 years	162	56%
11-20 years	74	26%
21-30 years	38	13%
31-40 years	14	5%
<b>Education level</b>		
Degree	178	62%
Masters	81	28%
PhD	29	10%

The findings on gender show that, 59% of the respondents were male while 41% were female. This is an indication that the study was not gender biased since both genders were fairly represented. Majority (59%) of the respondents were male which shows that majority of employees in banks are male.

On period of service in the organization, 56% of respondents indicated that they had worked in their organization for a period between 5 to 10 years, 26% had worked in their organization for a between 11 to 20 years, 13% had worked in their organization for

between 21 to 30 years and 5% for between 31 to 40 years. This implies that the respondents had worked in their organizations long enough to provided information needed in the study.

About education level, 62% of the respondents indicated that their level of education is degree, 28% masters and 10% PhD. This implies that commercial banks employ individuals with different education levels.

## 4.5 Descriptive Statistics

### 4.5.1 Remuneration

The respondents were asked to indicate their level of agreement on the following statements about the effects of remuneration on employee retention in tier-one commercial banks in Kenya. Using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree. The findings were as shown in Table 4.4

**Table 4.4: Remuneration**

Statements	1	2	3	4	5	Mean	Std. Dev
My basic pay matches my work	3%	5%	10%	50%	33%	4.038	0.928
My basic pay is reviewed from time to time	5%	7%	10%	44%	35%	3.986	0.882
I receive commission for selling bank products	4%	7%	10%	52%	26%	3.899	0.889
Commission increases my income	3%	6%	8%	63%	20%	3.927	1.044
My remuneration is based on performance related pay	3%	5%	9%	57%	26%	3.962	0.972
Performance related pay motivates me to work hard to achieve set goals	3%	6%	9%	50%	32%	4.017	0.924

The respondents agreed that performance related pay motivates them to work hard to achieve set goals as shown by a mean of 4.017, basic pay matches their work as shown by a mean of 4.038, their basic pay is reviewed from time to time as shown by a mean of 3.986, their remuneration is based on performance related pay as shown by a mean of 3.962, commission increases their income as shown by a mean of 3.927 and they receive commission for selling bank products as shown by a mean of 3.899.

The respondents were also asked to give their opinion on remuneration effect on employee retention. They indicated that remuneration motivates employees. Also, when employees feel that their remuneration is linked to their work performance they are likely to remain in the organization for long. Further, review of remuneration from time to time encourages employees to remain in the company since they know that they will grow to some extent.

The findings concurs with those of John and Teru (2015) who established that increasing payments of monetary benefits, increase staff retention, timely payment of salaries (TPS), prompted expansion of staff maintenance and increment in the utilization of cash as a motivating force results to an increase in the rate of staff retention. Calvin (2017) found that remuneration had a direct significant influence on staff performance and that motivation of staff member s in the institution was affected by their salaries and bonuses. Muchai and Makokha (2018) discovered that employees are profoundly mollified with their work; staff that are exceptionally energetic; standard survey of remuneration frameworks; employee responsibility and positive working conditions influenced performance of an organization. Lekartiwa (2020) discovered that there was a positive relationship and statistically significant between that remuneration and employee turnover. That simply meant that how employees are rewarded at the end of the agreed contract duration or at the end of the month play a very key part in determining whether they will leave in the near future or not.

#### **4.5.2 Bonuses**

The respondents were asked to indicate their level of agreement on the following statements about the effects of bonuses on employee retention in tier-one commercial banks in Kenya. 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree. As shown in Table 4.5

**Table 4.5: Bonuses**

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>Std. Dev.</b>
The bank gives me bonus whenever I perform well	5%	7%	10%	58%	20%	3.809	0.941
Individual bonus motivate me to work harder and contribute more to the organization	3%	5%	11%	53%	28%	3.986	0.925
The bank provides bonuses in our teams	5%	5%	9%	55%	26%	3.906	0.936
I perform better in team bonuses so as not to fail the team	3%	6%	9%	50%	32%	4.003	0.919
In the company we are given company-wide bonuses	5%	7%	10%	52%	26%	3.861	0.881
Company-wide bonuses make me feel that am part of the organization	5%	7%	10%	47%	31%	3.917	0.859

From the findings, the respondents agreed that they perform better in team bonuses so as not to fail the team as shown by a mean of 4.003, individual bonus motivate me to work harder and contribute more to the organization as shown by a mean of 3.986, company-wide bonuses make them feel that am part of the organization as shown by a mean of 3.917, the bank provides bonuses in our teams as shown by a mean of 3.906, in the company employees are given company-wide bonuses as shown by a mean of 3.861 and the bank gives them bonus whenever they perform well as shown by a mean of 3.809.

The respondents were also asked to give their view on how bonuses impact on employee retention. They indicated that employees are highly motivated by bonuses. Employees work hard to get extra earning apart from their normal pay. Therefore, providing bonuses to the employees would increase their chances of remaining in the organization.

The findings are in agreement with those of Sethunga and Perera (2018) who indicated that financial prizes, non-fiscal rewards and prize recurrence were adversely corresponded with worker turnover. Alhmoud and Rjoub (2019) results indicated that outward, characteristic, and social prizes are terrifically significant factors in accomplishing worker retention. Strangely, social prizes were appeared to have the most significant level of impact on worker retention. Msengeti and Obwogi (2015) discoveries uncovered pay affected worker retention while workplace had the most grounded impact. Van der Stede, Wu and Wu (2018) discovered that the minor affectability of punishments decreases quicker than that of bonuses, showing that the negligible impact of a reward may in the end surpass that of a

punishment when their qualities are adequately enormous. Anik, Akinin, Norton, Dunn and Quoidbach (2017) found that prosocial bonuses in the form of donations to charity lead to happier and more satisfied employees. Further, prosocial bonuses in the form of expenditures on teammates lead to better performance in both sports teams.

#### 4.5.3 Job Promotion

The respondents were requested to indicate their level of agreement on the following statements about the effects of job promotion on employee retention in tier-one commercial banks in Kenya. 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree. As shown in Table 4.6.

**Table 4.6: Job Promotion**

Statements	1	2	3	4	5	Mean	Std. Dev
The bank gives me higher share of duties	5%	7%	10%	47%	31%	3.927	0.864
The bank gives me higher pay scales and allowances	6%	9%	10%	52%	23%	3.792	0.866
I get more power and responsibilities from the bank leaders	4%	7%	15%	50%	24%	3.840	0.829
Merit-based promotions are made from a group of qualifying employees when a vacancy occurs	4%	7%	11%	56%	22%	3.837	0.923
I am promoted when they am assigned and consistently perform higher-level duties	6%	8%	6%	51%	29%	3.896	0.904
Promotion improves my ambition and hard work	5%	9%	11%	46%	29%	3.847	0.811

The results show that the respondents agreed that the bank gives employees higher share of duties as shown by a mean of 3.927, employees are promoted when they are assigned and consistently perform higher-level duties as shown by a mean of 3.896, promotion improves ambition and hard work as shown by a mean of 3.847, employees get more power and responsibilities from the bank leaders as shown by a mean of 3.840, merit-based promotions are made from a group of qualifying employees when a vacancy occurs as shown by a mean of 3.837 and the bank gives employees higher pay scales and allowances as shown by a mean of 3.792.

The respondents were also required to indicate how job promotion affects employee retention in the commercial banks. They indicated the morale of employees boosted when

they get promotion since they are vested with new duties and responsibilities and also a high pay. Job promotion would encourage employees to remain in the organisation since they know that they will grow in their career.

The findings are in agreement with those of Saharuddin (2016) who established promotion and remuneration significantly and positively affected work fulfilment and efficiency; work fulfilment critically and positively affected profitability of work; and confidence strongly and positively affected profitability of work. Bibi, Pangil, Johari and Ahmad (2017) uncovered that remuneration and opportunities for promotion had basic link with retention of employees. Additionally, the outcomes likewise uncovered that workplace directs the connections among pay and worker retention and promotional chances and retention of employees. Izudin, Suharto and Sanusi (2018) discovered that activity promotion factors and order influence the presentation of workers somewhat or at the same time. Haryonoa, Supardib and Udin (2020) found that training and promotion had a positive and significant effect on work motivation, training, promotion and work motivation had a positive and significant effect on job performance but work motivation did not play any significant role in mediating the effect of training and job promotion for job performance. Simbolon, Madhakomala and Santoso (2018) found that the work environment has a direct positive effect on employee engagement, bonus have a direct positive effect on employee engagement, organizational trust has a direct positive effect on employee engagement, the work environment has a direct positive effect on organizational trust and production services have a direct positive effect on organizational trust. Chukwu (2019) found that promotion as at when due, regular promotion, transparent promotion and when employees are satisfied with promotion has significant influence on employee turnover intention. Ogini (2020) established that there was a positive significant relationship between job promotion and workers commitment of public hospitals in Rivers State.

#### **4.5.4 Recognition**

The respondents were requested to indicate their level of agreement on the following statements about the effects of recognition on employee retention in tier-one commercial banks in Kenya. 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

#### **Table 4.7: Recognition**

Statements	1	2	3	4	5	Mean	Std. Dev.
In the bank my good work in recognized and appreciated	3%	5%	7%	60%	25%	3.986	1.019
Recognition motivates me to work hard	4%	6%	9%	55%	26%	3.934	0.944
Recognition improves my engagement on the tasks assigned to me	3%	8%	10%	63%	16%	3.813	1.016
Recognition increases the repetition of my desired behaviours	5%	7%	9%	48%	31%	3.944	0.887
Recognition maintains a strong employer brand	3%	6%	12%	59%	20%	3.865	0.960
Recognition motivates me to stay in the organization	5%	7%	11%	54%	23%	3.830	0.892

From the findings, the respondents agreed that recognition increases the repetition of employee desired behaviours as shown by a mean of 3.944, in the bank good work is recognized and appreciated as shown by a mean of 3.986, recognition motivates employees to work hard as shown by a mean of 3.934, recognition maintains a strong employer brand as shown by a mean of 3.865, recognition motivates me to stay in the organization as shown by a mean of 3.830 and recognition improves my engagement on the tasks assigned to me as shown by a mean of 3.813.

The respondents were also asked to indicate how recognition affects employee retention. The indicated that employees feel valued when they are recognized. They also feel that their contribution in the company is appreciated. Through recognition employees develop a sense of security in their value to the firm, motivating them to remain in the organization.

The findings concur with those of Danish and Usman (2014) who noted that various elements of work inspiration and fulfilment were essentially connected and prize and recognition have extraordinary effect on inspiration of the representatives. Ndungu (2017) results indicated essentially positive connection among remuneration and recognition, with worker execution. What's more a positive and noteworthy relationship was additionally seen between work execution and the autonomous factors outward rewards, characteristic prizes and monetary prizes, recognition rewards, working condition and initiative styles. Tessema, Ready and Embaye (2017) resolved that both financial and nonfinancial rewards

have a role in influencing job satisfaction, which ultimately impacts employee performance. Amoatema and Kyeremeh (2016) found that the most effective ways to motivate employees to achieve the desired goals of the organization involve creating an environment with strong, respectful and supportive relationships between the organization and employees and a focus on genuine expressions of appreciation for specific employee achievements, service milestones and a day-to-day acknowledgement of performance excellence.

#### 4.5.5 Employee Retention

The respondents were requested to indicate their level of agreement on the following statements about the employee retention in tier-one commercial banks in Kenya. 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

**Table 4.8: Employee Retention**

Statements	1	2	3	4	5	Mean	Std. Dev.
Remuneration improves my intent to remain in the organization	5%	6%	9%	62%	19%	3.844	1.016
Bonuses improves my intent to remain in the organization	3%	7%	10%	57%	23%	3.892	0.946
Job promotion improves my intent to remain in the organization	5%	7%	9%	59%	20%	3.826	0.965
Recognition improves my intent to remain in the organization	5%	7%	10%	55%	24%	3.872	0.914

From the results, the respondents agreed that bonuses improves the intent to remain in the organization as shown by a mean of 3.892, recognition improves the intent to remain in the organization as shown by a mean of 3.872, remuneration improves the intent to remain in the organization as shown by a mean of 3.844 and job promotion improves intent to remain in the organization as shown by a mean of 3.826.

#### 4.6 Correlational Analysis

This study used Pearson Moment Correlation in determining the relationship between the independent and dependent variables. The results were as shown in Table 4.9.

**Table 4.9: Correlational Coefficient**

		<b>Employee Retention</b>	<b>Remuneration</b>	<b>Bonuses</b>	<b>Job Promotion</b>	<b>Recognition</b>
<b>Employee Retention</b>	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	288				
<b>Remuneration</b>	Pearson Correlation	.771**	1			
	Sig. (2-tailed)	.003				
	N	288	288			
<b>Bonuses</b>	Pearson Correlation	.763**	.371	1		
	Sig. (2-tailed)	.003	.034			
	N	288	288	288		
<b>Job Promotion</b>	Pearson Correlation	.735**	.312	.309	1	
	Sig. (2-tailed)	.003	.044	.047		
	N	288	288	288	288	
<b>Recognition</b>	Pearson Correlation	0.742**	.298	.264	.234	1
	Sig. (2-tailed)	0.003	.055	.059	.063	
	N	288	288	288	288	288

The results established remuneration and employee retention were strongly and positively correlated as shown by  $r = 0.771$ , statistically significant  $p = 0.003 < 0.01$ . Further bonuses were strongly and positively correlated to employee retention as shown by  $r = 0.763$ , statistically significant  $p = 0.001$ . Job promotion and employee retention were strongly and positively correlated as shown by  $r = 0.735$ , statistically significant  $p = 0.001$  and recognition was strongly and positively correlated to employee retention as shown by  $r = 0.742$ , statistically significant  $p = 0.001$ . This implies that remuneration, bonuses, job promotion and recognition were strongly and positively correlated to employee retention among tier-one commercial banks in Kenya. The findings concur with those of Alwaki (2018) who indicated remuneration significantly influences employees' attitude that ultimately influences their performance. Bowden and Posch (2017) found that bonus-paying firms tend to achieve higher productivity, better cost control and asset utilization, and share price returns. Kalunge, Nyagah and Kalai (2018) found that there was also a

significant relationship between promotion prospects and turnover intentions. Muriuki (2018) established that recognition has a strong relationship with the performance of employees

#### 4.7 Regression Analysis

The study conducted a multiple regression analysis to determine the relationship between performance-based rewards and employee retention among tier-one commercial banks in Kenya.

##### 4.7.1 Model Summary

Changes in response variable as a result of changes in predictor variables were determined using the model summary. Variations of employee retention due to changes of remuneration, bonuses, job promotion and recognition were analysed. The results were as shown in Table 4.10.

**Table 4.10: Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881 <sup>a</sup>	0.776	.771	0.1620

From the results, the  $R^2$  is 0.776 which implies that there was 77.6% variations in employee retention due to changes in remuneration, bonuses, job promotion and recognition. The remaining 22.4% suggest that there exist other factors that affect employee retention that were not discussed in this study. Correlation coefficient which is R shows the association that exists between the variables that are being studied. The findings reveal that the variables being studied were strongly and positively related as shown by a correlation coefficient value of 0.881.

##### 4.7.2 Analysis of Variance

In order to determine whether the data that was used in the study was significant, ANOVA was performed. The findings from ANOVA analysis showed that the population parameters had a p-value of 0.001. This suggests that the data was suitable for making conclusion on the population under investigation because the p-value was less than 0.05.

**Table 4.11: Analysis of variance**

	<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>Sig.</b>	<b>F</b>
1	Regression	28.369	4	7.092	144.635	.001 <sup>b</sup>
	Residual	13.877	283	0.049		
	<b>Total</b>	<b>42.246</b>	<b>287</b>			

The results shows that the F critical was less than F calculated ( $2.404 < 144.635$ ). This shows that remuneration, bonuses, job promotion and recognition significantly affect employee retention among tier-one commercial banks in Kenya.

#### 4.7.3 Beta Coefficients of the study Variables

The regression equation was

$$Y = 1.602 + 0.394X_1 + 0.352X_2 + 0.347X_3 + 0.362X_4 + \varepsilon$$

The equation above revealed that holding remuneration, bonuses, job promotion and recognition variables to a constant zero, will significantly affect employee retention among tier-one commercial banks in Kenya as shown by constant =0.987 as shown in Table 4.12.

**Table 4.12: Regression Coefficients**

Model		Unstandardized		Standardized	t	Sig.
		Coefficients				
		B	Std. Error	Beta		
1	(Constant)	1.602	0.182		8.802	0.000
	Remuneration	0.394	0.101	0.298	3.901	0.003
	Bonuses	0.352	0.103	0.281	3.417	0.003
	Job Promotion	0.347	0.107	0.276	3.243	0.003
	Recognition	0.362	0.109	0.289	3.321	0.003

Remuneration is statistically significant to employee retention among tier-one commercial banks in Kenya as shown by ( $\beta = 0.394$ ,  $P = 0.003$ ). This suggests that at 95% confidence level, remuneration had a significant positive relationship with employee retention. This suggests that an increase of remuneration by one unit would result to an increase in employee retention by 0.394 units. The findings concur with those of John and Teru (2015) who established that increasing payments of monetary benefits, increase staff retention. Alwaki (2018) indicated remuneration significantly influences employees' attitude that

ultimately influences their performance. Akeyo and Wezel (2017) discovered that remuneration was significant in clarifying staff turnover. Goren (2018) study realised that remuneration strategies, remuneration policies and timely pay positively influenced employee turnover. Mutuma (2017) found that remuneration is key in retaining workers in any organization and it must be the purpose of any human resource management to design a competitive remuneration package which will serve to attract, retain, and motivate staff so as to ensure the ultimate organization's commercial and financial viability.

Bonuses are statistically significant to employee retention among tier-one commercial banks in Kenya as shown by ( $\beta = 0.352, P = 0.003$ ). This suggests that at 95% confidence level, bonuses had a significant positive relationship with employee retention. This suggests that an increase of bonuses by one unit would result to an increase in employee retention by 0.352 units. The findings concur with those of Talal and Alzoubi (2020) who found a positive and high impact to the way that any organization uses the bonuses and increments to enhance and improve its level of retaining its employees. Bowden and Posch (2017) found that bonus-paying firms tend to achieve higher productivity, better cost control and asset utilization, and share price returns.

Job promotion had a statistically significance to employee retention among tier-one commercial banks in Kenya as shown by ( $\beta = 0.347, P = 0.003$ ). This suggests that at 95% confidence level, job promotion had a significant positive relationship with employee retention. This suggests that an increase of job promotion by one unit would result to an increase in employee retention by 0.347 units. The findings concur with those of Naveed, Usman and Bushra (2016) who found that promotion has a modest and positive effect on job satisfaction. Noori, Khan and Naseem (2017) established that job promotion and job advancement have positive relationship with job satisfaction. Boamah (2016) found that staff is satisfied with promotional policies available while in the case of implementation of the promotion policy, majority of staff were somewhat dissatisfied. Magaji, Akpa, Ozioma and Goodluck (2018) found that recognition and promotion have a positive significant effect on employees' job satisfaction of selected outsourced service providers in Jos, Plateau State. Kalunge, Nyagah and Kalai (2018) found that there was also a significant relationship between promotion prospects and turnover intentions of secondary school teachers in Meru County.

Recognition had a statistically significant to employee retention among tier-one commercial banks in Kenya as shown by ( $\beta = 0.362, P = 0.003$ ). This suggests that at 95% confidence level, recognition had a significant positive relationship with employee retention. This suggests that an increase of recognition by one unit would result to an increase in employee retention by 0.362 units. The findings concur with those of Sitati, Were, Waititu and Miringu (2019) who discovered that employee recognition is positively and significantly associated with employee retention in the hotel industry in Kenya. Bradler, Dur, Neckermann and Non (2018) found that recognition increases subsequent performance substantially, and particularly so when recognition is exclusively provided to the best performers. Muriuki (2018) established that recognition has a strong relationship with the performance of employees at KSG Baringo campus.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter discusses the summary of findings, conclusions and recommendations. The study objective was to establish performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya.

#### **5.2 Summary of Findings**

##### **5.2.1 Effects of Remuneration on Employee Retention**

The first objective of the study was to determine the effect of remuneration on employee retention. The study revealed that performance related pay motivates employees to work hard to achieve set goals. It was also noted that in the organization basic pay matches employees work and remuneration is based on performance related pay. Also in banks employee's basic pay is reviewed from time to time. It was also revealed that commission increases employee's income and that employees in banks receive commission for selling bank products. The study also found that remuneration had a significant positive relationship with employee retention. The findings agree with those of John and Teru (2015) who established that increasing payments of monetary benefits, increase staff retention, timely payment of salaries (TPS), prompted expansion of staff maintenance and increment in the utilization of cash as a motivating force results to an increase in the rate of staff retention. Calvin (2017) found that remuneration had a direct significant influence on staff performance and that motivation of staff members in the institution was affected by their salaries and bonuses. Muchai and Makokha (2018) discovered that employees are profoundly mollified with their work; staff that are exceptionally energetic; standard survey of remuneration frameworks; employee responsibility and positive working conditions influenced performance of an organization. Lekartiwa (2020) discovered that there was a positive relationship and statistically significant between that remuneration and employee turnover. That simply meant that how employees are rewarded at the end of the agreed contract duration or at the end of the month play a very key part in determining whether they will leave in the near future or not.

### **5.2.2 Effects of Bonuses on Employee Retention**

The second objective was to determine the effects of bonuses on employee retention. The study established that employee perform better in team bonuses so as not to fail the team. It was also indicated that individual bonus motivate employees to work harder and contribute more to the organization. Further, company-wide bonuses make employees feel that they are part of the organization. It was also noted that the organization provides bonuses in teams in addition to providing company-wide bonuses. The study noted that the bank gives employees bonus whenever they perform well. The study also found that bonuses had a significant positive relationship with employee retention. The findings are in agreement with those of Sethunga and Perera (2018) who indicated that financial prizes, non-fiscal rewards and prize recurrence were adversely corresponded with worker turnover. Alhmoud and Rjoub (2019) results indicated that outward, characteristic, and social prizes are terrifically significant factors in accomplishing worker retention. Strangely, social prizes were appeared to have the most significant level of impact on worker retention. Msengeti and Obwogii (2015) discoveries uncovered pay affected worker retention while workplace had the most grounded impact. Van der Stede, Wu and Wu (2018) discovered that the minor affectability of punishments decreases quicker than that of bonuses, showing that the negligible impact of a reward may in the end surpass that of a punishment when their qualities are adequately enormous. Anik, Aknin, Norton, Dunn and Quoidbach (2017) found that prosocial bonuses in the form of donations to charity lead to happier and more satisfied employees. Further, prosocial bonuses in the form of expenditures on teammates lead to better performance in both sports teams.

### **5.2.3 Effects of Job Promotion on Employee Retention**

The third objective was to determine the effect of job promotion on employee retention. The study found that the bank gives employees higher share of duties and employees are usually promoted when they are assigned and consistently perform higher-level duties. It was also revealed that promotion improves ambition and hard work. Also employees get more power and responsibilities from the bank leaders. In the organization merit-based promotions are made from a group of qualifying employees when a vacancy occurs and employees are given higher pay scales and allowances. The study also found that job promotion had a significant positive relationship with employee retention. The findings are in agreement with those of Saharuddin (2016) who established promotion and remuneration

significantly and positively affected work fulfilment and efficiency; work fulfilment critically and positively affected profitability of work; and confidence strongly and positively affected profitability of work. Bibi, Pangil, Johari and Ahmad (2017) uncovered that remuneration and opportunities for promotion had basic link with retention of employees. Additionally, the outcomes likewise uncovered that workplace directs the connections among pay and worker retention and promotional chances and retention of employees. Simbolon, Madhakomala and Santoso (2018) found that the work environment has a direct positive effect on employee engagement, bonus have a direct positive effect on employee engagement, organizational trust has a direct positive effect on employee engagement, the work environment has a direct positive effect on organizational trust and production services have a direct positive effect on organizational trust. Chukwu (2019) found that promotion as at when due, regular promotion, transparent promotion and when employees are satisfied with promotion has significant influence on employee turnover intention. Ogini (2020) established that there was a positive significant relationship between job promotion and workers commitment of public hospitals in Rivers State.

#### **5.2.4 Effects of Recognition on Employee Retention**

The fourth objective of the study was to determine the effect of recognition on employee retention. The study revealed that recognition increases the repetition of employee desired behaviours. It was also noted that in the organization good work is recognized and appreciated whereas recognition motivates employees to work hard. It was also found that recognition maintains a strong employer brand and it also motivates employees to stay in the organization. Also, recognition improves employee's engagement on the tasks assigned to them. The study also found that recognition had a significant positive relationship with employee retention. The findings concur with those of Danish and Usman (2014) who noted that various elements of work inspiration and fulfilment were essentially connected and prize and recognition have extraordinary effect on inspiration of the representatives. Ndungu (2017) results indicated essentially positive connection among remuneration and recognition, with worker execution. What's more a positive and noteworthy relationship was additionally seen between work execution and the autonomous factors outward rewards, characteristic prizes and monetary prizes, recognition rewards, working condition and initiative styles. Tessema, Ready and Embaye (2017) resolved that both financial and nonfinancial rewards have a role in influencing job satisfaction, which ultimately impacts

employee performance. Amoatema and Kyeremeh (2016) found that the most effective ways to motivate employees to achieve the desired goals of the organization involve creating an environment with strong, respectful and supportive relationships between the organization and employees and a focus on genuine expressions of appreciation for specific employee achievements, service milestones and a day-to-day acknowledgement of performance excellence.

### **5.3 Conclusions**

The results revealed that remuneration was statistically significant to employee retention among tier-one commercial banks in Kenya. Also, remuneration had a significant positive relationship with employee retention. This suggests that an increase of remuneration by one unit would result to an increase in employee retention. The study concludes that remuneration positively affects employee retention among tier-one commercial banks in Kenya.

The study revealed that bonuses are statistically significant to employee retention among tier-one commercial banks in Kenya. This suggests that, bonuses had a significant positive relationship with employee retention. Therefore, an increase of bonuses by one unit would result to an increase in employee retention. The study concludes that bonuses positively affects employee retention among tier-one commercial banks in Kenya.

It was established that job promotion had a statistically significant to employee retention among tier-one commercial banks in Kenya. Also, job promotion had a significant positive relationship with employee retention. This suggests that an increase of job promotion by one unit would result to an increase in employee retention. The study concludes that job promotion positively affects employee retention among tier-one commercial banks in Kenya.

The study revealed that recognition had a statistically significant to employee retention among tier-one commercial banks in Kenya. Also, recognition had a significant positive relationship with employee retention. This suggests that an increase of recognition by one unit would result to an increase in employee retention. The study concludes that recognition positively affects employee retention among tier-one commercial banks in Kenya.

#### **5.4 Recommendations**

The study found that remuneration positively affects employee retention in commercial banks. The study recommends that commercial banks should ensure that basic pay, commission and performance related pay is integrated its human resources strategies. This would ensure that consistent use of the three to ensure employee retention.

The study revealed that bonuses positively affects employee retention in commercial banks. The study recommends that the commercial should ensure that individual bonuses, team bonuses and company-wide bonuses are part of their employees plans to ensure employee retention.

The study established that job promotion positively affects employee retention in commercial banks. The study suggests that commercial banks should consistently make use of job enrichment, advancement in benefits and advancement in designation. This will promote employee retention in the organization.

It was revealed that recognition positively affects employee retention in commercial banks. The study recommends that commercial banks adopt different recognition methods such as formal recognition, informal recognition and day-to-day recognition. This will assist in ensuring employee retention.

#### **5.5 Suggestions for Further Research**

This study aim was to establish performance-based rewards as a determinant of employee retention among tier-one commercial banks in Kenya. The study recommends that this study should be replicated in other industries. Further, studies should be done covering other methods of performance-based rewards other than the ones discussed in this study. Studies should also be done on factors other than performance-based rewards that affect employee retention in tier-one commercial banks in Kenya.

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## **Appendix I: Introduction Letter**

Julianna M Daudi

Strathmore University

**Dear Respondents,**

### **RE: DATA COLLECTION**

My name is Julianna M Daudi, a Masters Student at Strathmore University. I'm conducting an academic research on **PERFORMANCE-BASED REWARDS AS A DETERMINANT OF EMPLOYEE RETENTION AMONG TIER-ONE COMMERCIAL BANKS IN KENYA**. This letter is to humbly request you to respond to the questions in the attached questionnaire. This is only an academic exercise and you are assured of anonymity and confidentiality.

Thanks in advance for your willingness to generously contribute to this research.

Yours truly,

Julianna M Daudi



**Appendix II: Consent Form**

PERFORMANCE-BASED REWARDS AS A DETERMINANT OF EMPLOYEE  
RETENTION AMONG TIER-ONE COMMERCIAL BANKS IN KENYA

**Affiliate:** Strathmore Business School

**Investigator:** Julianna M Daudi

This study is conducted in partial fulfillment for the award of the degree of master of business. This study will add to the body of literature on performance-based rewards and employee retention.

The study will target management level employees at the tier-one commercial banks in Kenya. The questionnaire will be instrument of data collection.

The researcher will introduce the study to respondents. Those willing to participate in the study will be given a consent form to sign. Participation in the study will be voluntary. Those who may feel uncomfortable will be allowed to withdraw from the study. They will not be penalized. The study will ensure anonymity as the respondents will not be required to provide the name of their organization as well as their names.

The study does not involve risks because it meant purely for academic purposes.

The information provided will be important to the management of banks and other organizations. It will enhance their understanding on how performance based rewards are critical in attracting top talent, creating staff members who are committed, retain them and also motivate them for the purpose of improving performance levels and lower rates of turnover.

The collected information will be available at the university repository.

I, \_\_\_\_\_, agree to participate in the study since I understand what is required of me.

**Signature** ..... **Date**.....

I, \_\_\_\_\_, consent that have explained what the study is all about to the participant. Any further clarification is welcomed.

**Signature** ..... **Date**.....

### Appendix III: Questionnaire

#### Section A: Demographic Information

1. Kindly indicate your gender
  - Male
  - Female
  
2. How long have you been working in the banking industry?
  - 5-10 years
  - 11-20 years
  - 21-30 years
  - 31-40 years
  
3. What is your highest level of education?
  - Degree
  - Masters
  - PhD

#### Section B: Remuneration

4. What is your level of agreement on the following statements about the effects of remuneration on employee retention in tier-one commercial banks in Kenya?  
1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	1	2	3	4	5
My basic pay matches my work					
My basic pay is reviewed from time to time					
I receive commission for selling bank products					
Commission increases my income					
My remuneration is based on performance related pay					
Performance related pay motivates me to work hard to achieve set goals					

5. In your opinion how does remuneration affect employee retention in tier-one commercial banks in Kenya?  
.....  
.....

**Section C: Bonuses**

6. What is your level of agreement on the following statements about the effects of bonuses on employee retention in tier-one commercial banks in Kenya?

1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	1	2	3	4	5
The bank gives me bonus whenever I perform well					
Individual bonus motivate me to work harder and contribute more to the organization					
The bank provides bonuses in our teams					
I perform better in team bonuses so as not to fail the team					
In the company we are given company-wide bonuses					
Company-wide bonuses make me feel that am part of the organization					

7. In your own view how do bonuses affect employee retention in tier-one commercial banks in Kenya?

.....

.....

.....

**Section D: Job Promotion**

8. What is your level of agreement on the following statements about the effects of job promotion on employee retention in tier-one commercial banks in Kenya?

1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	1	2	3	4	5
The bank gives me higher share of duties					
The bank gives me higher pay scales and allowances					
I get more power and responsibilities from the bank leaders					
Merit-based promotions are made from a group of qualifying employees when a vacancy occurs					
I am promoted when they am assigned and consistently perform higher-level duties					
Promotion improves my ambition and hard work					

9. How else does job promotion affect employee retention in tier-one commercial banks in Kenya?

.....  
 .....

**Section E: Recognition**

10. What is your level of agreement on the following statements about the effects of recognition on employee retention in tier-one commercial banks in Kenya?

1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	1	2	3	4	5
In the bank my good work is recognized and appreciated					
Recognition motivates me to work hard					
Recognition improves my engagement on the tasks assigned to me					
Recognition increases the repetition of my desired behaviours					
Recognition maintains a strong employer brand					
Recognition motivates me to stay in the organization					

11. In your opinion how does recognition affect employee retention in tier-one commercial banks in Kenya?

.....  
 .....

**Section F: Employee Retention**

12. What is your level of agreement on the following statements about the employee retention in tier-one commercial banks in Kenya?

1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree

Statements	1	2	3	4	5
Remuneration improves my intent to remain in the organization					
Bonuses improves my intent to remain in the organization					
Job promotion improves my intent to remain in the organization					
Recognition improves my intent to remain in the organization					

## Appendix IV: Strathmore University Ethical Approval

RHinnO Ethics - SU-IERC1122/21 - 1 of 1

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### Final Decision

This document certifies that the study:

#### \\\"Effects of Performance Based Rewards on Employee Retention among Tier-one Commercial Banks in Kenya.\\\"

**Principal Investigator:** Ms. DAUDI, JULIANNA M

**Reference number:** SU-IERC1122/21

Was reviewed and received the following status:

\\\"**approved**\\\"

**Additional Comments:**

-----

Reviewer #1:

'well designed study and necessary for the target population. However, kindly explain how the privacy and confidentiality of the respondents will be captured. It is not clear in the protocol. Also dissemination of the results warrants a more indepth manner and not left to chance.'



**Appendix V: Nacosti Approval**

  
**REPUBLIC OF KENYA**

  
**NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **710371** Date of Issue: **16/July/2021**

**RESEARCH LICENSE**



**This is to Certify that Ms. Julianna Mwende Daudi of Strathmore University, has been licensed to conduct research in Nairobi on the topic: EFFECTS OF PERFORMANCE BASED REWARDS ON EMPLOYEE RETENTION AMONG TIER ONE COMMERCIAL BANKS IN KENYA. for the period ending : 16/July/2022.**

License No: **NACOSTI/P/21/11833**

**710371**  
Applicant Identification Number

  
Director General  
**NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION**

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**THANK YOU**