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**INVESTIGATING THE EFFECT OF RETENTION BONDING ON EMPLOYEE
PERFORMANCE IN FINTECH COMPANIES IN KENYA**

GERALDINE GLORIA AKINYI

(148697)

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT FOR THE DEGREE OF
MASTERS IN BUSINESS ADMINISTRATION AT STRATHMORE UNIVERSITY**



MAY 2024

DECLARATION

STUDENT DECLARATION

I declare that this dissertation is my original work and has not been presented to any other college, university or institution for any award.



Signed: _____

Date: 31/05/2024

Gloria Akinyi

SUPERVISORS APPROVAL

This dissertation has been submitted for examination with my approval as the appointed University supervisor.



Signed _____

Date: 31/05/2024



DR. PAUL OLENDO.

Strathmore Business School
Strathmore University.

DEDICATION

This thesis is dedicated to my children, whose love and support have been my greatest source of strength



ACKNOWLEDGEMENT

I would like to express my sincere gratitude to my supervisor, Dr. Paul Olendo, for their continuous support, guidance, and encouragement throughout my research. I am grateful to my committee members with a special acknowledgement to Dr. Olgah Adede for their invaluable feedback and insights.

Special thanks to my family and friends for their unwavering support and patience during this journey. Lastly, I extend my appreciation to my classmates and the entire Strathmore Business School community for providing a stimulating and supportive environment.



ABSTRACT

Employee performance is an important factor that influences the success of organizations in any sector. However, poor employee performance is a key issue in the Kenyan financial services sector. To improve performance, organizations invest significantly in training and developing their employees. In this regard, the current study investigated the effect of retention bonding contracts on the performance of employees in the Kenyan financial services sector. This study was informed by the Social Exchange Theory (SET) and the organizational justice theory (OJT). The philosophy that guided the current research is positivism. The descriptive cross-sectional survey was employed to examine the association between retention bonding and employee performance. The population consisted of 3100 employees working for 93 FinTech companies in Kenya. The sample size comprised of 306 employees selected from FinTech companies. First, the findings revealed that that retention bonding period had a significant positive regression coefficient. Secondly, the results showed that retention bonding amount also had a significant regression coefficient. In addition, the regression coefficient for retention bonding fairness was also significant. The implication of these findings is that improving aspects of retention bonding period, such as duration of retention, flexibility in determining the duration, employee input in determining the duration, and parameters used to determine the duration, can lead to improvements in employee performance in FinTech companies in Kenya. Additionally, these findings suggest that improving aspects of retention bonding amount, such as reasonable bonding amounts, factoring years an employee has worked, penalties, pro-rating the amount and parameters used to determine the amount, can improve the performance of employee in FinTech companies in Kenya. The results also indicate that improving the fairness of retention bonding in terms of reducing its restrictiveness and penalizing language, providing payback options, and clear communication of retention bonding to employees, can help improve the performance of employees in FinTech companies in Kenya.

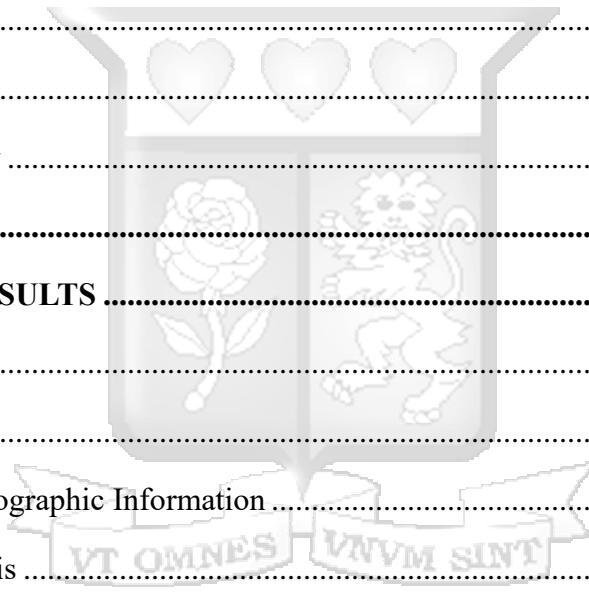


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ABBREVIATIONS AND ACRONYMS

CMA	Capital Markets Authority
HRM	Human Resource Management
IRA	Insurance Regulatory Authority
IWPQ	Individual Work Performance Questionnaire
OJT	Organizational Justice Theory
NACOSTI	National Commission for Science, Technology, and Innovation
ROI	Return on Investment
SSA	Sub-Saharan Africa
SPSS	Statistical Package for Social Sciences
SSRA	Sacco Societies Regulatory Authority
SET	Social Exchange Theory



DEFINITION OF KEY TERMS

Contextual Performance

Contextual performance extends beyond the formal job roles to include going the extra mile for the company.

Employee Performance

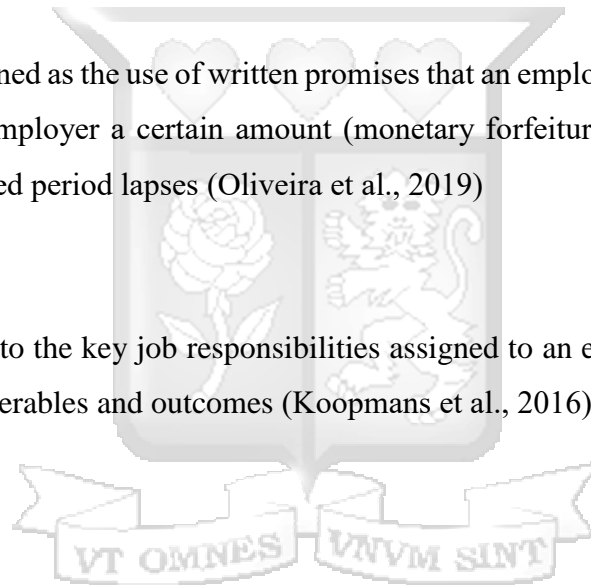
Employee performance is conceptualized as an outcome (the dependent variable) defined as the contribution of an employee to the success of the organization (Osunsan, 2019)

Retention Bonding

Retention bonding is defined as the use of written promises that an employee makes to an employer committing to pay the employer a certain amount (monetary forfeiture) if he or she leaves the company before the agreed period lapses (Oliveira et al., 2019)

Task Performance

Task performance refers to the key job responsibilities assigned to an employee and is measured using specific work deliverables and outcomes (Koopmans et al., 2016)



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations across various sectors are facing the challenge of high employee attrition coupled with poor employee performance (Gosse, 2021). As a result, retention bonding is one of the strategies for retaining employees and improving their performance. Retention bonding is defined as the use of written promises that an employee makes to an employer committing to pay the employer a certain amount (monetary forfeiture) if he or she leaves the company before the agreed period lapses (Oliveira et al., 2019). These contracts can be signed when employees join an organization. Additionally, these contracts are often needed in situations where employers cater for training and other expenses in exchange for a minimum tenure from the employee. In most cases, the penalty for breaching bond contracts is paying the bond amount (Khan, 2020).

For retention bonding to be tied to employee performance, they are often used when an organization caters for the training of its employees as a tool to ensure that the employees trained work for the organization for at least a predetermined period at the end of the training (Gosse, 2021). Training offers numerous benefits for both employees and the organization (Khan, 2020). Some of the positive outcomes associated with training for employees included increased job satisfaction; better understanding of skills, knowledge and responsibilities needed for doing their jobs; and increased performance (Freedland et al., 2016). Training can also empower employees leading to a greater confidence and sense of autonomy as well as improved workplace relationships and engagement (Khan, 2020). Employee training has a positive impact on organizational performance and productivity (Mohammad et al., 2021). Other organizational outcomes associated with training employees include reduced employee turnover, increased customer loyalty and satisfaction, increased service/product quality, and enhanced reputation for the organization (Khan, 2020). Overall, employee training plays a crucial role in the success of organizations (Freedland et al., 2016).

For the organization to benefit from sponsoring the training and development of its employees, they have to remain with the organization (Lisi & Malo, 2017). Retention bonding is one of the

ways organizations use to retain employees who have benefited from company-sponsored training and development (Kosteas, 2023). By adopting retention bonding, the organization achieves the objective of developing its staff as well as ensuring that they stay with the company to contribute back the knowledge they have gained from the training program (Freedland et al., 2016). In this way, the organization can recoup its return on investment (ROI) incurred through training employees (Khan, 2020).

While retention bond is a popular practice in today's organizations, there are ambivalent views on whether they achieve their intended purpose of retaining employees and improving performance. One school of thought considers retention bonding to be a quick fix and exploitative, which can hurt a company's reputation (Hoffman & Burks, 2017; Oliveira et al., 2019). According to Oliveira et al. (2019), retention bonding conveys the message that the company does not trust its employees. In addition, Hoffman and Burks (2017) argue that companies that use retention bonding have failed to nurture a culture where employees are passionate and committed to the company. On the other hand, others believe that retention bonding clearly outlines the expectations for both the employee and the employee, which is crucial in safeguarding the interest of each party (Freedland, 2016). Since retention bonding is legal in most jurisdictions, they are effective in minimizing attrition due to the payment forfeiture incurred should an employee dishonor the choose to leave (Roberts & Douglas, 2020). In other words, retention bonding minimizes turnover by encouraging contractual compliance (Lichten & Fink, 2018). Bonding ensures that employees stay with the company for an agreed period so that the organization can adequately benefit from the competencies, skills, and knowledge gained from the organization-funded training (Freedland et al., 2016). Considering the opposing views regarding the effectiveness of retention bonding, the current study sought to determine the relationship between retention bonding and employee performance in FinTech companies in Nairobi, Kenya.

1.1.1 Retention Bonding

Various aspects of retention bonding have been described in the literature, which include the enforceability, validity, and reasonability of retention bonding (Oliveira et al., 2019). The enforceability of retention bonding refers to whether or not this practice has a legal basis, and can be enforced by courts. In some jurisdictions, such as the US, courts have outlined the requirements

that need to be met for retention bonds to be enforced (Stewart and Brown, 2019). The validity of retention bonds refers to the extent to which the practice is considered an acceptable employment practice, which in turn influences how organizations adopt retention bonding in their human resource management (HRM) policies and programs (Oliveira et al., 2019). The reasonability of retention bonding refers to the extent to which the practice is fair and sensible. According to Werner (2021), the reasonability of retention bonding is influenced by factors, such as the retention period, the amount to be paid in case of a breach, and the nature of the training.

The current study focused on the reasonability of retention bonding. The rationale for focusing on this is because the reasonability is determined by the perceptions of employees (Werner, 2021). The aspects of retention bonding that were examined in this study were the retention bonding period, retention bonding amount, and retention bonding fairness. The retention period is defined as the duration in which the employee is expected to remain with the organization. According to Singh (2019), retention periods of between one to three years are deemed reasonable and fair. In this study, the indicators that were used to measure the retention period are short retention durations, flexibility in the retention period, seeking employee input to determine the retention period, and parameters used to determine the retention period. This variable was measured using a five-point Likert scale for the statements relating to the aforementioned indicators and an overall score computed from the mean of the individual statements.

Retention bonding amount is the amount the employee pays if they leave the organization, and the fairness of the retention bonding (Roberts & Douglas, 2020). The bonding amount is often used by organizations to recoup their investment that they made training the employee. In this study, retention bonding amount was measured using various indicators including the amount that the employee pays if they leave was measured using fairness of the amount, consideration for years an employee worked when determining the amount to be paid in case of a breach, framing the amount as a penalty, transfer of the amount, pro-rating of the amount, and the parameters used to determine the amount, such as the amount incurred by the firm in training an employee (Singh, 2019). This variable was measured using a five-point Likert scale for the statements relating to the aforementioned indicators and an overall score computed from the mean of the individual statements.

Retention bonding fairness is defined as the perception of employees with respect to the fairness and sensibility (Roberts & Douglas, 2020). For this study, retention bonding fairness was measured using restrictiveness of the retention bonding, use of penalizing language in contract terms, providing the option of payback, clear communication of the retention bond to employees, and relevance of the bonding to the employee's professional growth and development (Roberts & Douglas, 2020). This variable was measured using a five-point Likert scale for the statements relating to the aforementioned indicators and an overall score computed from the mean of the individual statements.

1.1.2 Employee Performance

Different conceptualizations of employee performance exist in the literature. Mohamed et al. (2018) defined employee performance as the scalable outcomes, behaviors and actions performed by employees that contribute to or are linked to achievement of organizational goals. Some authors describe employee performance in terms of the efficiency, quantity and quality of work undertaken by employees. According to Kurdi & Alshurideh (2020), employee performance measures the extent to which an employee executes his or her responsibilities based on implicit goals and standards of the organization. Other scholars conceptualize employee performance as a form of behavior – the manner in which they execute their assigned tasks and perform their responsibilities (Osunsan et al., 2019). From the various definitions of employee performance, three components can be deduced – performance is an action, accomplishment, and linked to the goals of the organization. For this study, employee performance was conceptualized as an outcome (the dependent variable) defined as the contribution of an employee to the success of the organization (Kurdi & Alshurideh, 2020). The operationalization of employee performance was adapted from the Individual Work Performance Questionnaire (IPWQ) developed by Koopmans et al. (2016), which captures task and contextual performance dimensions of employee performance. Task performance refers to the key job responsibilities assigned to an employee and is measured using specific work deliverables and outcomes, such as completing tasks on time, being aware of job expectations, and completing tasks efficiently (Koopmans et al., 2016). Contextual performance extends beyond the formal job roles to include going the extra mile for the company, such as taking up new challenges and additional responsibilities (Koopmans et al., 2016).

1.1.3 FinTech Companies in Kenya

The FinTech sector in Kenya is being driven primarily by rapid technological developments coupled with a population that is increasingly becoming tech-savvy. Financial transactions have been revolutionized by numerous mobile money platforms, which have been instrumental in increasing financial inclusion by enabling millions of people to access financial services. This trend was pivotal in laying the groundwork for the development of the FinTech sector in the country, such as neobanks and digital lending (FSD Kenya, 2022). In addition, financial service providers are exploring the use of blockchain technology to improve the security and transparency of financial transactions. The increased proliferation of digital banking apps has also revolutionized the financial landscape by providing people with access to diverse financial services. Additionally, the use machine learning and artificial intelligence in the financial services sector is growing, which has helped to prevent fraud and personalize financial services (FSD Kenya, 2022). The regulatory environment for FinTech is also evolving to keep up with the trends.

FinTech companies in Kenya operate under multiple regulators, including the Central Bank of Kenya (CBK), Capital Markets Authority (CMA), the Communications Authority of Kenya (CAK), and the National Payment Systems Department (NPSD). CBK is tasked with licensing all FinTech companies, which serves to ensure that only credit and reputable FinTech firms operate in the country. The CMA regulates FinTech companies that offer investment services and products, and ensures that these companies comply with securities laws and safeguard investors (FSD Kenya, 2022). The CAK regulates the mobile network operators, which most FinTech products/services rely for data. CAK makes sure that mobile money services are accessible, reliable and secure. Additionally, the NPSD is tasked with regulating payment systems in order to ensure their transparency, safety and efficiency. FinTech companies depend on mobile payment systems to complete transactions. Furthermore, the Financial Services Act of 2019 constitutes an important element of the FinTech regulatory environment in Kenya. This law promotes competition and innovation in the FinTech sector. The Data Protection Act of 2019 also regulates how FinTech companies handle consumer data. Kenya has 93 FinTech companies, making it one of the leading hubs in FinTech activity in Africa (FSD Kenya, 2022). Fintech companies employ about 3100 people (FSD Kenya, 2022).

1.2 Statement of the Problem

Despite the considerable growth prospect for the Kenyan FinTech sector, a notable challenge ailing this industry in Kenya is poor employee performance coupled with a high employee turnover (Gosse, 2021). Employee turnover rate in the finance and banking industry is 18.6%, which is among the highest across all industries (Gosse, 2021). The high turnover rate is costly to financial services providers due to the high costs incurred in recruiting new talent as well as the time and resources needed for educating and onboarding them. Despite the considerable growth prospect for the Kenyan FinTech sector, a notable challenge ailing this industry in Kenya is high employee turnover and poor employee performance (Gosse, 2021). One of the HRM practices that these firms can use to increase employee turnover and reduce attrition is retention bonding. The use of bond contracts in Kenya is a prevalent practice, especially in the financial services sector. Surprisingly, turnover rates in this sector are still high, which ranges 10-15% (Nyaema & Wambua, 2019). High employee turnover negatively affects employee performance (Gosse, 2021). High turnover also increases costs for the organization in terms of the high cost of training new employees (Hom et al., 2019). Other negative effects associated with employee turnover include loss of revenue, difficulty recruiting, and low employee morale (Hom et al., 2019). As a result, there is the need for FinTech companies to search for ways of retaining and increasing the performance of employees. Therefore, this study sought to examine if retention bonding in the FinTech sector can improve employee performance.

Conceptual, contextual and methodological gaps also exist in the literature. The concept of retention bonding has been conceptualized differently across studies. Studies have also been conducted in different contexts and have deployed differing methodologies, leading to different findings. Therefore, the current study addressed these gaps by examining the influence of retention bonding on the performance of employees in FinTech companies in Kenya

1.3 Overall Objective of the Study

This section outlines the general and specific objectives of this study.

1.3.1 General Objective

To investigate the effect of retention bonding contracts on the performance of employees in the Kenyan financial services sector.

1.3.2 Specific Objectives

- i. To determine the effect of retention bonding period on the performance of employees in FinTech companies in Kenya
- ii. To determine the effect of retention bonding amount on the performance of employees in FinTech companies in Kenya
- iii. To determine the effect of retention bonding fairness on the performance of employees in FinTech companies in Kenya

1.4 Research Questions

This study attempted to answer the following research questions:

- i. What is the effect of retention bonding period on the performance of employees in FinTech companies in Kenya
- ii. What is the effect of retention bonding amount on the performance of employees in FinTech companies in Kenya
- iii. What is the effect of retention bonding fairness on the performance of employees in FinTech companies in Kenya

1.5 Scope of the Study

This study examined the concept of retention bonding in FinTech companies in Kenya. The dependent variable in this study was employee performance while the independent variables was retention bonding – period, amount and fairness. The context of the current study was Nairobi. The methodological scope of this study entailed the use of descriptive cross-sectional design. The population of this study comprised of 31000 employees working in 93 FinTech companies in Nairobi, Kenya. The methodology adopted for this study was the descriptive cross-sectional

survey. Respondents the 93 FinTech companies were sampled purposively and data collected using structured questionnaires. Human resource managers from these FinTech companies constituted the respondents for the study. The research was conducted between April and May 2024.

1.6 Significance of the Study

1.6.1 Policymakers

The results obtained from this research might help policymakers formulate guidelines for retention bonding. While bond contracts are recognized under employment law in Kenya, there are no guidelines for the private sector on how they can structure these contracts. The government, through the Public Service Commission, has published guidelines on retention bonding; however, the same is lacking for private companies. The findings from this research may help the relevant regulatory bodies in the financial services sector to devise guidelines for implementing retention bonding.

1.6.2 Industry Players

Secondly, the results from this study might provide useful insights into how financial services companies can design bond contracts that are effective in enhancing the performance of employees. The results revealed specific aspects of retention bonding that can be refined to optimize the performance of employees. Also, the study revealed whether or not retention bonding is a useful human resource management practice in the financial services sector.

1.6.3 Scholars

Lastly, for the academic community, especially HRM scholars, this research may help expand the literature on the link between employee performance and retention bonding. This study can form the basis for other studies to be conducted on other sectors in order to advance knowledge on how retention bonding can be used as an HRM tool for optimizing the performance of employees after training.

1.7 Chapter Summary

This chapter has discussed the background for the current study including the concepts and the context for the research. In addition, the statement of the problem, objectives, scope of the study, and significance to policymakers, industry players and scholars.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews existing theoretical and empirical literature on the topic of retention bonding and the independent variables identified in the objectives. The first section discusses the theoretical foundation for this research, which is followed by a review of empirical literature. The next section outlines the research gaps identified from the review of the literature. The final section presents the conceptual framework for this research.

2.2 Theoretical Review

This study was informed by the Social Exchange Theory (SET) and the organizational justice theory (OJT). These theories are discussed in the following subsections. SET provides a framework to examine the effect of post-training bond contracts on employee behavior through the lens of reciprocity. OJT provides a mechanism to explain the effects of post-training bond contracts on the behavior of employees, including their performance.

2.2.1 Social Exchange Theory

The social exchange theory (SET), formulated by George Homans in 1958, is based on the idea that a relationship involving two people or entities is developed via a cost-benefit analysis process (Homans, 1958). This theory assumes that people often pursue rewards while at the same time avoiding punishments (Homans, 1958). Additionally, this theory holds that people are motivated to initiate an interaction with the goal of maximizing profit while minimizing costs (Mohammad et al., 2021). While the SET was originally developed for social relationships, this theory has been adapted to explain and understand the nature of employment relations.

SET offers a framework that can be used to describe beneficial transactions between two people who are interdependent using the concept of the psychological contract that can be applied in workplace relations (Cropanzano et al., 2017). The psychological contract refers to employees' perception of the costs and benefits gained from an employment relationship, which denotes the unwritten reciprocal expectations that exist between the organization and the employee. When this

psychological contract is violated, negative employee outcomes can occur, such as organizational distrust, job dissatisfaction, emotional withdrawal, intent to quit, and lower performance (Townsend et al., 2022). Violation of the psychological contract is often linked to inequity, where employees consider their contribution to the workplace relationship to exceed the employer's contributions to the relationship. This perceived inequity can result in negative employee behaviors, such as reduced performance. In other words, SET holds that employees who are content with their employment relationship will exhibit positive behaviors, such as improved organizational commitment and performance (Townsend et al., 2022). By contrast, negative behaviors are expected from employees who are not content with their employment relations.

SET can be applied in the context of employment relationships from the perspective of the individual employees rather than at the macro level. SET predicts that the manner in which employees perceive their workplace relationship influences their cognitive and behavioral responses, including their performance (Mohammad et al., 2021). SET can be applied to examine how employees perceive their social exchange relationship with the organization, their perceptions regarding justice or fairness in the organization, and their responses based on how they perceive the workplace relationship, which in turn influences their behavior towards the organization including their performance (Townsend et al., 2022).

SET has been used and validated in research to show the positive impacts of HRM practices and policies on employee outcomes (Bos-Nehles & Meijerink, 2018). Another strength of this theory is the high predictive power regarding employee outcomes depending on the HRM policies adopted by the organization (Townsend et al., 2022). A weakness of this theory is that it does not explain altruistic employee behavior since it is based on the premise that people are selfish and only reciprocate – give something to get something in return (Cropanzano et al., 2017).

Despite this weakness, SET is a validated theory that helps to explain employee behavior, which is why it was adopted in this research. In this study, SET was used to support the independent variables of retention bonding. In this regard, SET focuses on how employment relations practices, such as retention, can violate or support the unwritten psychological contract; hence, affecting employee behaviors (Townsend et al., 2022). SET was used as an explanatory framework to explain

the influence of retention bonding on the performance of employees – the extent to which employees perceive the retention bonding as sensible and fair influences their performance.

2.2.2 Organizational Justice Theory

The organizational justice theory (OJT), developed by Joseph Greenberg in 1987 maps the relationship between an employee's perceived fairness of the treatment they receive from the organization and the resultant behavioral response (Greenberg, 1987). This theory specifies three forms of justice – distributive, procedural, and interactional. Distributive justice is concerned with fairness in outcomes, like compensation, promotion, and rewards, which are predicted to influence employee outcomes (Greenberg, 1987). The OJT predicts that employees have a tendency of comparing their outcomes with their peers in the same position in order to determine justice. Procedural justice denotes the perceived fairness in the processes that produce outcomes (Jehanzeb & Mohanty, 2019). For instance, when employees consider the process used to determine the outcome unbiased and accurate, then there is perceived procedural justice. When outcomes like promotions and pay are deemed to be distributed fairly, employees are likely to be satisfied with their jobs and pay (Pan et al., 2018). When employees perceive formal procedures and rules to be fair, their attitudes toward the organization will improve. Interactional justice is concerned with the relationship between employees and the organization, which includes both superior-subordinate relationships and between co-workers.

The OJT has a number of weaknesses. First, employee perceptions are influenced by bias, which can lead to distorted perceptions of bias. Secondly, this theory does not explain why people can tolerate being overpaid; thus, cannot perceive the injustice when being overpaid (Pan et al., 2018). Despite these weaknesses, the strength of OJT is that it has been validated in research showing that employees tend to be reward-oriented.

For this study, OJT supports the dependent variable of employee performance. This theory looks at how employees' perceptions of fairness of employment practices can influence their behaviors, including their performance (Jehanzeb & Mohanty, 2019). The outcomes of retention bonding contracts depend on how employees perceive the elements of the contract (Pan et al., 2018). As a result, this theory was used to examine how employees perceive the retention bonding amount, period and fairness. In essence, OJT was used an explanatory framework to explain the influence

of retention bonding on the performance of employees – the extent to which employees perceive the retention bonding as sensible and fair influences their performance.

2.2.3 Theoretical Framework

For this study, SET and OJT provide a framework to examine the effect of retention bonding on employee behavior through the lens of reciprocity. SET focuses on the practice of retention bonding while OJT focuses on employee performance – SET explains the cause while OJT explains the effect. Retention bonding is an aspect of the employment relationship. Therefore, the manner in which employees view retention bonding is expected to influence their behaviors towards the organization, such as their performance (Cropanzano et al., 2017). For example, if employees view retention bonding as something that is punitive and restrictive for their growth, it might negatively affect their performance due to the violation of the unwritten psychological contract between the organization and its employees (Townsend et al., 2022). Therefore, OJT offers a framework to explain the mechanisms through which the independent variables of retention bonding period, retention bonding amount and retention bonding fairness, influence the performance employees as expected in SET (Mohammad et al., 2021). If employees are not content with the aforementioned aspects of retention bonding, negative employee outcomes may occur (Townsend et al., 2022).

2.3 Conceptual Review

This section presents conceptual literature on the variables in this study.

2.3.1 Retention Bonding Period

The primary function of bonding employee is retention. According to a Peterson (2015), a retention bond is a formal agreement between an organization and employee that obliges an employee to stay with the organization for an agreed tenure duration. Peterson (2015) further states that retention bonding is a common practice for organizations that sponsor the training and development of their employees. The rationale for retention bonding is to ensure that the organization benefits from its investment in training and developing its employees. As Freedland et al. (2016) explain, retention bonding is a strategy that seeks to ensure that trained employees remain un the organization for an agreed period in order to facilitate the utilization of competencies

and skills gained during training. Through retention bonding, organizations get value for investing in training its employees. Stewart and Brown (2019) defined retention bonding as a contractual strategy where employees have to work for an organization for a specified time period, such that they cannot terminate their employment before the specified period lapses. If employees terminate their employment, they need to compensate the organization based on the terms of the agreement.

The period/duration constitutes an important attribute of retention bonding. The retention period represents the specified duration that the employee is expected to stay with the organization (Werner, 2021). During the retention period, terminating an employment relationship amounts violation of contract, and can result in the employee paying an agreed amount to the organization (Roberts & Douglas, 2020). Setting the retention duration is essential since it eliminates uncertainties regarding the employee's contractual obligations in bonding arrangements (Freedland et al., 2016). Uncertainties regarding the retention period can put either the company or the employee at a disadvantage in meeting their contractual obligations, with employees being affected in most cases since they are obligated to work at the company for the agreed period (Roberts & Douglas, 2020).

2.3.2 Retention Bonding Amount

The retention bonding amount denotes the sum that an employee is required to pay back to the organization in the event they opt to leave the company before the lapse of the bonding period (Peterson, 2015). In most cases, the retention amount should reflect the actual amount spent by the employer for training an employee (Kurtulus & Kruse, 2017). Various factors are considered when determining the retention bonding amount, including the mode of sponsorship/study and cost components of the bond. The mode of study can be full-time sponsored, full-time self-sponsored, part-time sponsored, own-time sponsored, and own-time self-sponsored. Some cost components that are factored in calculating the bond include tuition, living/subsistence allowance, transport/travel expenses, insurance fee, and thesis/project allowances among others (Peterson, 2015).

2.3.3 Retention Bonding Fairness

The manner in which employees perceive retention bonding, especially with respect to fairness, is also another key element that potentially influences performance. De Cuyper and Isaksson (2017) reported that the use of bond contracts can be likened to the organization mistrusting its employees. After firm-sponsored training, implementing retention bonding implies that the organization does not trust their employees to be committed and contribute towards the success of the organization. Balasubramanian et al. (2021) found that restrictive covenants in employment relationships and contracts are often perceived as mistrust on the part of the organization. At the same time, employees might be willing to remain in a company if they perceive the company to be future-oriented and invests in its employees; however, this long-term relationship requires mutual trust between employees and the company (van Den Heuvel et al., 2017).

2.3.4 Employee Performance

Employee performance is one of the critical factors that influence the success of organizations in any sector. Douglas, 2020). Employee performance is a deemed the ultimate dependent variable in HRM research, signaling its importance to the achievement of positive organizational outcomes (Osunsan et al., 2019). Organizations need employees who are capable of executing their roles and responsibilities effectively. The importance of employee performance has been demonstrated in the literature, including its linkages to organizational productivity and profitability (Mohamed et al., 2018), positive work environments and teamwork (Diamantidis & Chatzoglou, 2018), efficient utilization of economic resources, and competitive advantage (Keinan & Karugu, 2018). Poor employee performance has been linked to adverse organizational outcomes, such as wastage of resources, high operational costs, damage image and reputation, poor customer service, and a decrease in a firm's competitive advantage (Etehad & Karatepe, 2019).

In the literature, employee performance has been measured using various indicators. Mohamed et al. (2018) defined employee performance as the scalable outcomes, behaviors and actions performed by employees that contribute to or are linked to achievement of organizational goals. Some authors describe employee performance in terms of the efficiency, quantity and quality of work undertaken by employees. According to Kurdi & Alshurideh (2020), employee performance measures the extent to which an employee executes his or her responsibilities based on implicit

goals and standards of the organization. Other scholars conceptualize employee performance as a form of behavior – the manner in which they execute their assigned tasks and perform their responsibilities (Osunsan et al., 2019).

The indicators of job performance used by Castellacci and Viñas-Bardolet (2021) included work efficiency, absenteeism rate, and subjective performance appraisal by managers. Lisi and Mali (2021) used the indicators of employees' innovative capacity and effort (labor productivity) to measure employee performance. Hoffman and Burks (2017) defined employee performance in terms of productivity output, which was measured using the number of miles driven per week.

Wandera (2011) measured employee performance using the indicators of organizational commitment and productivity levels. Oloo (2018) measured performance using the quality of work, adherence to organizational policies and values, creativity of employees, employees' outward look, and efficiency of employees in performing their tasks.

For this study, employee performance was conceptualized as the contribution of an employee to the success of the organization (Kurdi & Alshurideh, 2020). The operationalization of employee performance was adapted from the Individual Work Performance Questionnaire (IPWQ) developed by Koopmans et al. (2016), which captures task and contextual performance dimensions of employee performance. Task performance is tied to Hoffman and Burks' (2017) conceptualization that focuses on productivity outputs and Oloo's (2018) definition that focuses on creativity and efficiency. Contextual performance is linked to Wandera's (2011) definition that focuses on organizational commitment and their outward look.

2.4 Empirical Review

This section reviews previous studies conducted on the effects of retention bonding on employee performance.

2.4.1 Retention Bonding Period and Employee Performance

Internationally, the influence of retention period specified employment relationships on employee outcomes has been studied. A descriptive survey by Castellacci and Viñas-Bardolet (2021) found that in academic staff in European countries, employees under permanent contracts had

significantly higher job satisfaction and performance in comparison to those placed in temporary contracts. The indicators of job performance used by Castellacci and Viñas-Bardolet (2021) included work efficiency, absenteeism rate, and subjective performance appraisal by managers. Castellacci and Viñas-Bardolet (2021) concluded that employment contract tenure is a significant variable that affects performance. Another panel data study by Lisi and Malo (2017) reported findings were consistent with Castellacci and Viñas-Bardolet (2021), which showed that short-term employment contracts had a negative impact on employee performance in comparison to long-term contracts. Lisi and Mali (2021) used the indicators of employees' innovative capacity and effort (labor productivity) to measure employee performance. In the US, Hoffman and Burks (2017) performed a causal comparative study to compare post-training employee outcomes in American truck drivers with no retention bonding, those with a retention bonding period of 12 months, and those with a retention bonding of 18 months. These authors defined employee performance in terms of productivity output, which was measured using the number of miles driven per week. They observed that those with no retention had the best outcomes in terms of productivity and intention to stay whereas those with 18-month retention period had the worst outcomes. In Bangladesh, Rawal et al. (2015) reported that a mandatory public service for two years was positively associated with the retention of rural doctors as well as their job satisfaction and performance.

The relationship between retention duration and employee performance has also been studied regionally. In Tanzanian government organizations, a descriptive study by Gabagambi et al. (2018) reported various negative impacts of short-term employment contracts/tenures including reducing employee morale and job performance, and increasing work-related stress due to the perceived job insecurity. Chisela (2022) conducted a qualitative study with managers of banks in Zambia and Tanzania, and reported that the duration of retention did not have an influence on employee performance. In Nigeria, Anyim (2018) performed a descriptive survey study with banking employees and reported a positive effect of long-term employment contracts on employee performance.

Locally, a descriptive Wandera (2011) studied the impact of retention bonding on employee performance. Retention bonding was conceptualized in terms of the duration of retention, which was either a short-term employment contract or a long-term employment contract. Wandera (2011)

measured employee performance using the indicators of organizational commitment and productivity levels. The results showed that short-term employment contracts were associated with reduced organizational commitment and lower productivity in Kenya Forest Service employees. In another descriptive study, Oloo (2018) also demonstrated that the retention duration in employment contracts had a negative impact on performance by creating a sense of job insecurity among employees. Oloo (2018) measured performance using the quality of work, adherence to organizational policies and values, creativity of employees, employees' outward look, and efficiency of employees in performing their tasks.

2.4.2 Retention Bonding Amount and Employee Performance

The relationship between retention bond amount and employee outcomes has gained considerable attention in international studies. Karina et al. (2021) conducted a secondary data analysis of study leave policies in 27 countries, and reported that the retention bond amount is considered useful for achieving retention and preventing employees who have benefited from firm-sponsored training from leaving the company; thus, the bond amount is akin to a method safeguarding the firm's investment in training an employee. Karina et al. (2021) also reported that the retention bond is justified by firms as a tool that helps companies receive compensation for the resources they spent grooming and training an employee. In a qualitative case study by Upadhyay (2011) involving employees in an Indian information technology company (IT), it was found that the retention bond amount is an effective tool for reducing turnover; however, the amount should not be excessive and disproportionate such that they become punitive. Upadhyay (2011) also indicated that employees prefer training opportunities with no retention bonding. Such training programs were directly beneficial for the organization due to increased employee productivity. Peterson (2015), using a descriptive study design, reported that high retention bonding amounts only guarantee that employees will stay in the company but do not guarantee their performance, in terms of enthusiasm, passion, loyalty, productivity, and contribution to the success of the organization. By imposing high bond amounts, employees are forced to stay and become deadweight who occupy office space and utilize company resources without translating into improved productivity. Thus, Peterson (2015) recommended that the ideal approach would be to train employees without bonding them or attempt to minimize the bonding duration and amount.

Regional studies also indicate the relationship between retention bonding amount and employee outcomes. In Tanzania, a mixed methods study by Mdegela (2020) reported the positive influence of bonding amount on retaining employees in the healthcare sector. The study showed that costs incurred by organizations in funding scholarship programs was associated with the retention of employees. The study also reported that participants in the scholarship programs were satisfied and content with returning to the organization that facilitated their training. A secondary data study by Eyongndi (2022) in Nigeria indicated that the retention bonding amounts imposed by employers in the country is unfair; hence, leads to reduced morale and performance. A systematic review article by Don- Baridam (2023) identified employee bonding agreements as one of the effective strategies that Nigerian firms can use to address the issue of mass resignations.

Locally, Njeri and Mose (2021) conducted a descriptive study to examine the antecedents and outcomes of employee training and development in a state energy corporation. One of the key findings of this study is that employee bonding should be encouraged as a way of increasing employee productivity. The results showed that participants in the study agreed the bonding amount allows the organization to benefit from investing in training employees. Another study by Shubaka (2014) showed that including a higher bond amount hindered employees from enrolling in training and development programs.

2.4.3 Retention Bonding Fairness and Employee Performance

Internationally, a systematic review by Topa et al. (2022) revealed that extremely restrictive requirements in employee bonding agreements can hinder the uptake of training programs. The bond contract, by itself, is inherently restrictive. Thus, perceived unreasonable terms can be counterproductive and are associated with a higher intention to leave and mistrust in the organization. Additionally, the adoption of restrictive bond contracts has been linked to feelings of erosion in the employment relationship wherein employees expect to get fewer returns from the organizations due to their contribution (Topa et al., 2022). Kamphuis & Glebbeek (2020), in an experimental study with Dutch employees, reported that perceived unfavorable terms in the training contract discouraged employees from participating in the training in the first place. Frehywot et al. (2010), in a systematic review of studies across the world, reported that retention bonding, through compulsory service of health workers in rural areas, was perceived to be unfair

by employees, which in turn negatively affected their performance. The study showed that healthcare workers were unwilling to stay in rural areas where they were compelled to work after completing their education.

Regionally, a secondary data study by Eyongndi (2022) showed that the majority employers in Nigeria exploit retention bonding to the detriment of employees. In another study, Aina-Pelemo (2023) compared retention bonding practices in India versus Nigeria. This study was a systematic review of policies, statutes, cases and legal propositions regarding labor practices in India and Nigeria. The findings showed that retention bonding practices in Nigeria are mostly unfair and infringe on the rights of employees.

2.5 Research Gap

Conceptual, contextual and methodological gaps exist in the literature. Kamphuis and Glebbeek (2020) conceptualized retention bonding as requiring employees to pay back the training costs or stay with the firm for a specified period. Hoffman and Burks (2017) conceptualized retention bonding in terms of the period that the employee should stay with the organization after training, which was categorized into 12 months and 18 months. Eyongndi (2022) examined the enforceability of retention bonding. Wandera (2011) conceptualized retention bonding in terms of the duration of retention, which was either a short-term employment contract or a long-term employment contract. From the literature, it is evident that retention bonding has been conceptualized differently in the literature. In addition, the contexts of existing studies also differ, including Norway (Kamphuis & Glebbeek, 2020), United States (Hoffman & Burks, 2017; Kostea, 2023), and Nigeria (Aina-Pelemo, 2023; Eyongndi, 2022). Moreover, different methodologies have also been employed to study retention bonding, including experimental design (Kamphuis & Glebbeek, 2020), causal comparative design (Hoffman & Burks, 2017), secondary data (Kostea, 2023) and qualitative approaches (Chisela, 2022). While the link between retention bonding and employee performance has been studied extensively, concepts, contexts, and methodologies differ across studies. In addition, there are scant studies on the influence of retention bonding on employee performance, especially in the FinTech sector. The current study sought to address this gap by examining the influence of retention bonding on the performance of employees in FinTech companies in Kenya. Table 2.1 presents a summary of the knowledge gaps.

Table 2.1: Summary of Knowledge Gaps

Author/year	Focus of the study	Methodology	Findings	Gaps	Focus of current study
Kosteas (2023)	To investigate the impact of corporate-sponsored training on job satisfaction and performance in American employees	Secondary data analysis	Findings showed that revealed the positive effect of participating in corporate-sponsored training on the performance of employees on job satisfaction, which is linked to employee performance	Conceptual, methodological and conceptual	Present study investigated the effect of retention bonding contracts on the performance of employees in the Kenyan FinTech sector, using a descriptive design
Castellacci and Viñas-Bardolet (2021)	To assess the impact of contract duration on job satisfaction and performance in European countries	Descriptive survey	Employees under permanent contracts had significantly higher job satisfaction and performance in comparison to those placed in temporary contracts	Conceptual gap – study examined employment contracts – short versus long Contextual – study was conducted in European countries	Present study examined the effect of retention bonding on the performance of employees in Kenyan FinTech companies
Lisi and Malo (2017)	To assess the impact of contract duration on employee productivity in	Panel data analysis	Long-term employment contracts had a positive impact on employee productivity in	Conceptual gap – study examined employment contracts –	Present study examined the effect of retention bonding on the performance of employees in Kenyan FinTech companies

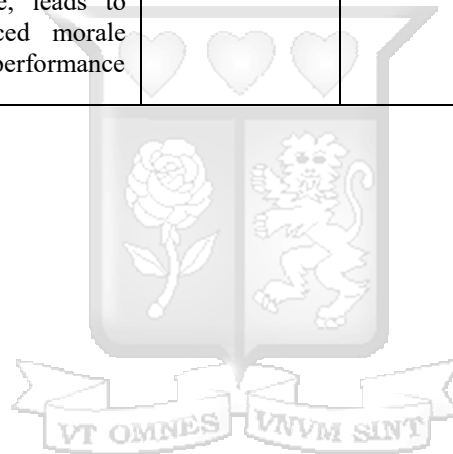
Author/year	Focus of the study	Methodology	Findings	Gaps	Focus of current study
	European countries		comparison to short-term contracts, indicating that extended retention bonds can improve employee productivity	short versus long Contextual – study was conducted in European countries	
Hoffman and Burks (2017)	To assess the impact of post training contract on performance in American trucking companies	Causal comparative study	with no retention had the best outcomes in terms of productivity and intention to stay whereas those with 18-month retention period had the worst outcomes	Methodological (study used causal comparative design) and contextual (context of the study was US)	Present study used descriptive cross-sectional design, and was conducted in the Kenyan context
Rawal et al. (2015)	To examine strategies for retaining health workers in Bangladesh	Descriptive	Mandatory public service for two years was positively associated with the retention of rural doctors as well as their job satisfaction and performance	Conceptual (study focused on mandatory public service) and contextual (study was conducted in Bangladesh)	Present study focused on retention bonding and the context was Kenyan Fintech companies
Gabagambi et al. (2018)	Assess the impact of short-term	Descriptive	Short-term employment contracts/tenures	Conceptual (study focused on short-term	Present study focused on retention bonding and the context was Kenyan Fintech companies

Author/year	Focus of the study	Methodology	Findings	Gaps	Focus of current study
	employment contracts/tenures on employee outcomes		reduced employee morale and job performance, and increased work-related stress due to the perceived job insecurity	employment contracts) and contextual (study was conducted in Tanzania	
Chisela (2022)	Assess the impact of retention duration on employee performance in Zambia and Tanzania banking employees	Qualitative	Duration of retention did not have an influence on employee performance	Methodological – study was qualitative	Present study was quantitative - descriptive design was used
Anyim (2018)	Examine the impact of long-term employment contracts in Nigerian banking employees	Descriptive survey	Long-term employment contracts positively influenced performance	Conceptual (study focused on long-term employment contracts) and contextual (study was done in Nigeria)	Present study focused on retention bonding and the context was Kenyan Fintech companies
Upadhyay (2011)	Examined the perceptions of employees regarding bonding in India	Qualitative	Employees prefer training opportunities with no retention bonding	Methodological (this study was qualitative)	Present study used the descriptive cross-sectional design

Author/year	Focus of the study	Methodology	Findings	Gaps	Focus of current study
Kamphuis & Glebbeek (2020)	To assess the impact of training contracts on post-training performance in Dutch employees	Experimental design	The inclusion of a payback clause in the training contract was associated with lower post-training performance and reduced willingness of employees to participate in training	Conceptual, methodological and contextual	Present study investigated the effect of retention bonding contracts on the performance of employees in the Kenyan FinTech sector, using a descriptive design
Peterson (2015)	To assess the impact of employee bonding on turnover and performance	Descriptive study design,	High retention bonding amounts only guarantee that employees will stay in the company but do not guarantee their enthusiasm, passion, loyalty, productivity, and contribution to the success of the organization	Contextual (study was conducted in the US)	Present study was conducted in FinTech companies in Kenya
Mdegela (2020)	Assess the impact of retention amount on performance	Mixed methods	Findings showed positive influence of bonding amount on retaining	Methodological and contextual	Present study was conducted in Kenya, using a descriptive cross-sectional design

Author/year	Focus of the study	Methodology	Findings	Gaps	Focus of current study
			employees in the healthcare sector		
Eyongndi (2022)	Assess the impact of retention amount on performance	Secondary data analysis	Retention bonding amounts imposed by employers in Nigeria is unfair; hence, leads to reduced morale and performance	Contextual and methodological	Present study was conducted in Kenya, using a descriptive cross-sectional design

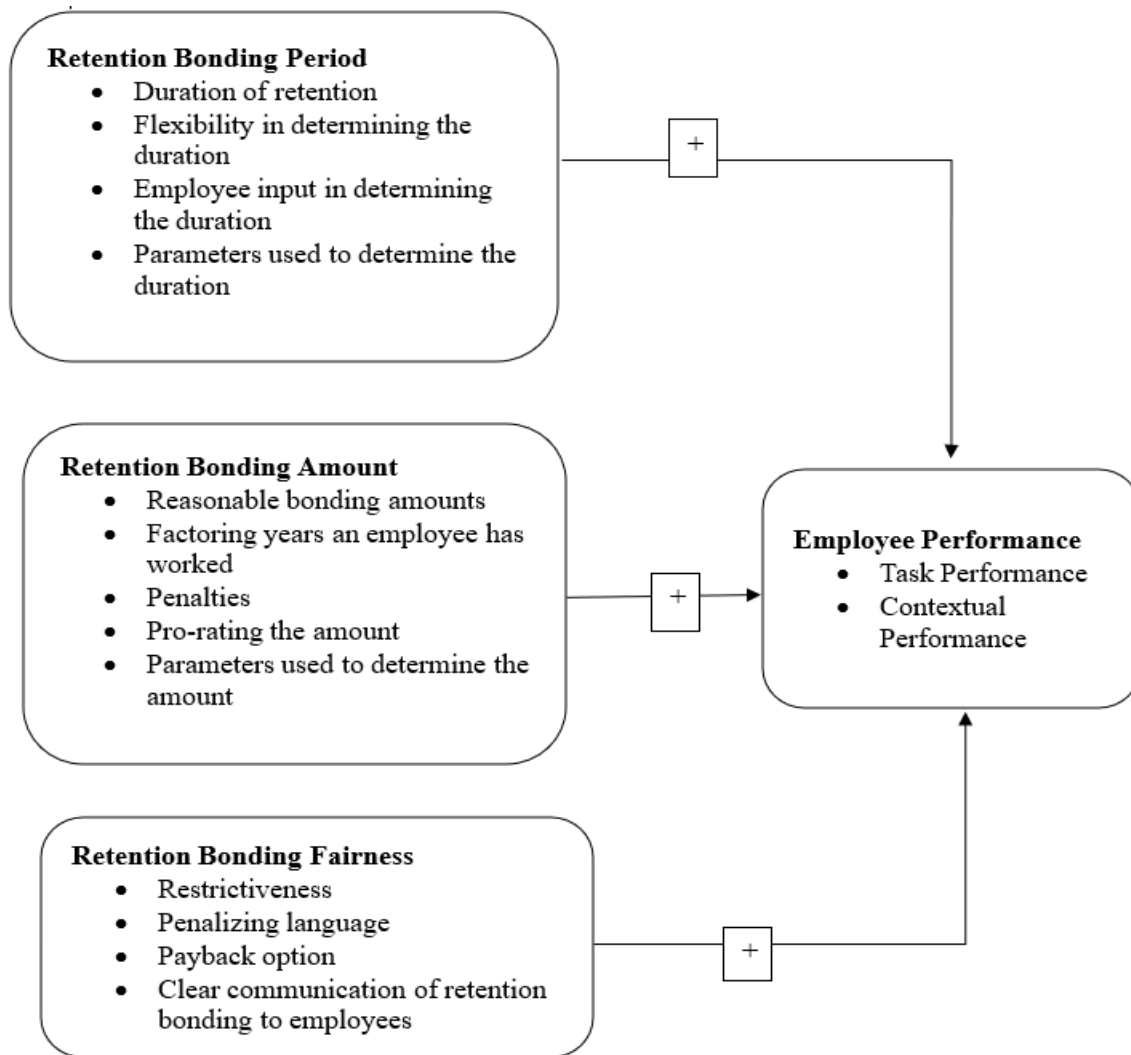
Source: (Researcher, 2024)



2.6 Conceptual Framework

The conceptual framework presented in Figure 2.1 shows the hypothesized relationship between retention bonding and employee performance. In the current study, retention bonding was measured in terms of bonding period, bonding amount, and bonding fairness whereas employee performance was measured using task performance and conceptual performance. Based on SET and OJT, it was expected that retention bonding period, retention bonding amount and retention bonding fairness positively influenced employee performance.

Figure 2.1: Conceptual Framework



Source: Researcher (2024)

2.7 Operationalization of Study Variables

Retention bonding was the independent variable. Its indicators included retention bonding period, retention bonding amount and retention bonding fairness. The measurement scale for these indicators was a five-point Likert scale. Employee performance was the dependent variable, which was measured using task performance and contextual performance using a Five-Point Likert scale.

2.8 Chapter Summary

This chapter has discussed the theoretical and empirical literature relating to the research topic. The research gaps emanating in existing studies have also been presented. The chapter has also outlined the conceptual framework as well as the operationalization of study variables.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology adopted for this study is presented in this chapter. The specific elements of the methodology that are discussed are the philosophy, design, population and sampling, data collection methods, data analysis techniques, quality of research, and research ethics.

3.2 Research Philosophy

This study used the positivism philosophy, which holds that the only trustworthy form of knowledge is that which is factual and obtained via observing and measuring phenomena in an objective manner without incorporating one's personal values (Saunders & Lewis, 2017). Positivism requires the use of quantifiable observations that can be analyzed statistically. These assumptions of positivism are consistent with the purpose of this research, which requires some form of statistical analysis to assess the association between bond contacts and employee performance. Positivism is the most common philosophy used in business research focusing on employee performance (Saunders & Lewis, 2017). Positivism also recommends the utilization of structured quantitative approaches in order to generate findings that can be generalized. Therefore, in order to produce results that are applicable to the entire financial services sector, the positivism philosophy was the most appropriate choice. The positivism philosophy has been used in similar studies on employee performance (Pan et al., 2018; Wandera, 2011)

3.3 Research Design

The cross-sectional descriptive research design was used in this study. This design is used to obtain information that can be utilized for describing phenomena in a given population. The descriptive cross-sectional design is useful for describing the characteristics of variables of interest. In cross-sectional descriptive designs, there is no manipulation of variables; instead, the study is purely observational (Saunders & Lewis, 2017). In the current study, the cross-sectional descriptive design was used to assess the relationship between employee performance and retention bonding.

Other similar studies that have employed cross-sectional descriptive design are Rawal et al. (2015) and Gabagambi et al. (2018).

3.4 Population of the Study

In research, the population is the group that a researcher seeks to generalize the findings of the research (Saunders & Lewis, 2017). In this study, the population consisted of employees in FinTech companies in Kenya. According to CBK (2023), Kenya has 93 FinTech companies. These companies have an estimated 3100 employees (FinTech News Africa, 2023), which constituted the population for this research. The unit of analysis for this research was the employee at a FinTech company.

3.5 Sample Design

A census approach was adopted for the current study to choose the companies that were surveyed. Census entails collecting data from every unit in the population. Census provide more accurate data and is recommended in situations involving small populations that can be accessed with ease (Bell et al., 2022). Therefore, for the current study, respondents were selected from the 93 FinTech companies in Kenya, which are based in Nairobi.

To determine the number of participants required in this research, Yamane's formula was employed ($n = N / (1 + N (e)^2)$) where N is the size of the population and e is the desired error margin. Bell et al. (2022) recommended an error margin of 5% to obtain findings. Using a modest population estimate of 3100 employees in FinTech companies (FinTech News Africa, 2023), the minimum sample needed using Yamane's formula was 354 respondents. These respondents were chosen from the 93 FinTech companies, translating to 4 respondents from each company.

To select respondents from these firms, judgment sampling was used, wherein respondents were selected based on their characteristics or qualifications that are relevant to the research (Bell et al., 2022). For the current study, the eligibility criteria for participation in this study were be employees who have signed a retention bonding agreement with the company.

3.6 Data Collection Methods

In this study, primary data was collected using structured questionnaires. Questionnaires are economical and can be used to gather information from a large pool of respondents (Creswell & Clark, 2017). Moreover, by using standardized questions across participants, data collected from questionnaires can be coded, processed, and analyzed with ease statistically using software (Saunders & Lewis, 2017). Nevertheless, some limitations exist when questionnaires are used to collect data. First, it is possible that respondents can misunderstand or misinterpret questions, which was resolved using a pilot study and designing questions with detailed descriptions (Bell et al., 2022). Secondly, it is difficult to assess the honesty of respondents. To improve truthfulness, confidentiality and anonymity was guaranteed, which helps to make respondents comfortable (Bell et al., 2022).

The questionnaire consisted of three sections. Section A gathered information on demographic profile of respondents. Section B collected information on retention bonding. Section C collected information on employee performance. Table 3.1 shows how the variables in this study were operationalized.

Table 3.1: Operationalization of Study Variables

Variable	Constructs	Operational Definition	Measurement Scales	Source
Independent Variable – Retention bonding	Retention bonding period	The duration through which the employee is expected to remain with the organization	Five-point Likert scale: 1 – strongly disagree; 2 – disagree; 3 – neutral; 4 – agree; 5 – strongly agree	Freedland et al., (2016)
	Retention bonding amount	The amount that the employee pays if they leave	Five-point Likert scale:	Mdegela (2020)
	Retention bonding fairness	The extent to which the retention bonding is fair and sensible.	1 – strongly disagree; 2 – disagree; 3 – neutral; 4 – agree; 5 – strongly agree	van Den Heuvel et al. (2017)

Dependent Variable – Employee Performance	Task performance	Task performance refers to the key job responsibilities assigned to an employee and is measured using specific work deliverables and outcomes	Five-point Likert scale:	Koopmans et al., (2016)
	Contextual performance	Contextual performance extends beyond the formal job roles to include going the extra mile for the company	1 – strongly disagree; 2 – disagree; 3 – neutral; 4 – agree; 5 – strongly agree	Koopmans et al. (2016)

Source: Author (2024)

A drop-and-pick approach was used to distribute the questionnaire. To increase the response rate, the researcher used of trained research assistants. Furthermore, an online link to the survey was distributed to respondents from the researcher’s contacts.

3.7 Research Quality

This section discusses the measures that were taken to ensure the reliability and validity of the current study.

3.7.1 Validity of the Study

Internal validity is the truthfulness of the findings in terms of the degree to which they represent the population, which means that the findings are credible (Creswell & Clark, 2017). Internal validity in descriptive studies can be improved using an expert review of the questionnaire to enhance content validity (Bell et al., 2022). For this research, HRM experts, from the author’s contacts reviewed the questionnaire to determine if it is measuring the intended concepts. In addition, the questionnaire was developed with the guidance of a supervisor at Strathmore

University. Moreover, the questionnaire is adapted from theoretical models and measures that have been validated in past studies (Koopmans et al., 2016). A pilot study with 30 respondents selected from the FinTech companies was used to evaluate the clarity and understandability of the questionnaire. Participants in the pilot study were excluded from the final study. From the pilot study, the questionnaire was understandable and clear; hence, there were no need for revisions.

3.7.2 Reliability

Reliability refers to the degree to which the findings of the research can be consistently replicated (Creswell & Clark, 2017). For this study, the internal consistency of the questionnaire was assessed using Cronbach's alpha to establish if its reliability is within satisfactory limits of at least 0.7 as recommended by Saunders and Lewis (2017). According to Bell et al. (2022), a Cronbach's alpha of less than 0.6 is unacceptable, 0.6-0.65 is undesirable, 0.65-0.7 is minimally acceptable, 0.7-0.8 is respectable, 0.8-0.9 is very good, and more than 0.9 as excessive that may necessitate the scale to be shortened. Saunders and Lewis's (2017) threshold of 0.7 was adopted for this study. Table 3.2 shows the reliability statistics for the questionnaire.

Table 3.2: Reliability Statistics

Variable	Cronbach's Alpha Coefficient	Number of Items	Interpretation
Retention Bonding Period	0.98	4	Reliable
Retention Bonding Amount	0.949	5	Reliable
Retention Bonding Fairness	0.913	4	Reliable
Employee Performance	0.973	13	Reliable

Source: Researcher (2024)

3.8 Data Analysis

The data collected using questionnaires was cleaned first by checking for completeness. Missing data was addressed using listwise deletion. Descriptive and inferential analyses was performed in this research. Descriptive statistics, including means, frequencies, and standard deviations, were used to describe the variables. Inferential statistics, especially multiple linear regression was

employed to examine the relationship between retention bonding and employee performance. The data was checked if it meets the assumptions needed for linear regression, including linearity of the association between the dependent and independent variables, and normal distribution. Data was analyzed using the Statistical Package for Social Sciences (SPSS). The following regression model be used:

$$EP = \beta_0 + \beta_1RBP + \beta_2RBA + \beta_3RBF + \epsilon$$

EP = employee performance; RBP = retention bonding period; RBA = retention bonding amount; RBF = retention bonding fairness; and ϵ = error function.

3.9 Ethics

This research was carried out in a manner that complies with the ethical requirements of ethical clearance, informed consent, participant confidentiality, and anonymity. First, the study proceeded after it has been cleared by the Ethical Review Committee at Strathmore University and the National Commission for Science, Technology, and Innovation (NACOSTI). To adhere to the principle of informed consent, prospective respondents were provided with detailed information about the research – its purpose, the nature of their participation, and the benefits of participating. Coercion was not be used to encourage participation. Respondents were also be informed of their rights including stopping participation at any time without any penalty and no requirement to answer all questions (Bell et al., 2022). To ensure confidentiality, any information gathered during the research was stored in a secure computer and destroyed after the research. To protect the anonymity of the respondents, information that could be potentially used to establish their identities, like their names and address, were be collected during the survey (Creswell & Clark, 2017).

3.10 Chapter Summary

This chapter has discussed the research philosophy, research design, population, sampling design, procedures for collecting data, reliability and validity, and ethical considerations.

CHAPTER FOUR

PRESENTATION F RESULTS

4.1 Introduction

The general objective of this study was to investigate effect of retention bonding contracts on the performance of employees in the Kenyan financial services sector. In this chapter, the findings of this study are presented, including the results of descriptive and inferential analysis. The organization of the chapter is based on the objectives of this study.

4.2 Response Rate

Three hundred and six (306) complete questionnaires were collected in this study from 354 that were distributed. This translates to a response rate of 86.4% (See Table 4.1). According to Creswell and Clark (2017), a response rate of at least 70% is adequate to conduct further analysis and generalize the findings of the study. Using this threshold, the response rate obtained in the current study was adequate.

Table 4.1: Response Rate

Questionnaires	Frequency	Percent
Issued	354	100%
Returned	306	84.4
Not returned	48	15.6

Source: Researcher (2024)

4.3 Respondents' Demographic Information

Regarding age, the majority of respondents were 36-45 years (41.2%), followed by those aged 46-55 years (23.5%), 26-35 years (15.7%), 56+ years (11.8%), and lastly those aged 18-25 years (7.8%). With respect to gender, the majority of respondents were male (57.5%). In terms of education, the highest level of education attained by most respondents was Master's (52.9%), followed by Bachelor's Degree (29.4%), college diploma (8.8%) and PhD (8.8%). Table 4.2 shows the characteristics of respondents.

Table 4.2: Characteristics of Respondents

		Frequency Count	Percent
Age	18-25	24	7.8%
	26-35	48	15.7%
	36-45	126	41.2%
	46-55	72	23.5%
	56+	36	11.8%
	Total	306	100.0%
Gender	Male	176	57.5%
	Female	130	42.5%
	Total	306	100.0%
Highest Level of Education	College Diploma	27	8.8%
	Bachelor's Degree	90	29.4%
	Master's	162	52.9%
	PhD	27	8.8%
	Total	306	100.0%

Source: Researcher (2024)

4.4 Descriptive Analysis

This part outlines the findings of the descriptive analysis for the variables in this study, which included the retention bonding period, retention bonding amount, retention bonding fairness, and employee performance.

4.4.1 Descriptive Statistics on Retention Bonding Period

The first objective of this study was to determine the effect of retention bonding period on the performance of employees in FinTech companies in Kenya. The indicators used to measure retention bonding period include the duration of retention, flexibility in determining the duration, employee input in determining the duration, and parameters used to determine the duration. These indicators were measured using a five-point Likert scale from 1 to 5. The descriptive statistics for retention bonding period are provided in Table 4.3. These statistics suggest that moderate efforts by FinTech companies to ensure that the duration of retention is as short as possible (Mean = 2.77, Standard Deviation = 1.316); to provide employees with a range of options when selecting the retention duration (Mean = 2.9, Standard Deviation = 1.168); to seek the input of employees when determining the retention period (Mean = 2.83, Standard Deviation = 1.190); and to determine the

mandatory retention period based on employee performance (Mean = 2.85, Standard Deviation = 1.277). The average score for retention bonding period was moderate (Mean = 2.8366, Standard Deviation = 1.277), suggesting moderate retention bonding period.

Table 4.3: Descriptive Statistics for Retention Bonding Period

	N	Mean	Standard Deviation
The company tries to ensure that the duration in which an employee must work for the organization is as short as possible	306	2.77	1.316
Employees at the company are provided with a range of options when choosing the duration that they have to work for the company after completing training	306	2.90	1.168
Employees' input is sought when determining the retention period	306	2.83	1.190
The mandatory retention period is determined by the performance of the employee	306	2.85	1.277
Average Retention Bonding Period Score	306	2.8366	1.20291

Source: Researcher (2024).

4.4.2 Descriptive Statistics on Retention Bonding Amount

The second objective of this research was to determine the effect of retention bonding amount on the performance of employees in FinTech companies in Kenya. The indicators used to measure the retention bonding amount included reasonable bonding amounts, factoring years an employee has worked, penalties, pro-rating the amount and parameters used to determine the amount. These indicators were measured using a five-point Likert scale from 1 to 5. Table 4.4 shows the descriptive statistics for Retention Bonding Amount. The results showed moderate agreement with the statements that employees pay reasonable amounts when they leave before the end of the retention agreement (Mean = 2.77, Standard Deviation = 1.033); pro-rating of the retention bond amount (Mean = 2.83, Standard Deviation = 0.948); considering the years an employee has served when determining the retention bond amount (Mean = 2.9, Standard Deviation = 0.921), leniency of the penalties when employee leave before the retention agreement ends (Mean = 3.04, Standard Deviation = 0.754), and determining the bond amount by employee performance (Mean = 3.01,

Standard Deviation = 0.918). The average score for retention bonding amount was moderate (Mean = 2.9092, Standard Deviation = 0.83778), suggesting moderate retention bonding amounts.

Table 4.4: Descriptive Statistics for Retention Bonding Amount

	N	Mean	Standard Deviation
The amount that an employee should pay if they leave earlier than stipulated in the retention agreement is reasonable	306	2.77	1.033
The amount that an employee is supposed to pay if he/she leaves the organization earlier can be pro-rated (spread over time)	306	2.83	.948
The years that an employee has worked with the company after signing the retention agreement is considered when calculating the amount if an employee leaves earlier	306	2.90	.921
The retention agreement has lenient penalties for employees who choose to leave earlier before the lapse of their retention period	306	3.04	.754
The retention amount is determined by the performance of the employee	306	3.01	.918
Retention Bonding Amount Score	306	2.9092	.83778

Source: Researcher (2024)

4.4.3 Descriptive Statistics on Retention Bonding Fairness

The third objective was to determine the effect of retention bonding fairness on the performance of employees in FinTech companies in Kenya. The indicators used for retention bonding fairness were restrictiveness, penalizing language, payback options, and clear communication of retention bonding to employees. These indicators were measured using a five-point Likert scale from 1 to 5. Table 4.5 presents the descriptive statistics for Retention Bonding Fairness. The findings show moderate agreement in terms of the retention agreement having an option for employees to reimburse the company (Mean = 3.04, Standard Deviation = 0.903), the retention agreement not emphasizing penalties for employees who choose to leave the company before the lapse of the retention period (Mean = 3.18, Standard Deviation = 0.959), clear communication of the retention agreement to employees (Mean = 3.11, Standard Deviation = 1.078), and the retention agreement

not hindering the growth and development of employees (Mean = 3.01, Standard Deviation = 1.037). The average score for retention bonding fairness was moderate (Mean = 3.084, Standard Deviation = 0.88733), suggesting moderate retention bonding fairness.

Table 4.5: Descriptive Statistics for Retention Bonding Fairness

	N	Mean	Standard Deviation
The retention agreement has an option for employees to reimburse the company	306	3.04	.903
The retention agreement does not emphasize penalties for employees who leave before their retention period lapses	306	3.18	.959
The retention agreement is clearly communicated to employees	306	3.11	1.078
The retention agreement does not hinder the growth and development of employees at the company	306	3.01	1.037
Retention Bonding Fairness Score	306	3.084	.88733

Source: Researcher (2024)

4.4.4 Descriptive Statistics on Employee Performance

The performance of employees in FinTech companies was the dependent variable in this study, which was measured using task performance and contextual performance. Table 4.6 shows the descriptive statistics for employee performance. The analysis showed moderate agreement in the elements of employee performance including completing work/tasks on time (Mean = 3.04, Standard Deviation = 0.998); being aware of what is expected at work (Mean = 3.04, Standard Deviation = 0.848); prioritizing the tasks to be completed (Mean = 2.94, Standard Deviation = 0.998); performing tasks efficiently (Mean = 3.01, Standard Deviation = 0.961); keeping time (Mean = 3.33, Standard Deviation = 1.039); taking initiatives (Mean = 3.4, Standard Deviation = 0.978); taking challenging work (Mean = 3.23, Standard Deviation = 1.218); updating knowledge (Mean = 3.32, Standard Deviation = 1.135); updating skills (Mean = 3.11, Standard Deviation = 1.259); developing creative solutions (Mean = 3.21, Standard Deviation = 1.241); taking additional responsibilities (Mean = 3.28, Standard Deviation = 1.312); seeking new challenges (Mean = 3.26, Standard Deviation = 1.302); and actively participating in meetings (Mean = 3.32, Standard Deviation = 1.302).

Deviation = 1.210). The average score employee performance was also average (Mean = 3.1923, Standard Deviation = 0.98011), which suggests moderate employee performance.

Table 4.6: Descriptive Statistics for Employee Performance

	N	Mean	Standard Deviation
I complete my work/tasks on time	306	3.04	.998
I am aware of what is expected of me at work	306	3.04	.848
I have priorities in terms of the tasks I have to complete	306	2.94	.998
I am able to perform my tasks efficiently	306	3.01	.961
I keep time	306	3.33	1.039
I take my own initiative to start new tasks after finishing old tasks	306	3.40	.978
I take challenging work when available	306	3.23	1.218
My knowledge of my job is up to date	306	3.32	1.135
My skills are up to date	306	3.11	1.259
I develop creative solutions for problems at work	306	3.21	1.241
I have no issue taking on additional responsibilities	306	3.28	1.312
I am continually seeking new challenges at work	306	3.26	1.302
I participate actively in meetings	306	3.32	1.210
Employee Performance Score	306	3.1923	.98011

Source: Researcher (2024)

4.5 Inferential Analysis

The inferential statistics that were used in this research were Pearson’s Correlation and multiple linear regression. The results of these analyses are presented in the following sub-sections.

4.5.1 Pearson’s Correlation Analysis

Pearson’s correlation was used to establish if a significant association existed before the variables in this study. This is a prerequisite for performing a linear regression. Table 4.7 shows the results of the correlation analysis. The results showed significant associations between the dependent variable (employee performance) and the independent variables (retention bonding period, retention bonding amount, and retention bonding fairness). A significant strong positive correlation existed between employee performance and retention bonding period ($r = 0.763$, $p < 0.05$),

employee performance and retention bonding amount ($r = 0.885$, $p < 0.05$), and employee performance and retention bonding fairness (0.852).

Table 4.7: Pearson Correlations

		Retention Bonding Period Score	Retention Bonding Amount Score	Retention Bonding Fairness Score	Employee Performance Score
Retention Bonding Period Score	Pearson Correlation	1			
	Sig. (2-tailed)				
Retention Bonding Amount Score	Pearson Correlation	.834**	1		
	Sig. (2-tailed)	.000			
Retention Bonding Fairness Score	Pearson Correlation	.683**	.856**	1	
	Sig. (2-tailed)	.000	.000		
Employee Performance Score	Pearson Correlation	.763**	.885**	.852**	1
	Sig. (2-tailed)	.000	.000	.000	

Source: Researcher (2024)

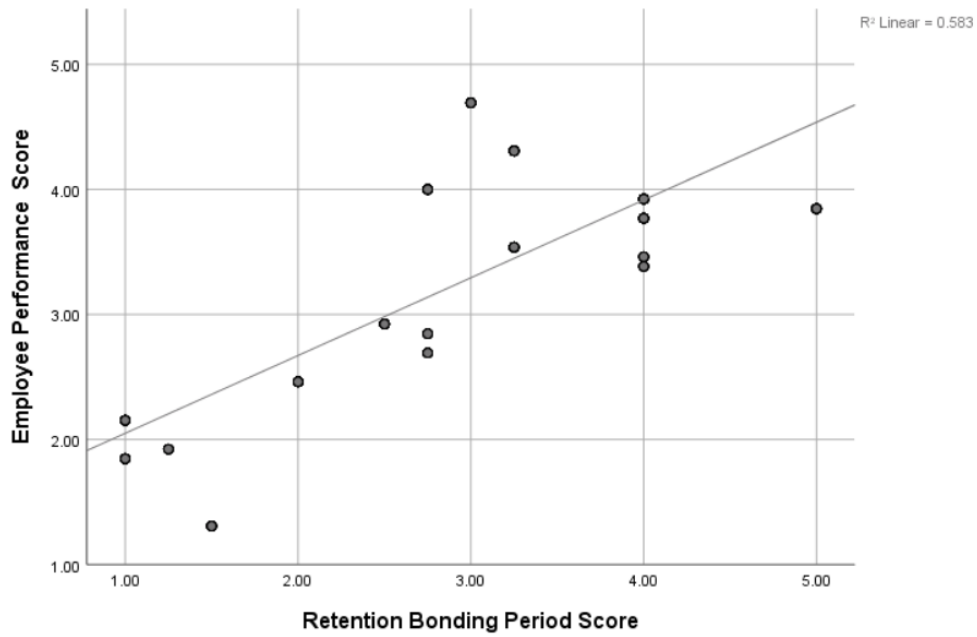
4.5.2 Regression Analysis

A multiple linear regression was performed to develop a model to explain the relationship between employee performance and retention bonding. Before running the model, diagnostics were performed to ensure that the data did not violate the assumptions required to perform this test. The results of the multiple regression are presented in this section

4.5.2.1 Regression Diagnostics

Before performing a multiple linear regression, there is need to ensure that there is a linear relationship between the dependent variable and the independent variables. Linearity can be ascertained by a visually scrutinizing scatter plots – data points should show a straight-line relationship. Figures 4.1 – 4.3 show a linear relationship between the independent variables (retention bonding period, retention bonding amount and retention bonding fairness) and the dependent variable (employee performance).

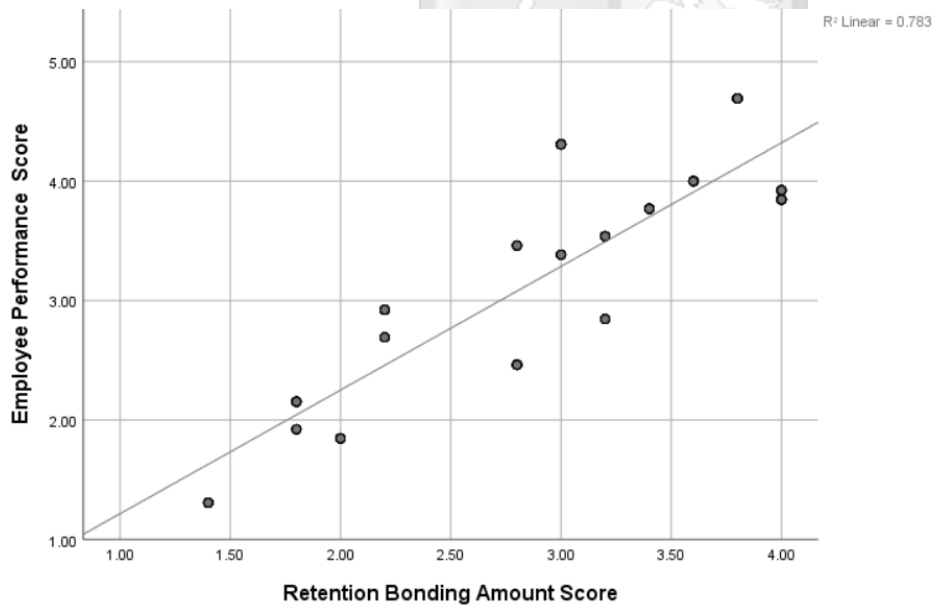
Figure 4.1: Scatter Plot – Employee performance by retention bonding period



Source Researcher (2024)

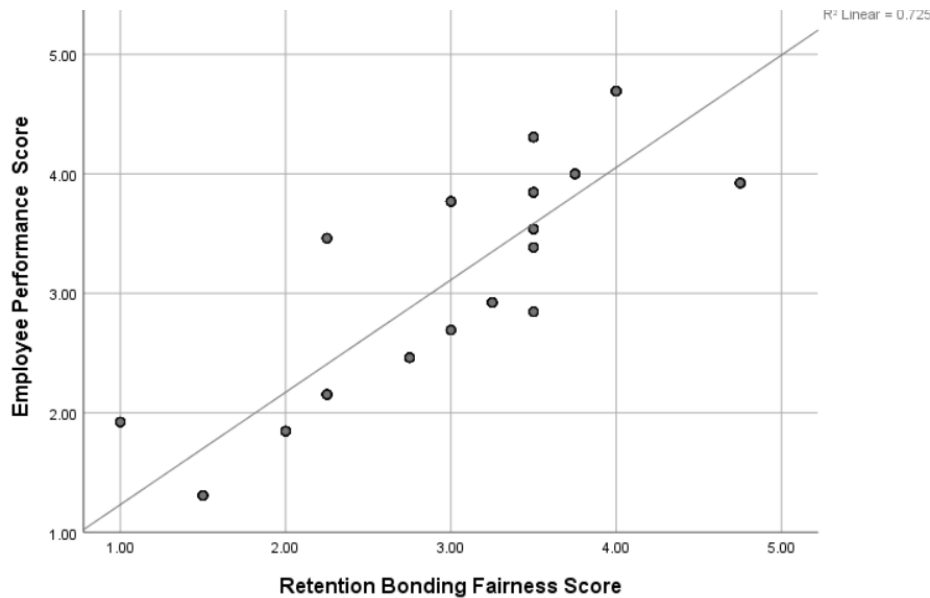


Figure 4.2: Scatter Plot – Employee performance by retention bonding amount



Source: Researcher (2023)

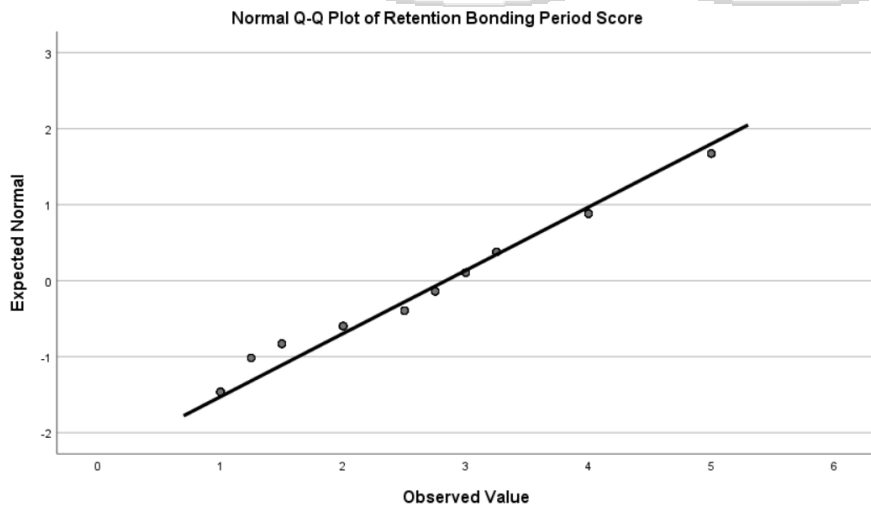
Figure 4.1: Scatter Plot – Employee performance by retention bonding fairness



Source: Researcher (2024)

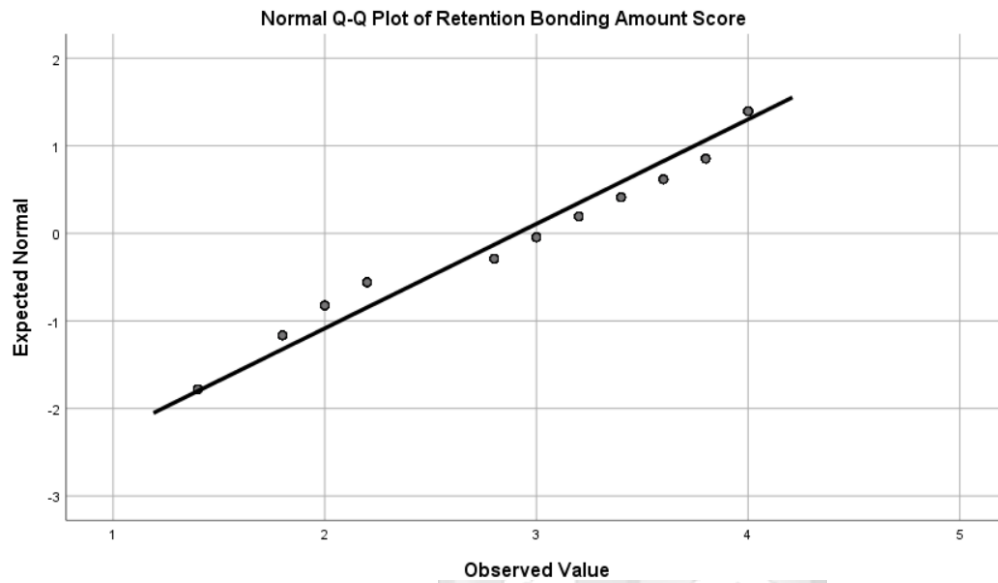
In addition, performing a multiple regression analysis requires the data to be distributed normally. Normality can be tested using Q-Q plots. The Q-Q plots for normally distributed data has data points that are closely located to the diagonal line. This is affirmed in Figures 4.4 – 4.7. Therefore, the data met the assumptions needed for a multiple linear regression.

Figure 4.4: Normal Q-Q plots for Retention Bonding Period



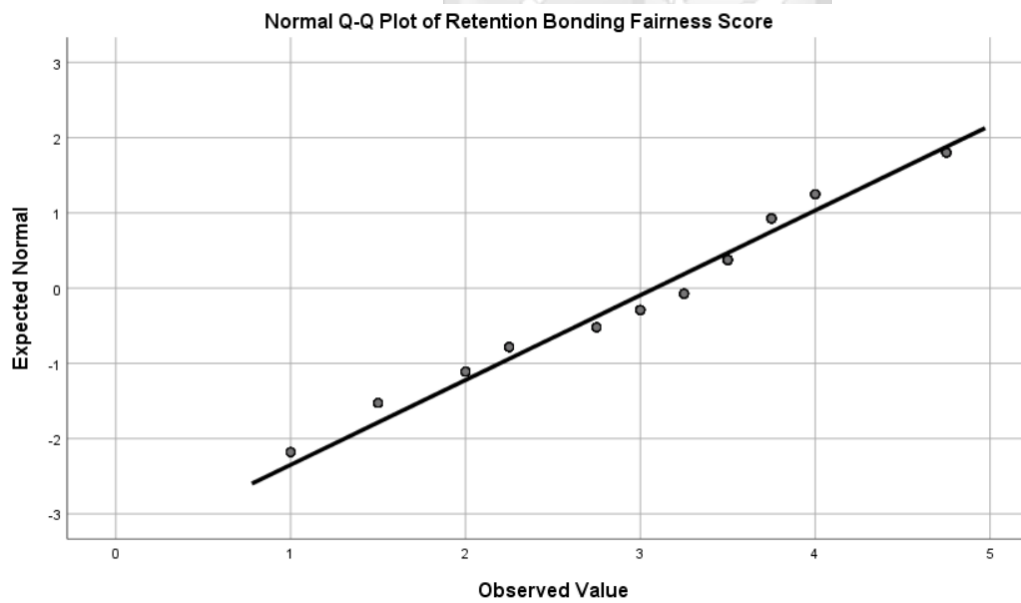
Source: Researcher (2024)

Figure 4.5: Normal Q-Q plots for Retention Bonding Amount



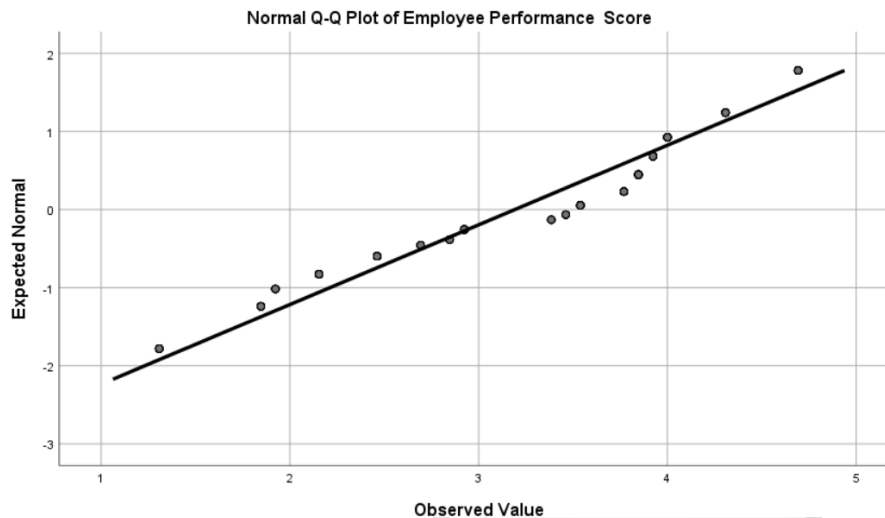
Source: Researcher (2024)

Figure 4.6: Normal Q-Q Plots for Retention Bonding Fairness



Source: Researcher (2024)

Figure 4.7: Normal Q-Q Plot for Employee Performance



Source: Researcher (2024)

4.5.2.2 Regression Between Retention Bonding Period and Employee Performance

A simple linear regression analysis was performed to examine the relationship between retention bonding period and employee performance. The model summary presented in Table 4.8 in an R-square of 0.583, indicating that retention bonding period explains 58.3% of the variation in employee performance. The ANOVA results presented in Table 4.9 show the regression model was significant ($F [1, 304] = 424.564, p < 0.05$). The analysis revealed a significant constant coefficient of 1.428 ($p < 0.5$). Retention bonding period had a significant regression coefficient ($\beta = 0.622, p < 0.05$) (See Table 4.10).

Table 4.8: Model Summary – Retention Bonding Period and Employee Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763 ^a	.583	.581	.63415
a. Predictors: (Constant), Retention Bonding Period Score				

Source: Researcher (2024)

Table 4.9: ANOVA Summary – Retention Bonding Period and Employee Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	170.734	1	170.734	424.564	.000 ^b
	Residual	122.251	304	.402		
	Total	292.985	305			
a. Dependent Variable: Employee Performance Score						
b. Predictors: (Constant), Retention Bonding Period Score						

Source: Researcher (2024)

Table 4.10: Regression Coefficient – Retention Bonding Period and Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.428	.093		15.357	.000
	Retention Bonding Period Score	.622	.030	.763	20.605	.000
a. Dependent Variable: Employee Performance Score						

Source: Researcher (2024)

4.5.2.3 Regression Between Retention Bonding Amount and Employee Performance

A simple linear regression analysis was performed to examine the relationship between retention bonding amount and employee performance. The model summary presented in Table 4.11 in an R-square of 0.783, indicating that retention bonding period explains 78.3% of the variation in employee performance. The ANOVA results presented in Table 4.12 show the regression model was significant ($F [1, 304] = 1097.595, p < .005$). The analysis revealed an insignificant constant coefficient of 0.181 ($p > 0.5$). Retention amount period had a significant regression coefficient ($\beta = 1.035, p < 0.05$) (See Table 4.13).

Table 4.11: Model Summary – Retention Bonding Amount and Employee Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.885 ^a	.783	.782	.45721
a. Predictors: (Constant), Retention Bonding Amount Score				

Source: Researcher (2024)

Table 4.12: ANOVA Summary – Retention Bonding Amount and Employee Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	229.438	1	229.438	1097.595	.000 ^b
	Residual	63.547	304	.209		
	Total	292.985	305			
a. Dependent Variable: Employee Performance Score						
b. Predictors: (Constant), Retention Bonding Amount Score						

Source: Researcher (2024)

Table 4.13: Regression Coefficient – Retention Bonding Amount and Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.181	.095		1.909	.057
	Retention Bonding Amount Score	1.035	.031	.885	33.130	.000
a. Dependent Variable: Employee Performance Score						

Source: Researcher (2024)

4.5.2.4 Regression Between Retention Bonding Fairness and Employee Performance

A simple linear regression analysis was performed to examine the relationship between retention bonding fairness and employee performance. The model summary presented in Table 4.14 in an R-square of 0.725, indicating that retention bonding period explains 72.5% of the variation in employee performance. The ANOVA results presented in Table 4.15 show the regression model

was significant ($F [1, 304] = 802.475, p < .005$). The analysis revealed a significant constant coefficient of 0.291 ($p < .05$). Retention bonding fairness had a significant regression coefficient ($\beta = 0.941, p < .05$) (See Table 4.16).

Table 4.14: Model Summary – Retention Bonding Fairness and Employee Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.852 ^a	.725	.724	.51458
a. Predictors: (Constant), Retention Bonding Fairness Score				

Source: Researcher (2024)

Table 4.15: ANOVA Summary – Retention Bonding Fairness and Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.291	.107		2.733	.007
	Retention Bonding Fairness Score	.941	.033	.852	28.328	.000
a. Dependent Variable: Employee Performance Score						

Source: Researcher (2024)

Table 4.16: Regression Coefficient – Retention Bonding Fairness and Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.291	.107		2.733	.007
	Retention Bonding Fairness Score	.941	.033	.852	28.328	.000
a. Dependent Variable: Employee Performance Score						

Source: Researcher (2024)

4.5.2.2 Multiple Linear Regression Results

A multiple linear regression analysis was performed to determine if retention bonding period, retention bonding amount and retention bonding fairness can predict employee performance. The model summary presented in Table 4.17 showed an R-square of 0.821, indicating that retention bonding period, retention bonding amount and retention bonding amount explain 82.1% of the variation in employee performance – this indicates a strong predictive model.

Table 4.17: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.906 ^a	.821	.819	.41729
a. Predictors: (Constant), Retention Bonding Fairness Score, Retention Bonding Period Score, Retention Bonding Amount Score				

Source: Researcher (2024)

The ANOVA results presented in Table 4.18 show the regression model was significant ($F [3, 302] = 460.176, p < 0.05$). Therefore, the regression model was significant in explaining employee performance using retention bonding period, retention bonding amount and retention bonding fairness. The analysis revealed an insignificant constant coefficient of 0.06 ($p > 0.5$). Retention bonding period had a significant regression coefficient ($\beta = 0.099, p < 0.05$). Retention bonding amount also had a significant regression coefficient ($\beta = 0.550, p < 0.05$). In addition, the regression coefficient for retention bonding fairness was also significant ($\beta = 0.404, p < 0.05$). Table 4.19 shows the multiple regression coefficients. From these coefficients, the new model becomes:

$$EP = 0.099(RBP) + 0.550(RBA) + 0.404(RBF) + \epsilon$$

EP = employee performance; RBP = retention bonding period; RBA = retention bonding amount; RBF = retention bonding fairness; and ϵ = error function.

Table 4.18: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	240.397	3	80.132	460.176	.000 ^b
	Residual	52.588	302	.174		
	Total	292.985	305			
a. Dependent Variable: Employee Performance Score						
b. Predictors: (Constant), Retention Bonding Fairness Score, Retention Bonding Period Score, Retention Bonding Amount Score						

Source: Researcher (2024)

Table 4.19: Multiple Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.065	.092		.703	.483
	Retention Bonding Period Score	.099	.036	.121	2.736	.007
	Retention Bonding Amount Score	.550	.073	.470	7.489	.000
	Retention Bonding Fairness Score	.404	.052	.366	7.699	.000
a. Dependent Variable: Employee Performance Score						

Source: Researcher (2024)

4.6 Chapter Summary

The results of this study have been presented in this chapter. The analysis revealed that the regression model is significant and explained 82.1% of the variation in employee performance. Retention bonding period, retention bonding amount and retention bonding fairness were found to have positive regression coefficients.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study sought to investigate effect of retention bonding contracts on the performance of employees in the Kenyan financial services sector. In this chapter, the findings of this study are discussed. Recommendations for policy, managers and theory are also outlined. In addition, this chapter discusses the limitations of the present study and offers recommendations for future research.

5.2 Summary of Key Findings

The first objective of this study was to determine the influence of retention bonding period on employee performance in the FinTech sector. In this regard, the findings revealed that that retention bonding period had a significant positive regression coefficient ($\beta = 0.099$, $p < 0.05$), which indicates a positive effect on performance. This result suggests that for a unit change in retention bonding period, there will be an increase in employee performance by 0.099 units. The implication of this finding is that improving aspects of retention bonding period, such as duration of retention, flexibility in determining the duration, employee input in determining the duration, and parameters used to determine the duration, can lead to improvements in employee performance in FinTech companies in Kenya.

The second objective was to determine the influence of retention bonding amount on the performance of employees in FinTech companies in Kenya. In this respect, the results showed that retention bonding amount also had a significant positive regression coefficient ($\beta = 0.550$, $p < 0.05$), indicating a positive effect on performance. This finding suggests that a unit change in retention bonding amount can lead to an increase in employee performance by 0.55 units. This indicates that improving aspects of retention bonding amount, such as reasonable bonding amounts, factoring years an employee has worked, penalties, pro-rating the amount and parameters used to determine the amount, can improve the performance of employee in FinTech companies in Kenya.

The third objective was to determine the influence of retention bonding fairness on the performance of employees in FinTech companies in Kenya. The findings reported a positive effect of retention bonding fairness - the regression coefficient for retention bonding fairness was also significant ($\beta = 0.404$, $p < 0.05$). This result indicates a unit change in retention bonding fairness can result in an increase in employee performance by 0.404 units. Therefore, improving the fairness of retention bonding in terms of reducing its restrictiveness and penalizing language, providing payback options, and clear communication of retention bonding to employees, can help improve the performance of employees in FinTech companies in Kenya.

5.3 Discussion of Key Findings

In this section, the findings of the study are discussed based on the objectives. The results obtained are compared with the theories that informed this study as well as past empirical studies.

5.3.1 Retention Bonding Period and Employee Performance

The first objective of this study was to determine the influence of retention bonding period on employee performance in the FinTech sector. The findings revealed that that retention bonding period had a significant positive effect on employee performance. This result suggests that the aspects of retention bonding, including shorter retention bonding periods, providing employees with a range of options for the bonding duration, seeking their input when determining the bonding period, and tying the bonding period to performance, have a positive effect on the performance of employees in FinTech companies in Kenya. The implication of this finding is that improving aspects of retention bonding period, such as duration of retention, flexibility in determining the duration, employee input in determining the duration, and parameters used to determine the duration, can lead to improvements in employee performance in FinTech companies in Kenya. This result is consistent with the propositions of the Social Exchange Theory (SET) and Organizational Justice Theory (OJT). SET proposes that the behavior of employees, including their performance, is influenced by their perceptions on how the organization treats them. If employees view retention bonding period as something that is punitive and restrictive for their growth, it might negatively affect their performance due to the violation of the unwritten psychological contract between the organization and its employees (Townsend et al., 2022). On the contrary, if the bonding period is viewed as lenient and flexible, the retention agreement can have a positive

influence on their performance (Mohammad et al., 2021). Similarly, according to OJT, if employees perceive the retention bonding period as being fair, their performance can increase. Therefore, the findings obtained from this study validate the propositions of SET and OJT.

The significant positive effect of retention bonding period on employee performance reported in the present study is also consistent with past empirical studies. The present studies shows that shorter retention bonding periods, providing employees with a range of options for the bonding duration, seeking their input when determining the bonding period, and tying the bonding period to performance, can improve their performance. Similarly, Hoffman and Burks (2017) observed that employees with no retention had the best outcomes in terms of productivity and intention to stay whereas those with 18-month retention period had the worst outcomes, suggesting the positive effect of shorter retention periods. However, it is imperative to note that the findings of the present study contradict with past studies showing that that longer employment contracts have a positive effect on employee performance compared to shorter employment contracts (Castellacci & Viñas-Bardolet, 2021; Lisi & Malo, 2017; Gabagambi et al., 2018). The divergence of these findings can be attributed to the differences between normal employment contracts and retention bonding contracts. While employment contracts are meant to ensure job security for employees, retention contracts are meant to ensure that employees remain in the organization – employment contracts are more employee-centered while retention contracts are more employer-centered (Chisela, 2022; Rawal et al., 2015).

5.3.2 Retention Bonding Amount and Employee Performance

The third objective was to determine the influence of retention bonding fairness on the performance of employees in FinTech companies in Kenya. The second objective was to determine the influence of retention bonding amount on the performance of employees in FinTech companies in Kenya. The results showed that retention bonding amount also had a significant positive regression coefficient, which suggests that bonding amount has a positive effect on performance. This means that aspects of retention bonding amount, including reasonable bonding amounts, prorating the bond amount, lenient penalties, and tying the bond amount to performance, can have a positive effect on employee performance in FinTech companies in Kenya. This finding validates the propositions of SET and OJT. SET holds that the behavior of employees, including their

performance, is influenced by their perceptions on how the organization treats them. If employees view retention bonding amount as being punitive, inflexible or restrictive for their growth, it might negatively affect their performance due to the violation of the unwritten psychological contract between the organization and its employees (Townsend et al., 2022). By contrast, if the bonding amount is viewed as reasonable lenient and flexible, the retention agreement can have a positive influence on their performance (Mohammad et al., 2021). Likewise, according to OJT, if employees perceive the retention bonding amount as being fair, their performance can increase. Therefore, the findings obtained from this study validate the propositions of SET and OJT.

The results obtained from the present study regarding the positive effect of the bonding amount on employee performance is also consistent with past empirical studies. For instance, Upadhyay (2011) reported that the retention bond amount is an effective tool for reducing turnover; however, the amount should not be excessive and disproportionate such that they become punitive. Upadhyay (2011) also indicated that employees prefer training opportunities with no retention bonding. In the same vein, Peterson (2015) reported that high retention bonding amounts only guarantee that employees will stay in the company but do not guarantee their performance, in terms of enthusiasm, passion, loyalty, productivity, and contribution to the success of the organization. Karina (2021) also reported that high and punitive bond amounts can increase retention but are counterproductive in terms of improving performance. These studies, alongside the current studies, underscore the importance of reasonable retention bonding amounts.

5.3.3 Retention Bonding Fairness and Employee Performance

Retention bonding fairness was found to have a positive effect on employee performance. The results also revealed that the positive regression coefficient for retention bonding fairness was also significant ($\beta = 0.404$, $p < 0.05$). Therefore, improving the fairness of retention bonding in terms of reducing its restrictiveness and penalizing language, providing payback options, and clear communication of retention bonding to employees, can help improve the performance of employees in FinTech companies in Kenya. These findings are consistent with the propositions of SET and OJT. According to SET, the behavior of employees, including their performance, is influenced by how they perceive the treatment from the organization. If employees view retention bonding agreement as being unfair, it might negatively affect their performance due to the violation

of the unwritten psychological contract between the organization and its employees (Townsend et al., 2022). By contrast, if the bonding amount is viewed as fair, the retention agreement can have a positive influence on their performance (Mohammad et al., 2021). Similarly, according to OJT, if employees perceive the retention bonding agreement as fair, their performance can increase. Therefore, the findings obtained from this study corroborate the propositions of SET and OJT.

The positive effect of retention bonding fairness reported in the present study has also been reported in past empirical studies. Balasubramanian et al. (2021) found that restrictive covenants in employment relationships and contracts are often perceived as mistrust on the part of the organization, which can negatively affect the performance of employees. At the same time, employees might be willing to remain in a company if they perceive the company to be future-oriented and invests in its employees; however, this long-term relationship requires mutual trust between employees and the company (van Den Heuvel et al., 2017). Topa et al. (2022) revealed that extremely restrictive requirements and perceived unreasonable terms can be counterproductive and are associated with a higher intention to leave and mistrust in the organization. Therefore, the findings of the current and past studies underpin the importance of fair retention bonding agreements.

5.4 Recommendations

This section discusses the recommendations for policy, managers and theory.

5.4.1 Policy Recommendations

The findings from this study provide useful insights for policymakers in Kenya on matters relating to employment relations, such as the Ministry of Labor, Federation of Kenya Employers (FKEs), and the Central Organization of Trade Unions – Kenya (COTU-K). Using the findings from this study, these agencies can formulate policies and guidelines for organizations on how to implement retention bonding agreements. The findings from this study show the positive effect of retention bonding period, retention bonding amount and retention bonding fairness on the performance of employees in FinTech companies. Using the findings from this research, policymakers and regulators can publish guidelines to ensure that companies implement reasonable and fair retention agreement terms regarding the bonding period, bonding amount and bonding fairness. Some

considerations that can be adopted when formulating retention bonding guidelines regarding the bonding period include using the shortest possible duration, providing employees with options to choose the bonding duration, seeking employee's feedback and input and tying the retention period to employee performance. In terms of the retention bonding amount, guidelines should focus on ensuring that the bonding amount is reasonable and can be prorated, considering employees' tenure when calculating the bonding amount, using lenient penalties, and tying the bond amount to employee performance. Guidelines for ensuring retention bonding fairness should focus on giving employees the option of reimbursing the company after training, not emphasizing penalties in the language of the contract, communicating the agreement in a clear language, and ensuring that the retention agreement is not an obstacle to the growth and development of employees.

5.4.2 Managerial Recommendations

The findings from the present research also provide useful insights that can help human resource managers in implementing effective retention bonding practices. From the study, the aspects of effective retention bonding that can enhance performance have been reported. First, the practices that managers can use to enhance the retention bonding period include shortening the bonding period, providing employees with a range of options to choose the bonding period, seeking feedback and input from employees when determining the retention period, and factoring employee performance when deciding the retention period. The second recommendation for managers is to improve the aspects of the retention bonding amount, which can be achieved by reasonable bonding amounts, pro-rating the bond amount, lenient penalties, and tying the bond amount to performance. The last recommendation for managers is to enhance the fairness of the retention bonding agreement by reducing its restrictiveness and penalizing language, providing payback options, and clear communication of retention bonding to employees. These retention bonding practices can enhance the performance of employees.

5.4.3 Theoretical Recommendations

The theoretical contribution of this study is that the findings validate the propositions of SET and OJT. The results of this study show the importance of fairness in retention bonding agreements. In the same way, SET and OJT emphasize the importance of treating employees fairly in order to achieve positive outcomes, such as improving their performance. From the study, it is apparent

that retention bonding is an aspect of employment relationship. As a result, the manner in which employees view retention bonding is expected to influence their behaviors towards the organization, such as their performance. The findings from study underscore the importance of ensuring that retention bonding, like any other aspect of employment relationship, should not be restrictive, unfair and punitive, such that it hinders the growth and development of employees. In addition, the findings of this study affirm that OJT provides a framework for explaining the mechanisms through which retention bonding period, amount and fairness influence the performance of employees.

5.5 Study Limitations and Suggestions for Future Research

A methodological limitation of this study is the use of self-report data from respondents. When using self-report data, response bias is a highly likely since respondents might not be honest and may prefer to give socially-desirable answers. To address this limitation, future studies on the same topic can be conducted using secondary data to compare the performance of employees who are under retention agreements and those who are not. Another limitation of this research was its scope- it was only conducted with employees in FinTech companies. Therefore, studies in the future can considering examining the effect of retention bonding on employee performance in other sectors. In addition, there is need for future studies to delineate the effects of normal employment contracts versus retention bonding contracts on performance.

5.6 Chapter Summary

This chapter has discussed of the current study. Recommendations for policy, managers and theory are also outlined. In addition, this chapter discussed the limitations of the present study and offered recommendations for future research.

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APPENDICES

Appendix I: Letter of Introduction

Geraldine Gloria Akinyi, a Strathmore University Student (Admission Number: 148697) is inviting you to take part in a research titled, “The influence of retention bonding on employee performance in the fintech companies in Nairobi county, Kenya.” The aim of this research is to determine the influence of retention bonding on the performance of employees in FinTech companies in Kenya. if you choose to participate, you will fill in a questionnaire that will take about 5-10 minutes of your time. Your participation in this study is voluntary. The information you provide will used for academic purposes only. If you have any questions, you can contact the researcher by emailing geraldine.akinyi@strathmore.edu or calling or texting +254 733 888850.



Appendix II: Ethical Approval and NACOSTI Research License



17th April 2024

Ms Onyuka Akinyi Geraldine,
akinyimwangi@gmail.com

Dear Ms Onyuka,

RE: Investigating the Effect of Retention Bonding on Employee Performance in Fintech Companies in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC2144/24**. The approval period is from **17th April 2024 to 16th April 2025**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC





REPUBLIC OF KENYA

Ref No: 374853

RESEARCH LICENSE



This is to Certify that Ms. Geraldine Gloria Akinyi Onyuka of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Investigating the Effect of Retention Bonding on Employee Performance in Fintech Companies in Kenya for the period ending : 25/April/2025.

License No: NACOSTI/P/24/35023

374853

Applicant Identification Number



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issue: 25/April/2024

Walter Wambui

Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



NOTE: This is a computer generated License! To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix III: Questionnaire

Section A: Basic Information (Please mark your answer in the appropriate box)

1. Kindly tick the box that best describes your age group

18-35	<input type="checkbox"/>
26-35	<input type="checkbox"/>
36-45	<input type="checkbox"/>
46-55	<input type="checkbox"/>
56 and above	<input type="checkbox"/>

2. Kindly tick the box that best describes your gender

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>
Prefer not to say	<input type="checkbox"/>

3. Kindly tick the box that best describes your level of education

College diploma	<input type="checkbox"/>
Bachelor's degree	<input type="checkbox"/>
Master's Degree	<input type="checkbox"/>
PhD	<input type="checkbox"/>



Section B: Retention Bonding

The following statements relate to retention bonding in your organization. Indicate the degree to which you agree with the following statements regarding retention bonding in your company, where 1 – strongly disagree, 2 – disagree, 3 – neutral, 4 – agree, 5 – strongly agree)

	1	2	3	4	5
<i>Retention Bonding Period</i>					

The company tries to ensure that the duration in which an employee must work for the organization is as short as possible					
Employees at the company are provided with a range of options when choosing the duration that they have to work for the company after completing training					
Employees' input is sought when determining the retention period					
The mandatory retention period is determined by the performance of the employee					

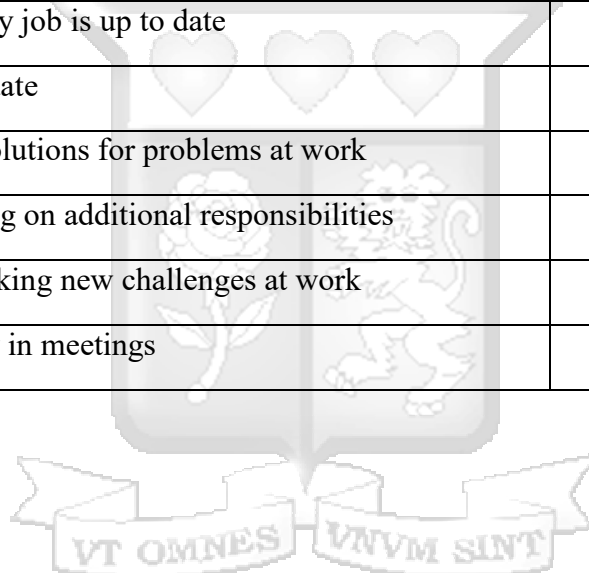
<i>Retention Bonding Amount</i>					
The amount that an employee should pay if they leave earlier than stipulated in the retention agreement is reasonable					
The amount that an employee is supposed to pay if he/she leaves the organization earlier can be pro-rated (spread over time)					
The years that an employee has worked with the company after signing the retention agreement is considered when calculating the amount if an employee leaves earlier					
The retention agreement has lenient penalties for employees who choose to leave earlier before the lapse of their retention period					
The retention amount is determined by the performance of the employee					

<i>Retention Bonding Fairness</i>					
The retention agreement has an option for employees to reimburse the company					
The retention agreement does not emphasize penalties for employees who leave before their retention period lapses					
The retention agreement is clearly communicated to employees					
The retention agreement does not hinder the growth and development of employees at the company					

Section C: Performance

The following statements relate to the performance of employees in your organization. Indicate the degree to which you agree with the following statements regarding retention bonding in your company, where 1 – strongly disagree, 2 – disagree, 3 – neutral, 4 – agree, 5 – strongly agree)

	1	2	3	4	5
I complete my work/tasks on time					
I am aware of what is expected of me at work					
I have priorities in terms of the tasks I have to complete					
I am able to perform my tasks efficiently					
I keep time					
I take my own initiative to start new tasks after finishing old tasks					
I take challenging work when available					
My knowledge of my job is up to date					
My skills are up to date					
I develop creative solutions for problems at work					
I have no issue taking on additional responsibilities					
I am continually seeking new challenges at work					
I participate actively in meetings					



Appendix IV: FinTech Companies in Kenya

1. Pezeshu	28. +SCALR	53. Cashfin
2. Digiduka	29. IZZY PAY	54. Msitu Carbon Alliance
3. CoinBox	30. muNGOVO	55. Afrimint
4. Zenka	31. SpreeNego	56. Akiba Pay
5. Branch Microfinance	32. Crystalapp	57. Merkato Finnace
6. Tala	Technologies	58. Agricap Ventures
7. Lipa Card	33. Jiwe Interactive	59. Tulix
8. Chase Iman	Limited	60. Givva Wealthtech
9. Alliance Premium Services	34. Tembo Remit Limited	61. Chepe Technologies Limited
10. Popote Pay	35. Invosoko Africa	62. Ifunza Inc.
11. Pesa Pal	36. ShopOkoa – Dukatech solutions limited	63. SatoshiCenter Global Group
12. Jambo Pay	37. Araka Fintech	64. Kwara
13. Abacus	38. Flo by Saada	65. Paycoo
14. Chura Limited	39. Awamu Pay	66. Alumni Bridge
15. Turaco	40. Lipa Safe	67. InsureAfrika.com
16. Lami InsurTech	41. Once Sync Limited	68. Agricap
17. WorkPay	42. Toprank Technologies	69. Circularity Space
18. ImaliPay	43. Jambo Capital Initiative	70. Kyanda Payments Limited
19. MarketForce 360	44. Ujuzi Software Solutions	71. Ndovu
20. HoneyCoin	45. Wise Preneurs Africa	72. Manyumba
21. LipaLater	46. Nyaomat	73. Penyua Technologies
22. SeraPay	47. MyWagePay	74. NGENI LABS
23. Sun Culture	48. Bismart Insurance	75. Blist Ventures
24. Single Pay Tehcnologies	49. Creative List	76. Araka FinTech
25. Alladin Digital Bank	50. Investa Farm	77. Maketi Technologies
26. INUKA Pap	51. Dient	
27. Tusenti Limited	52. Trive Nation Inc.	

78. Jackfruit Finance

79. Afmplace Technologies

80. Market Force
Technologies

81. IntaSend Solutions
Limited

82. Ayanna

83. SILQU Limited

84. RentScore Africa

85. FitiPay

86. FaidiHR

87. Benkiko DAO

88. Saint Mechanic

89. Fingo Africa

90. Akibatech Solutions

91. NALA

92. Elastic Fs

93. Nobuk.africa

