

**SELECTED HUMAN RESOURCE DEVELOPMENT PRACTICES AND  
EMPLOYEE RETENTION: A CASE OF DEPOSIT TAKING MICROFINANCE  
INSTITUTIONS IN NAIROBI COUNTY, KENYA**

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University**


**EGERTON UNIVERSITY**

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## DECLARATION AND RECOMMENDATION

### Declaration

This research project is my original work and has never been presented for a degree in any other university.

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### Recommendation

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## **DEDICATION**

This work is dedicated to my parents and husband who gave me the drive, prayers and moral support I needed for every step.

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## ABSTRACT

Retention of employees is becoming a real challenge in today's operating environment as employers begin to realize the value of people that make up the organization. While past studies have demonstrated the importance of employee retention in organizations, few have empirically examined the effect of human resource development practices on employee retention. The overall objective of this study was to examine the effect of selected human resource development practices namely: career development and learning and development on employee retention in Deposit Taking Microfinance Institutions in Nairobi County, Kenya. The specific objectives of this study were to determine the effect of career development on employee retention; to establish the effect of learning and development on employee retention and to establish the joint effect of career development, and learning and development on employee retention. The study adopted explanatory research design. The target population comprised of 320 employees from licensed deposit taking microfinance institutions in Nairobi County. A census of twelve (12) licensed deposit taking microfinance institutions was used in the study. The sample size comprised of 177 employees. 131 respondents filled and returned the questionnaires making a response rate of 74%. A structured questionnaire was used to collect primary data. The data that was obtained was analysed using Statistical Package for Social Sciences (SPSS). Data were analysed using descriptive and inferential statistics. Descriptive statistical tools were used to summarize data using means and standard deviation. Inferential statistical tools, namely, Pearson's correlation analysis, Simple and multiple regression analysis were used to test the study hypotheses at a 0.05 significance level. The results of Pearsons Correlation analysis showed that career development ( $r = 0.684$ ,  $p < 0.05$ ) and learning and development ( $r = 0.672$ ,  $p < 0.05$ ) had significant, positive relationships with employee retention. Further, the results of Hypotheses One, the ANOVA F statistic ( $F = 13.975$ ,  $p < 0.05$ ) indicates career development has a significant effect on employee retention. The results of Hypotheses Two of ANOVA F Statistic shows that learning and development has a significant positive effect on employee retention ( $F = 11.264$ ,  $p < 0.05$ ). Finally, Hypotheses Three results of ANOVA F statistics shows that the model was significant ( $F = 2.534$ ,  $p < 0.05$ ) which means that the selected career development and learning and development jointly have a significant effect on employee retention. The study recommends that organizations integrate career development and learning opportunities to enhance employee retention. Future research should explore other HR practices like recognition and flexible work arrangements.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>HR</b>	Human Resource
<b>KWFT</b>	Kenya Women Finance Trust Limited
<b>MFI</b>	Micro-Finance Institutions
<b>SPSS</b>	Statistical Package of Social Sciences

# CHAPTER ONE

## INTRODUCTION

### **1.1 Background to the Study**

Human resource is the pillar of any organization and ignoring the significance of retaining skilled employees during the present time when skills and knowledge of staff are the most desired requirements is not appropriate (Choudhary, 2016). Further, today employee retention is the top priority of organizations due to increasing competition. It is an efficient and productive advancement towards the employee management who are considered as 'greatest assets' to the company. In today's environment it becomes very important for organizations to retain their employees. Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. In the job market it is crucial to prioritize employee retention to avoid losing valuable talent to competing companies (Brown & Davis, 2017).

Contemporary research underscores a significant dilemma facing organizations in the 21st century, namely, the intricate task of both attracting and retaining talent while ensuring their alignment with the company's mission, objectives and goals (Danso, 2018). Furthermore, organizations constantly face difficulties to effectively adapt these ideas and ambitions into concrete improvements in employee efficiency and overall organizational performance. This complex dilemma highlights the dynamic character of the modern workplace, demonstrating the need for new solutions to engage and empower people in an ever-changing corporate context. In contemporary times, microfinance institutions are faced with significant challenges of retaining employees as well as making sure that their employees remain loyal and committed to their organization's goals and mission. Employee retention is primarily concerned with reasons why employees prefer to remain with their current organizations (Ng'ang'a, 2019).

In the global perspective there is increasing global competition for the 'best' employees brought about by the shortfall in new workforce entrants in many advanced industrial economies. It is therefore prudent that companies ensure that their employees will keep on working for them in order to maintain their competitive advantage. However, increased workers nowadays are indicating a desire, for career trajectories that go beyond the limitations of the company (Xiao, 2018). In the contemporary professional landscape,

employees often display reduced levels of Organization loyalty and exhibit a greater inclination to explore new career prospects as they progress along their career trajectories, which contrasts with the tendencies observed in earlier generations (Benson et al., 2018). It follows that companies now must make increasing efforts to retain their skilled employees. Losing such employees means a loss of investment in that a new employee must be recruited and trained. It is against this backdrop that there is the need for research into effect of selected human resource development practices on employee retention in the Microfinance Institutions.

### **1.1.1 Employee Retention**

Employee retention is important for an organization success because high employee turnover increases the organization expenses and results in negative impact on the employee's morale. Organizations strive to enhance employee retention to ensure that the pivotal employees remain engaged and maintain job performance and productivity. The concept of employee retention has been defined variedly in the literature. Mathis and Jackson (2018) defined employee retention as a firms' purposeful and strategic attempt to retain their talented staff members engaged, satisfied, and dedicated to the company for a lengthy period. It entails creating a work environment and setting policies in place that foster employee loyalty and reduce staff turnover. Phillip and Connell (2018), defined employee retention as the strategic process by which organizations seek to retain competent and productive staff members for an extended period of time by creating a work environment that fulfils their needs and expectations, thereby reducing turnover rates and associated costs. Retention is a voluntary move by an organization to create an environment which engages employees for long term (Edie, 2008).

Employee turnover is a term used to describe the frequency at which employees separate from a company and are substituted by hires. It covers elements such as employee voluntary and involuntary resignation, terminations, and retirement. It is usually expressed as a percentage which can be computed over a time frame such as monthly or yearly. Organizations often face burdens because of employee turnover, due to the costs associated with recruiting, hiring and training fresh talent as well as the potential loss of valuable institutional knowledge and disruptions, in workflow (Cascio, 2018).

Employee retention involves aspects of employee engagement and commitment in this global era. These terms play a vital role in the effective sustainability and functioning of the organization. Retention and engagement of employees begin at the very early stages of the recruitment process and it is a never-ending process as commitment of the employee's is affected by the employer versus employee relationship (Solis, 2017). The importance of employee retention is well-documented in the literature, particularly in terms of turnover-related costs. Huang et al. (2006) noted that turnover is costly in that employers find replacement cost and hidden organization cost high, while employees find the monetary and psychological costs extremely challenging. Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time (Mokaya, 2014).

According to Adams et al. (2018) employee's intention to leave the employer can be considered as normal decision made concerning the organization and the stimuli of intention to leave the organization can be characterized as individual, organizational, and external factors. Many potential reasons can explain why HR practices could play a significant role in defining employees' intention to leave. Honest job previews are crucial for new employees as in future their evaluation and expectation of job requirement should be similar over time (Anderson & Davis, 2015).

The loss of core employees is costly to organizations. Loss of core talent results in the stripping of valuable human capital, critical skills and institutional meaning. Organizations not only suffer from lost productivity but also lose the knowledge that critical employees possess that which is beneficial to the organization. It is also instructive to note that high performing employees know the industry, competitive strengths and weaknesses, products, customers and processes. More so with this information in their heads is a significant part of corporate equity (Armstrong et al., 2010). Hence retaining core and valued employees is therefore a strategic issue and competitive business advantage.

According to Olaka et al. (2018), this attachment relationship should be durable and constant and link the employee to the organization by common values and by the way in which the organization respond to the needs of the employees. The main purpose of retention is to prevent the loss of competent employees from the organization which could have an adverse

effect on productivity and service delivery. The object of any organization is not only to recruit personnel but also to maintain, develop and retain such manpower. Turnover costs can be incurred through issues such as reference checks, security clearance, temporary worker costs, relocation costs, formal training costs and induction expenses (Nyanjom, 2013). Other invisible and hidden costs such as missed deadlines, loss of organizational knowledge, low morale and client's negative perception of company image may also take place.

By taking a proactive approach to developing an effective employee retention program, the anxiety of high turnover can be reduced. True employee retention takes time, effort and resources, but the rewards can prove valuable. One of the major drivers for investing in a retention program is the monetary impact of recruiting and training valued employees (Muma et al., 2019). Job dissatisfaction can be a cause for labour turnover. There are two general categories of forces that operate in employee retention: engagement and coercion. Engagement occurs when an employee connects emotionally with his work, coercion occurs when forces outside the employee encourage either attachment to or disengagement from an employer. Good Managers help people stay engaged; bad ones push them towards disengagement (Nyongesa, 2018).

Employee retention encompasses talent management which is the use of an integrated set of activities to ensure that the organization attracts, retains, motivates and develops the talented people it needs now and, in the future, (Armstrong, 2010). It is assumed that talent management is only concerned with key people highfliers. Muma et al. (2019) stated that talent management is aimed at improving calibre, availability and flexible utilization of exceptionally high potential employees who can have disproportionate impact on employee retention.

### **1.1.2 Human Resource Development Practices**

Human Resource Development practices have been defined in several aspects. Human Resource Development involves systematic efforts to enhance employees' skills and knowledge through training, career development, and other initiatives, promoting their growth and satisfaction within the organization which, in turn, positively influences retention (Noe, 2017). Swanson and Holton (2009) defined HRD practices as encompassing strategic talent management initiatives, ensuring that employees are effectively recruited, developed,

and engaged, fostering a positive work culture that enhances retention. A strategic approach to talent management not only identifies and develops high-potential employees but also ensures a supportive work environment, contributing to higher employee satisfaction and longer-term retention. Human Resource Development involves fostering a learning culture within an organization, where continuous learning opportunities and knowledge-sharing contribute to employee engagement and retention (Werner & DeSimone, 2019).

Human Resource Development (HRD) practices, entail training, career development, performance management, talent management, succession planning, employee engagement, and learning opportunities, which aim to enhance skills, align individual and organizational goals, and foster a positive workplace culture (Noe, 2017; Swanson & Holton, 2009; Werner & DeSimone, 2019). According to Armstrong (2010), human resource department responsibilities can be subdivided into three areas: individual, organizational, and career. Individual management entails assisting employees find their areas of strengths and weaknesses and find ways of mitigating the same. Secondly, organizational development involves identifying ways of maximizing the human resource factor for the benefit of the organization and finally, the responsibility of managing career development. This involves finding the right profile for the vacant jobs and career paths within the organization. Succession planning is a strategic process that involves identifying and developing internal talent to fill key leadership positions within an organization as they become vacant. The goal is to ensure a smooth transition of leadership, maintain continuity in operations, and build a pipeline of skilled and qualified individuals capable of taking on critical roles (Newhall, 2015).

Mentoring is a professional relationship in which an experienced and knowledgeable individual (the mentor) provides guidance, support, and advice to another person (the mentee) to help them develop their skills, knowledge, and career. Mentoring often involves sharing insights, experiences, and expertise to assist the mentee in their personal and professional growth. Coaching is a structured and goal-oriented process in which a trained and skilled individual (the coach) works with another person (the coachee) to enhance their performance, improve specific skills, and achieve specific objectives. Coaching is generally more task-oriented and focuses on the coachee's present and future goals (Parsloe & Leedham, 2016). Learning and development establishes, work aptitudes for new employees, professional

advancement and leadership training. These exercises enhance employees' job aptitudes in their present positions and furnish them with abilities and skill for cross-utilitarian work that can expand their incentive to the organization. Proficient improvement bolsters an organization progression by getting ready future leaders for higher occupations and greater responsibilities. Learning and development improves employee's capacities reflecting advancement from-inside practices and improves employees work objectives which is a method used to retain employees (Consiglio et al., 2016).

Khoreva et al. (2017) stated that performance management is another method used by employers to enable employees to enhance the organization effectiveness. This includes setting goals, monitoring employee's performance, assisting employees improve their performance, conducting appraisal and rewarding satisfactory performance. The perceived perception of the employer is that the employees are more likely to work longer or be retained in organizations that reward performance.

Employees to be motivated, career development programmes provide stimulation and fulfilment at various phases of employee development, detecting capacity in advance and granting prospects for learning. In the workplace the career programme is a vital human resource development and management function. Thus, the career development is perceived like joint effort between the individual employee and the organization. Liu (2018) indicated that career development plan for employees play a vital role in the retention of employees. Providing career development opportunities restrict employees from leaving the organization and increases loyalty. There are various aspects of human resource practices being used to address employee retention among them being career development as well as learning and development. Employers today emphasize on employee development to ensure that as an organization they remain competitive within the market, adapt to changing business structures, deal with ongoing skills shortages and reduce employee turnover. The organizations have however had to deal with difficult generational issues of Millennials who require clear direction, guidance and goals from their supervisors. Employers have resulted to redesigning their learning and development programmes to accommodate the collaborative work styles of the Millennials which is an additional expense to the organization. Human resource professionals who are the facilitators are often left struggling with demonstrating to the organization the value of learning and development programs in the absence of quantifying data (Smith & Williams, 2017).

In addition, the employees are more inclined to develop their careers rather than commit to the employer guidelines on learning and development. These aspects have stretched organizations resulting to potential obstacles such as lack of financial resources, lack of reliable analytics and metrics, diversity and inclusivity issues and generational differences. Managers and executives are also not spared as they must provide feedback to support the employee's development (Albercht et al., 2015). While these aspects of career development and learning and development are required to benefit the organizations by increasing productivity and performance in the workplace, contrarily some individuals believe that they are a waste of time and money because some organizations want to spend less and not more (Shan, 2016).

Numerous empirical studies have consistently shown that career development opportunities are strongly linked to employee retention. Employees who perceive opportunities for growth, advancement, and career progression within an organization are more likely to stay with that organization (Holtom & Inderrieden, 2006). Learning and development opportunities are closely tied to employee engagement and satisfaction, which are important factors in employee retention. Employees who have access to continuous learning and skill development are more likely to feel valued and engaged, leading to higher retention rates (De Meuse et al., 2010; Tremblay et al., 2009).

While career development and learning and development are undoubtedly important, it's important to note that other HR practices also play a significant role in employee retention. Factors such as compensation, work-life balance, job security, and leadership quality, among others, can also impact retention. Theoretically, both career development and learning and development align well with established HRM and organizational behaviour theories. Career development and learning and development align with theories like Herzberg's two-factor theory which emphasizes growth and advancement as motivators. From a practical perspective career development and learning and development are both practical and actionable HR practices. Organizations can implement strategies and programs related to these practices relatively easily compared to other HR practices that may require significant resource allocation or structural changes (Spagnoli, 2017). Further there is a potential interaction effect between career development and learning and development. Effective

career development often involves opportunities for skill development and learning. Investigating both variables could help uncover synergies and interactions that impact retention (Ng et al., 2005). This study focused on career development and learning and development as the critical variables influencing employee retention since career development fosters a sense of commitment by enabling employees to envision a future within the organization, while learning and development contribute to ongoing skill enhancement, enhancing job satisfaction and engagement. These practices address both intrinsic and extrinsic motivational factors, significantly influencing employee loyalty and retention.

### **1.1.3 Career Development**

Career development is described as the process that forms a person's work identity. It is recognized as a very important process of human development and spreads over to the individual's preferred future (Gallardo, 2018). A career development plan is important as it helps an individual to progress from one position to another. It also identifies the weaknesses of the employee and gives them an opportunity to improve on their weaknesses. Crafting a career development plan opens the opportunity to gradually assess an individual's career path which ultimately brings joy to work. The development plan forces an individual to be accountable of themselves and an employee will begin to take responsibility of their own reactions and actions while it creates a path for their own advancement which positions one for promotion. Ultimately during performance review an employee is confident enough of succeeding their review since their career plan is outlined (Iqbal et al., 2017).

Although there has been a trend of job hopping, smart organizations have recognized the habit and are in the process of taking counteractions to ensure growth and advancement. Employers can increase financial returns because of the increased productivity for the employees via career development this is because the employee has a perception of perceived growth within the organization (Shanmugam & Kalyanaraman, 2019). Moreover, because of the current technology in the market, organizations have got to embrace career development processes for their employees to be informed of the latest trends within the market to maintain a competitive edge.

The emergence of career progression plans has highlighted the need for employees to be concerned with career development and employability. In a knowledge economy, developing

competencies forms an essential part of organizational competencies. One of the key factors of the retention of skilled employees is the provision of training and development opportunities (Meirinhos et al., 2018). Most organizations may use career management programmes to assist their employees to properly plan their careers because it is believed that, generally employees react positively to career development and advancement opportunities (Khan et al., 2015).

Katou (2012) argued that there exists a correlation between employee experience, promotion and organizational growth in progression towards career goals and employee engagement. They contend that when employees have a career development plan that they are more likely to choose roles that match with their skills and talents. Thus, organizations that struggle to remain competitive should promote career development rather than use it as a tool to thrive in the competitive world.

Career development programmes provide stimulation and fulfilment at various phases of employee development, detecting capacity in advance and granting prospects for learning. In the workplace the career programme is a vital human resource development and management function. It enables the Human Resource Managers, managers, and their stakeholders to work together to plan, organize, formalize, lead, and monitor career programmes to develop not only employees' jobs but the whole stage, process, attitude, behaviour and state of affairs relating to employees' work life (Weer & Greenhaus, 2017).

Schmid (2008) state that job flexibility along with embracing career and life options, is a critical incentive for all employees. Recent research highlights a rising trend among employers to offer enhanced job flexibility, encompassing adaptable career pathways such as training, mentoring, ergonomic workstation arrangements, increased job mobility, and reduced working hours. This extends to broader lifestyle choices, including access to counselling services and comprehensive health and wellness programs (Mahajar & Tunus, 2017). The challenge to organizations is that they must accept that this process may lead some employees to leave the company and pursue outside opportunities. Career development also enables the organization to achieve a balance between the individual's career needs and the organization's workforce requirement (Park & Jaeun, 2018).

Workplace career programmes entails career planning and career management. Career planning is the process of identifying career options and preferences, setting up development objectives, and establishing action plans to help employees match their interests and capabilities with organizational opportunities (Singh, 2018). On the other hand, career management is usually talent management, in which management monitors the implementation of career programmes in order to ease employees' adaptation to rapid organizational changes such as a turbulent working environment, job instability and insecurity, flexible work practice, and multiskilling (Kim & Park, 2018). Consequently, the ability of employees to adapt to these organizational changes may enhance employees' progression of their career ladders in organizations (Hedge & Rineer, 2017).

According to Bercu (2017), the ability of management to properly plan and manage career programmes for employees who work in different job categories may have a significant impact on employee outcomes, especially job satisfaction. This means that career programmes affect the attitude towards work-related extrinsic and intrinsic job facets. With employees' high satisfaction experienced with their jobs, this may create a pleasurable or emotional state and a positive reaction in organizations resulting from their appraisal of their jobs (Bridger, 2018).

A thorough analysis of the workplace career programme reveals that the effect of career planning and management on job satisfaction is indirectly influenced by how far employees feel appreciated with the different kinds of career development activities implemented by management to manage their talents and enhance their career paths' progression (McDonald & Hite, 2015). Some important career development activities implemented by management include training programmes, succession plans, counselling sessions, and job rotations. If employees view such career development activities as useful in enhancing their necessary knowledge, up to-date skills, latest abilities, and positive attitudes, this can motivate them not to exit their current jobs. It may also induce feelings of fulfilment and life span well-being.

Career planning, career management, perceived career development support, and job satisfaction are distinct but highly interrelated concepts. The readiness of management to properly plan and adequately manage career programmes may assist employees in developing their career paths and therefore lead to enhanced job satisfaction hence retention of

employees in organizations (Jehanzeb & Mohanty, 2018). Further, many scholars argue that perceived career development support has been given less emphasis.

#### **1.1.4 Learning and Development**

Learning and development is described as a process of specifically helping people learn new skills which motivate them increase their productivity at work. Employers are more concerned with developing the skills and capabilities which drive the performance of the business. Learning and development is important as it helps identify employees who have the potential of becoming future leaders who are able to solve problems. Innovation and leadership usually go hand in hand and with the provision of learning platforms definitely more innovative ideas are generated. Time is of essence with the world around because technology is ever evolving at a fast rate. Speed in the execution of learning opportunities is hence required to drag out paralysis of effectiveness (Moldoveanu & Narayandas, 2019).

Learning and development is a key retention factor for employees at any age. The availability for all employees having access to learning and development programs is critical in facilitating organizational growth, particularly with performance and technological improvements (Jamil et al., 2018). Research supports that both the organizational benefits and cost savings associated with training programs outweigh the initial cost it incurs (Sinha & Sinha 2012). Sharkawi et al. (2018) states that training programs available to all employees correlate with a 70% increase in employee retention rates. Research indicates training methods that engage workers with career challenges, advancement opportunities, work incentives, competitive wages/benefits, and supportive work environments are effective retention strategies for employees of any age (Rose, 2018). Evidence supports the conclusion that access to regular learning programs enhances growth, prosperity, and retention for both employees and employers (Van den Broek et al., 2018).

Today learning and development is focused on improving productivity however, it is argued that lack of learning and development is among the key reasons employees exit their employer. Organizations are today engaging employees by providing them with opportunities to learn and develop new skills and competencies. Research suggests that lifelong learning contributes to happiness (Van Dam, 2018). Savita and Vinita (2016) suggest that employees are however, more likely to be energized by new opportunities at work and engaged with

their current organization when given the skills to grow and develop within their chosen career path. This is prevalent mostly with individuals who have worked in the organization for a long time. Older companies find it difficult to manage organizational learning, if they have long time employees working for them who feel they know everything to do with their job and who are not ready to receive feedback from younger employees telling them how to do it better. This results to a barrier to overcoming change in terms of embracing learning and development.

In the contemporary competitive landscape, knowledge is very essential for employees and the more knowledge the employee acquires, the more he or she will perform and meet the global challenges of the marketplace (Evans, 2003). Milka and Eunicares (2017) mentioned that proper innovation, and assimilation of new knowledge is essential for survival in any work environment. Thus, knowledge is the most expensive asset of any firm. According to Song et al. (2018), performance improvement is always a benefit to learning and development. When a company sends employees for training and classes, they can apply the new knowledge and skills into their job to increase the efficiency and effectiveness of the organization. This can help them to be proficient of doing more on the job and decrease the enquiring for help to perform their jobs. On the other hand, training is also another way to help the employees improve their skills and performance of jobs. Organization could provide some job-related courses for the employees to motivate and enhance employees get promoted easily in the organization. This can help the employees to accomplish in their job without stress and being discouraged.

According to Oluwaseun (2018), in business world, employee's skills which are necessary to do their job are only possible through learning. Most of the companies train their employees in such a manner that would help them to sustain throughout their careers. This kind of training can lead to high levels of motivation and commitment by the employees, who see the opportunity they are given. According to Junaid (2018), learning and development is related to the skills deemed necessary by the management of an organization that must be acquired by the members of that organization, in order to improve the probability of achievement of its goals. Learning and development offered to employees may help them reduce their anxiety or frustration, brought on by work demands, that they are not familiar with, and they are lacking

the skills to handle effectively. Further, Ocen et al. (2017), argue that trained employees will better satisfy the needs of their customers.

According to Shaju and Subhashini (2017), employees committed to learning showed a higher level of job satisfaction with a positive effect on retaining them in their organizations. Rukumba and Mukulira (2017) added that learning has been an important variable in increasing organizational productivity and is a fundamental and effectual instrument in successful accomplishment of the firm's goals and objectives, resulting in higher productivity. However, there is one important aspect that is to be considered, learning leads to productivity if we control for unseen differences and potential biases.

### **1.1.5 Microfinance Institutions in Kenya**

The Kenyan microfinance industry emerged in the past 30 years because of the absence of access to formal financial services for most of Kenya's low-income people (Amimo, 2018). The contribution of the microfinance sector in the economic development of Kenyan economy cannot be disregarded. It is now widely recognized in Kenya that the promotion of micro and small enterprises is a viable and dynamic strategy for achieving national goals, including employment creation and poverty alleviation (Lotay, 2016). Microfinance institutions offer financial services such as credit, savings, insurance, foreign exchange transactions and money transfer services to poor, low-income households and Small and Micro Enterprises (SMEs) who do not qualify for and lack access to capital from other financial institutions. The Microfinance industry in Kenya has experienced major transformations over the past 20 years, growing from a fledgling concern dominated by a few donor and church-based NGOs to a vibrant industry increasingly driven by commercial sustainability (Kela, 2018).

Before the year 2006, microfinance institutions (MFIs) were established using either an NGO or a savings and credit co-operative societies framework and were important sources of credit for a large number of low income households and MSEs in the rural and urban areas of Kenya (Kimenyi & Wieland, 2019). The MFIs had, however, operated without an appropriate policy and legal frame work until 2006 when Microfinance Act was enacted for their regulation and operation. The Government of Kenya recognizing microfinance as a strategic tool for poverty alleviation in Kenya owing to its potential of using institutional credit and other financial services for greater access to, and sustainable flow of financial services,

particularly credit, to the low-income households and micro and small enterprises, developed an appropriate policy, legal, and regulatory framework to promote a viable and sustainable system of microfinance in the country through the Microfinance Act 2006 (Ndirangu et al., 2019).

Two categories of microfinance operate in Kenya that is formal and informal based on the statutes under which they operate are registered. The formal microfinance institutions are regulated by government authorities and function within legal frameworks. They obtain licenses and are supervised by regulatory bodies, like the Central Bank of Kenya and the Sacco Societies Regulatory Authority (SASRA), they are well structured and have a wider range of accessing funds and loans from World bank. On the hand informal microfinance institutions operate outside of the formal regulatory framework. They involve community funding and rely more on the informal sector. They are licensed by government authorities, which means they have less oversight and regulation (Njeule, 2013).

The microfinance industry has been facing significant turnover in recent years due to entry of new firms in the microfinance sector (Mwangi, 2018). There are very many microfinance institutions that are bringing new and different ways of doing business and as a result threatening the older practices. In order for them to enter the market and to break- even, they are looking for experienced employees from the older microfinance institutions and enticing them with better salaries and new technology gadgets (Amimo, 2018). As a result, there are so many employees moving up and down looking for the next best microfinance institution. The high turnover is so costly especially in terms of recruitment, administration and assimilation costs. This is a looming problem that has even caused some microfinance institutions to close down some branches due to lack of experienced employees to run the portfolios.

## **1.2 Statement of the Problem**

Employee retention has become a major concern for organisations in enhancing competitive advantage. It is essential for an organization to retain its employee because the hiring process is both time-consuming and difficult, firms must emphasize employee retention to maintain long-term performance because hiring is not an easy process (Adams et al., 2017). However, employees tend to move to other organizations for better prospects. Organizations have

established human resource development practices which are the elements used to retain employees such as mentoring and coaching, employee engagement, knowledge management, performance management, providing opportunities for learning and development, career planning through individual career development, succession planning and workplace diversity and inclusion. Literature suggests that these human resource development practices play an important role in employee retention in organizations. Good human resource development practices are expected to enhance employee engagement and retention.

Central Bank report published in 2020 showed that the employment trend from the banking sector staff levels decreased by 420 representing -1.31 % from 32,025 in December 2019 to 31,605 in December 2020. Management and clerical staff decreased by -3.05% and -6.91% respectively while supervisory and secretarial and other staff increased by 4.29% and 20.36% respectively thus leading to the overall decrease in the staff levels. This is an indicator that the number of employees continued to decrease and retaining them was a major concern (Central Bank of Kenya, 2020).

It is evident that the reports conducted and published by Central Bank of Kenya demonstrate the growing concern of employee retention in Microfinance Institutions. At the same time, employee retention in these Institutions has faced serious challenges following increased technological growth and advancement of firms. The turnover of employees has been increasing and this occurrence has undermined effective and efficient service delivery, raising concern on the effectiveness of employee commitment and retention policies within these firms (Kamau, 2018).

In spite of the expected linkage between selected human resource development practices and employee retention, while several empirical studies have been done to examine the effect of selected human resource development practices on employee retention few studies have been conducted to examine the relationship between career development and learning and development in corporate institutions and industries (Manthi et al., 2018). Literature identifies career development and learning and development as important human resource development practices in enhancing and influencing employee retention (Brown et al., 2017; Rodriguez & Smith, 2018). However, scanty empirical attention has focused on effect of career development and learning and development on employee retention, particularly in Kenya. This study therefore sought to fill this knowledge gap by focusing on the effect of

selected human resource development practices specifically career development and learning and development on employee retention in deposit taking microfinance institutions in Nairobi County.

### **1.3 Objectives of the Study**

The general objective of this study was to establish the effect of selected human resource development practices on employee retention in Deposit Taking Microfinance Institution's in Nairobi County. The specific objectives of the study were to:

- i. Determine the effect of career development on employee retention.
- ii. Establish the effect of learning and development on employee retention.
- iii. Establish the joint effect of selected human resource development practices (career development and learning and development) on employee retention.

### **1.4 Research Hypotheses**

The hypotheses of the study were as follows:

H<sub>01</sub>: Career development does not have significant effect on employee retention.

H<sub>02</sub>: Learning and development does not have significant effect on employee retention.

H<sub>03</sub>: The joint effect of the selected human resource development practices (Career development and learning and development) does not have significant effect on employee retention.

### **1.5 Significance of the Study**

This research aimed at establishing the effect of selected human resource development practices on employee retention. Africa Union Agenda 2063 places a strong emphasis on fostering sustainable development throughout Africa. High employee turnover can be wasteful and negatively impact an institution's environmental footprint. Effective HR practices that enhance retention can promote sustainability by reducing resource wastage associated with recruitment and training. The study findings will highlight effective HR practices for retaining talent in microfinance institutions which aligns with Agenda 2063's emphasis on investing in human capital and skills development as key drivers of economic growth and development in Africa.

The study findings can inform policies and practices that support the social and economic transformation of Africa, which is at the heart of Agenda 2063. Stable, well-managed

microfinance institutions are a part of the broader ecosystem that can drive this transformation.

This study has the potential to make a substantial contribution to sustainable development and the realization of Kenya's Vision 2030 by fostering economic growth through the provision of credit and financial services, facilitated by a stable and motivated workforce. The negative consequences of high employee turnover and dissatisfaction, such as resource inefficiency in recruitment and training, can be mitigated by identifying effective human resource development practices that enhance employee retention. Such practices, when implemented by microfinance institutions, can lead to the adoption of more sustainable business approaches, resulting in reduced environmental impact and alignment with sustainability objectives. Furthermore, this research offers valuable insights into the alignment of human resource development practices with the goals of Vision 2030, particularly within the financial sector.

The findings of this study might enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. The research may also provide basis for further research.

### **1.6 Scope of the Study**

The intent of the study was to investigate the effect of selected human resource development practices namely, career development and learning and development on employee retention in deposit taking microfinance institutions in Nairobi County. The scope of this study comprised of twelve (12) licensed deposit taking microfinance institutions approved by Central Bank of Kenya as at March 2018. This study focused only on those that are located at the head office within Nairobi County. The independent variables of the study were career development and learning and development while the dependent variable was Employee retention. The target population of the study consisted of all 320 employees of the 12 licensed deposit taking Microfinance Institutions based in Nairobi County as obtained from the human resource departments of each institution. The study was conducted during the period of May

2021 to December 2021, presentation, correction was conducted during the period January 2022 to December 2022 and submission in August 2023.

### **1.7 Limitations of the Study**

The study had several limitations. There was lack of willingness to provide information due to confidentiality protocols of the institution's legal framework. To minimize this, the researcher sensitized the respondents on the objectives of the study in advance before issuing the questionnaires to get them acquainted. The researcher further created a rapport with the respondents and submitted the authorization letter to collect data well in advance.

Secondly, data was collected using questionnaires thus giving rise to potential complications in the form of response bias, as respondents could have resorted to providing socially desirable answers or misinterpret the nature of the questionnaire. Thirdly, the study was based on cross-sectional research design whereby data was collected at one point in time. This means that the study was unable to establish the long-term effect of selected human resource development practices on employee retention. This means that future studies should consider using longitudinal research design.

Finally, in some of the deposit taking microfinance institutions, the HR departments or managers had the final say as to whether they could participate in the survey or not. This problem to some extent delayed the fieldwork but eventually other managers were contacted to replace those who rescinded.

### **1.8 Assumptions of the Study**

The study assumed that deposit-taking microfinance institutions in Nairobi County, Kenya were experiencing a problem of employee retention. Secondly, the study assumed that human resource development practices (Career Development and Learning and Development) contribute to a reduction in employee attrition. Thirdly, the study assumed that the respondents from the deposit taking micro-finance institutions understood the questions and responded truthfully. Lastly, the study also assumed that the sample size of the study was a good representation of the population that would enable the study to make inferences.

## 1.9 Operational Definition of Terms

**Career Development:** This is a lifelong ongoing process of developing an individual interests and capabilities to transition to the career path chosen for a preferred future.

**Deposit taking micro-finance Banks:** This is an institution that offers financial services such as credit, savings, insurance, foreign exchange transactions and money transfer services to poor, low income households and Small and Micro Enterprises (SMEs) who do not qualify for and lack access to capital from other financial institutions.

**Employee Retention:** This refers to the initiatives taken by management to keep employees from leaving the organization, such as rewarding employees for performing their jobs effectively, ensuring harmonious working relations between employees and managers, and maintaining a safe, healthy work environment. This is conceptualized as job satisfaction and intent to leave in the study

**Learning and Development:** This is a continuous process of encouraging the professional development of employees in an organization. It involves analyzing skills gaps in the organization and designing training programs that empower employees with specific knowledge and skills that drive increased performance.

**Formal Microfinance:** A formal microfinance financial institution is an institution that operates under a regulated and legal framework, offering quite several financial services which are include savings, insurance, loans and payment services to individuals, micro, small, and medium-sized companies and other customers.

**Informal Microfinance:** Informal microfinance financial institution are institution's that operate outside the formal regulatory framework. This includes community-based groups and other money lenders.

**Human Resource Management:** Human resource management refers to an organization's strategic and deliberate approach to effectively manage its most essential asset: its workforce, or employees.

**Human Resource Practices:** Human Resource Practices, often known as HR Practices, are the particular rules, processes, and activities that organizations employ within their Human Resource Management framework.

**Human Resource Development Practices:** Human Resource Development (HRD) practices encompass systematic efforts to enhance employees' skills, knowledge, and performance, fostering organizational growth. This includes learning and development, career development, performance management, and talent management, aligning individual capabilities with organizational objectives for sustained success.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the theoretical perspectives of the study. It also discusses the nature of these interrelationships among variables, focusing on how selected human resource development practices affect employee retention and presents a conceptual framework.

#### **2.2 Theoretical Perspective**

In examining the relationship between human resource development practices and employee retention, the study was guided by two theories: Social cognitive theory and Herzberg's motivation-hygiene theory.

##### **2.2.1 Social Cognitive Theory**

Albert Bandura's Social Cognitive Theory, introduced in 1986, explores the intricate interplay among individual characteristics, external influences, and behaviour. This theory asserts that human development and learning involve a continuous process characterized by observation, emulation, and feedback. In essence, Bandura's framework suggests that people acquire and refine their behaviours by observing others, regulating their own actions, and adjusting their conduct in response to perceived outcomes. A central assumption of this theory underscores the significance of cognitive mechanisms, including self-efficacy and self-control, in interpreting the mechanisms by which individuals acquire unique competencies, knowledge, and behaviours (Bandura, 1986).

Albert Bandura's Social Cognitive Theory consists of several fundamental components which describe how human beings develop and change their behaviour through interactions with others and cognitive processes (Bandura, 2011). According to Wenger (2009), the components of this theory include observational learning which is sometimes known as modelling or imitation. Individuals learn new skills, information, and behaviours through observation and imitation of the conduct and behaviours of others, particularly role models and colleagues. This process includes paying attention to the model's operations, memorizing what is observed, duplicating the behaviour when necessary, as well as being motivated to do so. Observational learning is important in many facets of human development, including language, adopting new behavior, habits and social skills acquisition.

The other fundamental component is social cognitive theory which considers self-efficacy as strategic significance aspect of an individual in how they can master a skill. According to Bandura (2001), self-efficacy is a personal belief for one's capability to organize and execute an action. Self-efficacy impacts a person's decisions, motivation, and tenacity in the face of adversity. Individuals with strong self-efficacy are more likely to set challenging goals, work hard to achieve them, and recover from setbacks. Bandura's theory emphasizes how prior experiences, social persuasion, emotional states, and one's own physiological and emotional reactions influence self-efficacy.

The social cognitive theory proponents argue that it can be difficult to measure in terms of quantity, the effect that social cognition has on development. Similarly, individuals with low self-efficacy are likely to have low self-esteem which results to them avoiding tasks that are challenging. It is further argued that it's not the experiences neither the skills that outline academic and career choices but personal efficacy beliefs. Social cognitive theory further argues that people are likely to become interested to pursue and perform better at activities which they have strong self-efficacy beliefs, as long as they also have necessary skills and environmental support to pursue these activities. Self-efficacy beliefs are assumed to derive from four primary sources of information: personal performance accomplishments, vicarious, social persuasion, and physiological and emotional states. Personal accomplishments are assumed to offer a particularly compelling source of efficacy information, but the nature of the social models and reinforcing messages to which one is exposed, and the types of physiological states one experiences while engaged tasks, can all affect one's self-efficacy regarding different performance domains (Brown & Lent, 2016).

This theory associated individual failure to insufficient skill and knowledge which are deemed as acquirable. It is therefore imperative to provide customized learning and development opportunities to the employees. The theory suggests that career behaviour is driven by self-efficacy or belief in the ability to accomplish something worthwhile. The degree of achievement depends on the outcome expectations or the idea that initiating a behaviour will yield to desired results. It is anticipated that if employees feel supported and their goals and career advancement investigated, their intention to stay with their employer will be higher (Lent et al., 2017).

### **2.2.2 Herzberg's Motivation-Hygiene Theory**

Herzberg Two Factor Theory also known as the Motivator Hygiene Theory was developed by Fredrick Herzberg a behavioural scientist in 1959 (Herzberg, 2005). Based on research conducted through in depth interviews with 203 engineers and accountants, concerning the times of positive and negative feeling in regard to their jobs, Herzberg's study concluded by dividing behaviour driven factors to two categories namely; motivating factors and hygiene factors (Herzberg, 2005).

Hygiene factors are those factors that do not necessarily lead to positive satisfaction for a long term but will result to dissatisfaction if they are not met. These are physiological needs that employees expect them to be fulfilled and describe work environment. Examples of hygiene factors include pay, company policies, fringe benefits, working conditions, job security among others (Herzberg, 2005). Motivating factors on the other hand yield positive satisfaction and motivate employees to give good performances as employees find these factors intrinsically rewarding. Motivators are considered to be additional physiological needs that benefit employees and lead to employee satisfaction like recognition, achievement, personal growth and career advancement to higher levels (Herzberg, 2005).

According to Herzberg's Two-Factor Theory, career development and learning and development constitute key motivators for job satisfaction and retention. Employees can advance in their careers within the organization, take on diverse responsibilities and achieve personal growth through career development. These opportunities generate a sense of success and growth by tapping into an individual's inner motivation. Learning and development activities, which involves training initiatives and skill-building opportunities, also correlate with motivators by enabling workers to improve their skill sets and contribute more effectively to their responsibilities. Employees are more engaged, fulfilled, and devoted to their employment when organizations prioritize these motivators (Herzberg, 2005).

According, to Herzberg's theory, when employees have potential for career progression, skill development, and personal improvement they are more likely to be content and inspired at work. These elements are seen to be inherent to the profession and contribute to an environment that is positive. The theory emphasizes on job growth which can be achieved through training, promotional opportunities, and employee recognition. It is important to trust

employees' use of skills and competences to hold themselves responsible but also participate in organizational achievements (Herzberg, 2005).

Herzberg's two-factor theory relates to this study as it emphasizes the dual nature of the factors that influence job satisfaction and job dissatisfaction. In this study, Herzberg's theory aligns with our goal of understanding the impact of career development and learning opportunities on employee retention. The motivational aspect of the theory sheds light on how career development initiatives can contribute to higher retention rates because employees are more likely to stay when their needs for growth and recognition are met (Herzberg, 2005). This theory is relevant to the study since it emphasizes job-enrichment which involves skill development and career advancement opportunities to motivate the employees to retain them. The job must utilize the employee's skills and competencies to the maximum. Focusing on motivators factors can improve work-quality hence retention and reduction in turnover rates (Herzberg et al., 2011). It is anticipated that the application of human resource development practices such as career development and learning and development in the longer term, increases the value of organization's human assets. Above all, it can lead to greater staff satisfaction, understanding and loyalty (Basset et al., 2019).

### **2.3 Selected Human Resource Development Practices and Employee Retention**

Literature suggests that there is a relationship between human resource development practices and employee retention. Employee retention stands as a paramount concern for organizations aiming to sustain a skilled and motivated workforce. Within this context, Human Resource Development (HRD) practices emerge as influential determinants in shaping employee retention rates. Numerous HRD practices have gained recognition for their substantial impact on employee retention. These include providing targeted learning and development initiatives to enhance employee skills and job engagement, establishing clear paths for career development and advancement, and fostering a culture of continuous learning. Effective performance management systems, integral to HRD, contribute to employee satisfaction and competence (Swanson & Holton, 2009; Werner & DeSimone, 2019).

Additionally, HRD practices promote a harmonious work-life balance by addressing individual needs and aspirations. Nurturing a supportive organizational culture, another key element of HRD, cultivates employee engagement and contentment. Each of these HRD

practices contributes to fostering an environment where employees not only feel valued and respected but also intrinsically motivated to remain committed to their current employer. According to Mwanzi et al. (2017) given the pressing challenges posed by employee turnover, research into the relationship between HRD practices and employee retention has garnered increasing attention. This insight holds immense value for Human Resources professionals and organizational leaders who seek to develop and implement effective retention strategies. Organizations may adeptly modify their methods to suit employee expectations and demands by understanding the hidden correlation between HRD practices and the possibility of employees staying or exiting. As a result, businesses may improve their ability to retain key employees, reduce turnover costs, and map a route for long-term success.

### **2.3.1 Career Development and Employee Retention**

In this age of globalization where talent and brain power are becoming predominant, managing career has become imperative for business success. The concept of career development has gained strategic importance in human resource management since talent can make a significant difference to the current and future performance of an organization. Research indicates that the war of talent has become intense due to labour market shortages and glowing global competition.

Amdany (2017) sought to find the perceived effect of career development practices on employee retention at Safaricom Call Centres in Kenya. The study drew upon Herzberg's dual-factor theory and Vroom's expectancy theory. The study targeted 2400 call centre staff in three Safaricom call centres and found that career development practices significantly impact employee retention. The study recommended that Safaricom should focus on creating more growth opportunities for call centre staff to improve retention. However, the conclusion specified that it's important to note that these findings are specific to Safaricom call centres and can't be generalized to the entire company or other organizations with call centres. Further research is encouraged to validate the effects of career development practices in another sector.

Mbogo (2017) investigated the factors contributing to staff turnover within microfinance institutions, focusing on Bimas Kenya Ltd. The specific objectives encompassed assessing the impact of remuneration implementation, working conditions, career development policies, and employee motivation on staff turnover at Bimas Kenya Ltd. The study's findings indicated that remuneration, working conditions, career development, and employee

motivation significantly influenced staff turnover. Consequently, it is recommended that Bimas Ltd enhances its policies related to remuneration, working conditions, career development, and employee motivation to mitigate staff turnover.

Manthi et al. (2018) study examined the relationship between Human Resource Management (HRM) practices and tutor turnover intentions in Primary Teacher Training Colleges (PTTCs) within the Nairobi Metropolitan region of Kenya. The study found that HRM practices, including training, compensation, career development, and performance management, were inadequately implemented within PTTCs. Notably, these practices collectively had a significant negative impact on tutor turnover intentions, explaining approximately 28% of the variance in such intentions among the surveyed tutors. In essence, the study underscores the need for improved HRM practices in PTTCs to mitigate tutor turnover and enhance institutional stability and performance.

Itotia (2015) sought to assess employee motivational strategies within Kenya Women Finance Trust, a deposit-taking microfinance institution. The research specifically investigated the impacts of achievement, recognition, interest in the job, and career advancement on employee motivation at KWFT. Using a descriptive research design in the form of a survey, the study surveyed 36 Business Development Officers across KWFT branches in Nairobi Central, Nairobi West, and the Headquarters, employing a census method for selection. The study found that career advancement had the greatest impact on employee motivation, followed by achievement, interest in the job, and recognition for achievement. Consequently, the study recommended setting achievable goals, competitive compensation, fostering interest in the job, building a positive corporate culture, and implementing proactive career development programs to motivate employees effectively within microfinance organizations.

The war of talent between organizations is also supported by a study by Karemu et al. (2014), on critical analysis of career management on medical employee's retention in public hospitals in Kenya. The studied variables were career development, compensation and benefits attractiveness, nature of work climate and levels of learning and development. The data obtained from the study indicated that human resources practices impact positively on the retention of doctors and nurses at Kenyatta national hospital in Kenya. The data obtained

indicated that availability of career development opportunities showed the highest significant relationship with retention ( $\beta = 0.614$ ,  $p\text{-value} = 0.019$ ). A unit increase in career development opportunities would lead to effects in retention of which the findings of the current study shows career development playing the greatest role in employee retention and talent management.

Makworo and Abok (2014) investigated factors affecting employee retention in State Corporations in Kenya. The regression coefficients of the study indicated that recruitment and selection, learning and development and compensation have positive and statistically significant effect in employee retention at Kenya power and lighting company in Kenya. The study found out that factors such as organizational culture, reward, career development and workforce environment significantly affect implementation of employee retention within the organization. This was, however, a case study which studied only one organization hence suffers from the problem of lack of generalization.

Al-sharafi et al. (2018) investigated the effects of non-monetary practices, training and career development on employees' retention in organizations within the telecommunication sector in Yemen. Using a sample of 100 non-managerial employees in the four (4) Yemeni telecommunication organizations, results indicated that training has a positive impact on the employees' satisfaction and retention. Further, results showed that career development had no relationship with employees' satisfaction or retention.

Mensah (2014) explored on the effects of HRM practices on retention of employees in the banking industry in Accra Ghana. The results of this research underscore the significance of certain HRM practices, including compensation, career management, work-life balance, and employee engagement, in their pivotal role for employees and their influence on employee retention within the banking sector. It is noteworthy that, although work-life balance and employee engagement are recent inclusions in the HRM research landscape, they both emerge as strong predictors of employee retention. Surprisingly, findings revealed that career management did not have a significant influence on employee retention. Additionally, findings indicated that job satisfaction does not moderate the relationship between HRM practices and employee retention. The recommendations were that future investigations

should consider employing mixed methods to gain deeper insights into specific HRD practices, particularly from the perspective of HR managers within the banking industry.

According to Rose and Raja (2016), sufficient human resources practices lead to employee job contentment which in return increase their obligation towards the organization, and hence affecting retaining of employees. Organizations should always keep motivating their employees, providing them with their training needs, coaching and guiding them with respect to their accomplishment which boosts their self-esteem. Weer and Greenhaus (2017) denoted that perceived career success and organization ability makes employees stay in their jobs. Personal and professional growth is a determining factor of retention and promotion opportunities increases employee commitment to stay which narrows down to the personality of the employee willingness to progress. Wangechi et al. (2018) discovered a direct correlation between job resignation and issues related to career development. Muma et al. (2019) investigated the influence of career development strategies on retention of employees in universities and correspondingly observed direct relationship between career development opportunities and retention.

### **2.3.2 Learning and Development and Employee Retention**

The available literature reveals that organizations have focused on learning and development and understand that talent management is aligned to the employees with the mission and vision of the organization which ends up with better results to the organization and enhanced employee retention. This view is shared by Pandita and Ray (2018), who studied talent management and employee engagement impact on talent retention and concluded that the most effective tools in ensuring employees remain engaged and committed to their work is talent management which enhances employee retention. Any employer's foremost responsibility is retention of the best employees, and this can be achieved by managing employee well to keep them satisfied and motivated. He recommends that to attract and retain the best talent anywhere in the world, an organization must have strategies for managing employees to achieve competitive advantage. This view is also supported by a study by Karemu et al. (2014), on critical analysis of career management on medical employee's retention in public hospitals in Kenya, which indicated that Human Resources strategies impacts positively on the retention of doctors and nurses at Kenyatta National hospital in Kenya.

Sandamali et al. (2018) investigated the Relationship between Training and Development and Employee Performance of Executive Level Employees in Apparel Organizations. The research study endeavoured to identify the relationship between learning and development initiatives and the performance of executive-level personnel employed within the apparel sector in Sri Lanka. The sample size comprised of 150 executive-level employees. The findings of this study unveiled a significant positive correlation between training and development efforts and the performance levels exhibited by executive-level employees. Building upon these insights, it was recommended that organizations institute a rigorous and logically sound mechanism for identifying employees who should actively participate in learning and development programs.

A study conducted by Nganga (2019), investigated the effect of HRM practices on employee retention in the microfinance sector. The results indicated that Microfinance Institutions can elevate employee job satisfaction and tenure by prioritizing learning and development and growth initiatives, thereby equipping staff with necessary competencies and expertise relevant to their individual responsibilities. Additionally, employees who perceived greater support from their organizations in these areas were more likely to stay with the institution. Therefore, the study recommended that enhancements in Human Resource Development strategies related to training and development, compensation, and work-life balance should be implemented. The study might not have accounted for other factors or variables that could influence employee retention, such as individual characteristics, external market conditions, or organizational changes presenting lack of control for confounding variables gap. This study adopted individual factors as the moderating variable.

Rono (2017) investigated the factors influencing employee retention within the University of Eldoret. The specific objectives focused on assessing the impact of compensation on employee retention, guided by Maslow's Hierarchy of Needs theory, Equity theory, and Herzberg's theory. A descriptive research design was employed for this study, which was conducted at the University of Eldoret in Uasin Gishu County. The target population consisted of 1500 respondents from various management levels within the university. The study's findings revealed a significant relationship between compensation and employee retention. Based on these findings, the recommendations were made that the university should improve compensation policies to enhance employee retention, offer comprehensive

learning and development opportunities, establish regular training programs, and encourage further research in different industries and educational institutions to broaden our understanding of employee retention factors.

Mbugua et al. (2014) centred on investigating the connection between strategic human resource management (HRM) practices and employee retention within commercial banks in Kenya. The research aimed to explore how strategic HRM practices influenced employee retention in this context, specifically focusing on the relationship between strategic recruitment, strategic training, strategic performance management, and employee retention. A census was conducted among 44 commercial banks in Kenya holding operating licenses from the Central Bank of Kenya. The findings highlighted the significance of strategic HRM practices in retaining key talent and enhancing competitiveness. The study recommendations included adopting strategic recruitment, learning and development, and performance management practices to improve employee retention, ultimately reducing recruitment costs and retaining valuable talent vital for organizational competitiveness within the financial sector.

Fahim (2019) focused on exploring the utilization of strategic human resource management (SHRM) practices within the public sector, with a specific emphasis on the factors influencing employee retention. The empirical study centred on investigating the SHRM-retention relationship, particularly within the context of the National Bank of Egypt (NBE). The findings revealed that to effectively retain key employees in public organizations, there is a need to establish a shared understanding of expectations between the government (employer) and civil servants (employees). This should be coupled with the formulation of motivational policies and conducive work conditions that address both intrinsic and extrinsic needs of employees. HRD strategies in the public sector should prioritize several key aspects, including setting clear expectations and policies, offering meaningful workloads without overwhelming employees, ensuring respect and fairness in treatment, investing in employees' learning and development growth needs, providing a benefits package aligned with their needs, and fostering a culture of transparent and open communication.

Onah and Anikwe (2016) analyzed the task of attraction and retention of Academic staff in Nigeria universities and found that employers are concerned about worker retention because

of the consequences of excessive staff turnover. The recommendation provided was that attraction and retention of academic staff in Nigerian universities must be managed, and several factors have been identified as having an impact on staff attraction and retention, including remuneration, learning and development, enhanced career opportunities, improved work environment, performance management, and so on.

Research carried out by Alicja (2007), to examine the status of human resource practice in Polish companies practice indicated that over 50% of the companies' diagnosed problems of career and retention management. More than 25% of the respondents pointed out that retention is addressed and resolved on ad-hoc basis while another 25% of the companies are in the process of developing a human resource strategy. In addition, learning and development practices used by organizations may have an effect, direct or indirect on both Job satisfaction and employee retention. In business world, employee's skills which are necessary to do their job are only possible through learning. Most of the companies train their employees in such a manner that would help them to sustain throughout their careers. Strategically, organizational learning, which makes use of learning and development as one of the several responses, deals with the acquisition of understanding, know-how, techniques and practices. These intellectual intangibles can be translated into an organizational resource through the people that acquire, infer and utilize such towards the achievement of the organization-wide training and development (Armstrong, 2010).

Fletcher and Robison (2016) established the relationship between Perceived Training and Development and Employee Retention and concluded that there exists a positive link between perceived learning and Development and the intention to remain in a job. This relationship is fully explained by three distinct work attitudes: job satisfaction, employee engagement, and anxiety related to change. Drawing from Russell's model of core affect, the study highlights that perceived learning and development influences the intention to stay through positive work attitudes that motivate and energize employees, rather than through negative attitudes that harm their well-being. The study recommends that future research exploring the connection between perceived HRM practices and employee outcomes should delve deeper into a broader spectrum of attitudes to comprehensively understand the mechanisms underlying these relationships with employee attitudes and behaviours.

Learning and development are planned learning experiences which teach employees how to perform current and future jobs more effectively. In the reviewed literature, the management often designs and administers career programmes that enable employees who work in different job groups to match their interests and capabilities with current and future organizational opportunities and changes; efforts that can motivate employees to maintain and support organizational strategy (Weer & Greenhaus, 2017). It is however not for the employees to match their interest to the job, but the management has the obligation to match. The organization is the one to ensure that based on the talent and the capabilities of the employees that they are given the task and the assignments that they are able to excel in.

Learning and development is a key retention factor for employees at any age. Statistical evidence indicates job training is a critical factor for personal (behavioural) and professional (technical) development (Subramony et al., 2018). Training benefits (tangible or intangible) correlate with higher levels of consistency, competency, productivity, adaptability, independence, and loyalty in employees at any age (Qudah et al., 2018). According to Bashir and Long (2015), employees committed to learning showed a higher level of job satisfaction with a positive effect on employee retention. It could also be possible that the commitment of those who are good at learning is due to the joy derived from exploration. In the literature, according to Konings and Vanormelingen (2015), training has been an important variable in increasing organizational productivity and is a fundamental and effectual instrument in successful accomplishment of the firm's goals and objectives, resulting in retaining employees. Every manager knows that high turnover results in cost, however, not many of them know exactly the amount it costs the organization in given period. To calculate and communicate the numbers to executives and managers brings two benefits: the figures can be used effectively to build retention momentum, and the retention issues become more tangible and easier to measure (Muyia et al., 2018).

Too and Kaswira (2018) examined the perception of learning and development by employees as a retention strategy at Kenya Power Company. Findings showed a significant linear relationship between learning and development and employee retention. The study recommended that Kenya Power as an Organization should adopt learning and development as a human resource practice as it increases the level of employee retention. This practice would further foster the employee's professional growth and development.

Ogolo (2018) conducted an analysis of talent management strategies and its influence on the performance of non-governmental organizations in Kenya. The research revealed that non-governmental organizations (NGOs) operating in Kenya are adopting a range of measures to effectively acquire, train, retain, and engage talented individuals to fulfil their organizational goals. These strategies encompass establishing a favourable organizational reputation to attract suitable candidates, employing a combination of formal training and on-the-job learning, implementing flexible work arrangements and competitive compensation packages for employee retention, and fostering leadership engagement and effective communication to enhance employee retention.

Mitambo and Ndemo (2016) study aimed to explore employee perspectives on talent management strategies and staff retention within Deloitte & Touche, Kenya. Findings indicated that remuneration, training and career development, organizational culture, and reward and recognition are all significantly and positively linked to staff retention. When organizations prioritize and execute HRD strategies that encompass career development and learning and development opportunities, they create an environment where employees perceive their professional growth as intertwined with the organization's success (Pandya, 2017). This positive correlation also signifies the potential for organizations to benefit economically from their HRD investments. Reduced employee turnover means decreased recruitment and training costs, as well as the preservation of institutional knowledge and expertise within the organization. Moreover, it fosters a more stable and experienced workforce, which can contribute to enhanced productivity and competitiveness. The empirical investigation of this positive relationship in this study holds the potential to offer valuable insights and empirical evidence supporting the hypothesis (Chukwuka & Nwakoby, 2018).

#### **2.4 Summary of Literature and Knowledge Gaps**

Reviewed literature in this study involves the theoretical framework, empirical review and the conceptual framework. The empirical review literature highlights several empirical gaps in the literature concerning employee retention. While there is substantial emphasis on the significance of talent management and its influence on employee retention in various sectors, the literature lacks a comprehensive understanding of how talent management strategies may

need to be tailored to different industries and organizational settings. Furthermore, the studies focused on specific organizations or sectors, making it challenging to generalize findings across industries (Manthi et al., 2018; Mbogo, 2017; Pandita & Ray, 2018).

Within this context, the researchers only explored the impact of remuneration, learning and development, and career development on employee retention. However, there was lack of a unified framework that integrates these factors into a holistic approach for employee retention. The existing literature treats these factors in isolation, and a comprehensive model that considers their interplay and relative importance in different contexts remains underexplored (Itotia, 2015; Karemu et al., 2014; Makworo & Abok, 2014).

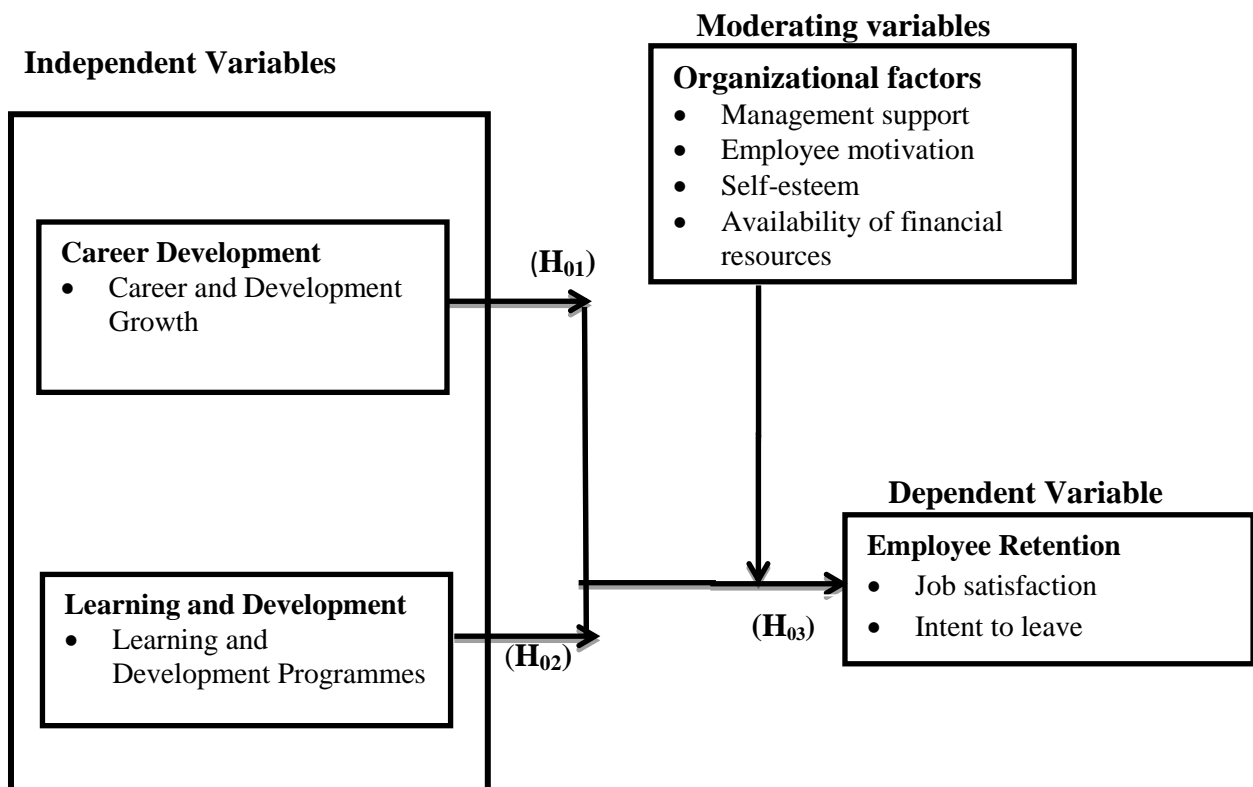
Additionally, there is a notable emphasis on the role of HRM practices, particularly those related to learning and development, as a key driver of employee retention. However, there is limited understanding of how these practices should be effectively designed, implemented, and managed to enhance employee retention, especially in various cultural and organizational contexts (Alicja, 2007; Nganga, 2019; Sandamali et al., 2018). The studies offer valuable insights into the significance of factors like remuneration, performance, compensation and benefits and other HRD practices, yet they exclude the need for more comprehensive research that considers industry-specific nuances which include career development and learning and development that provides practical guidance for effective HRM practices in diverse settings (Alicja, 2007; Nganga, 2019; Sandamali et al., 2018).

The conclusion that may be drawn from the reviewed literature is that the existing information around career development, learning and development and employee retention is inconclusive thereby presenting a gray area which this study attempted to fill. A limited number of academicians and researchers have looked at the relationship between career development and employee retention, but the results have shown significant, insignificant or no relationship. Further, on the relationship between learning and development and employee retention, research has shown mixed results. Hence there is need to continue with research endeavors, particularly in deposit taking microfinance institutions in an attempt to obtain concrete evidence on the effect of selected human resource development practices and employee retention. This study will focus on these gaps with a view to making a contribution

to the employee retention in the deposit taking microfinance institutions which will be a great contribution to research, scholars and academicians' world.

## 2.5 Conceptual Framework

In this study, the independent variable is selected human resource development practices; while the dependent variable is employee retention. The variables and their relationship is presented in Figure 2.1.



**Figure 2.1: Relationship between Selected Human Resource Development Practices and Employee Retention**

As shown in Figure 2.1, there exists a relationship between selected human resource development practices and employee retention in the study. Sawaneh and Kamara (2019) discusses how HR development practices, such as training and development, can contribute to employee skill enhancement and job satisfaction, which are critical factors influencing retention, hence retaining a high-quality workforce.

In the context of this study, a positive relationship is expected to exist between career development and learning and development opportunities, and the retention of employees within organizations. This anticipated positive relationship implies that when organizations proactively invest in and implement robust HRD practices, they are likely to experience higher levels of employee retention. This expected outcome aligns with the understanding that employees who benefit from clear career trajectories and have access to opportunities for skill enhancement and personal growth tend to exhibit higher levels of job satisfaction. Consequently, they are more inclined to remain committed to their current organization, reducing the turnover rate.

The study acknowledges that the relationship between selected human resource development practices and employee retention is likely to be influenced by extraneous variables which are variables that will not be studied. Support from management is critical in ensuring good relationships between employees and management. Supportive managers will encourage employee training and career development resulting in high retention while unsupportive managers will not provide support for employee training and career development plans resulting in high turnover rates. As a result, it is expected that employees who have more self-esteem are typically happier and, in return, loyal to the company. Thus, workers with high self-esteem will be more confident in asking for career development and learning opportunities, unlike low self-esteem who will not have the confidence to ask for training and career development resulting in career stagnation which will negatively affect their retention and job satisfaction. The study has also identified availability of financial resources as likely to influence the outcome of relationship between selected human resource development practices and employee retention. Availability of financial resources means that the organisation is able to provide employees with training and career development opportunities resulting in high job satisfaction and retention.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the methodology applied in the study and how data for the study was gathered and analyzed. It indicates the research design, target population, sample size, reliability and validity, pilot study, data collection procedures, data analysis and presentation.

#### **3.2 Research Design**

This study adopted explanatory research design to determine the effect of selected human resource development practices and employee retention a case of deposit taking microfinance institutions. According to Creswell and Poth (2016), explanatory study design is a research approach that focuses on investigating cause-and-effect correlations between variables. It seeks to clarify and explain observed events by identifying and understanding the fundamental components and mechanisms that cause them. This strategy is very effective when researchers are trying to figure out why specific patterns or results in their study occur. Explanatory research frequently involves descriptive or exploratory research that uncovers patterns or correlations and then attempts to explain why those patterns or relationships exist. The explanatory research design method was appropriate for this study because it investigates and describes the effect between career development and learning and development and employee retention. The design was chosen for this study due to its ability to ensure minimization of bias and maximization of reliability of evidence collected (Levin, 2006). The study seeks to clarify how career development and learning and development affect employee retention in microfinance institutions in Kenya.

#### **3.3 Target Population**

The study targeted 12 licensed deposit taking microfinance institutions as of December 2018. According to Central Bank of Kenya data as at December 2018 there were only 12 licensed deposit taking Microfinance Institutions (see Appendix II). The unit of analysis was the employee, hence the targeted population comprised of employees of all the microfinance institutions at their head office within Nairobi Central Business District. The target population was 320 employees which were obtained from the Human Resource Departments of the microfinance institutions.

The target population of the employees in microfinance institutions based at headquarters in Nairobi County are as shown in Table 3.1.

**Table 3.1: Target Population by deposit taking microfinance institution**

	<b>Faulu</b>	<b>KWF</b>	<b>Remu</b>	<b>Rafiki</b>	<b>Centu</b>	<b>Uwezo</b>	<b>Suma</b>	<b>U &amp; I</b>	<b>SMEP</b>	<b>Carita</b>	<b>Daraj</b>	<b>Choic</b>	<b>Totals</b>
Legal	2	2	2	2	2	2	2	2	2	2	2	2	<b>24</b>
Credit	2	2	2	2	2	2	2	2	2	2	2	3	<b>25</b>
Operations	3	3	3	3	3	3	3	3	3	3	3	3	<b>36</b>
Customer Service	3	3	3	3	3	3	2	3	3	2	3	3	<b>34</b>
Finance & Accounts	2	2	2	2	2	2	2	3	2	2	2	2	<b>25</b>
Administration	2	2	2	2	2	2	2	2	2	2	2	2	<b>24</b>
ICT	2	2	2	2	2	2	2	2	2	2	2	2	<b>24</b>
Sales & Marketing	3	3	3	3	3	3	3	3	3	3	3	3	<b>36</b>
Audit	1	1	1	1	1	1	1	1	1	1	1	1	<b>12</b>
Human Resources	2	2	2	2	2	2	2	2	2	2	2	2	<b>24</b>
Senior Managers	1	1	1	1	1	1	1	1	1	1	1	1	<b>12</b>
Support staff	5	6	3	4	3	3	3	4	3	3	3	4	<b>44</b>
<b>Totals</b>	<b>28</b>	<b>29</b>	<b>26</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>25</b>	<b>27</b>	<b>28</b>	<b>25</b>	<b>26</b>	<b>28</b>	<b>320</b>

### 3.4 Sample Design

The research used a census of the 12 licensed deposit taking Microfinance Institutions in Nairobi County. The study used stratified random sampling techniques to select employees from each deposit taking Microfinance Institutions. The study sample size was analysed using statistical formula by Yamane (1967) as shown below.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= Sample size to be studied

N = the population size (320)

e = at 95% confidence level is 0.05

Here;

$$n = \frac{320}{1 + 320 (0.05)^2}$$

$$n = 177$$

Substituting these figures into the formulae gives a sample size of 177 employees. The sample units were selected from the various deposit taking microfinance institutions within the head office in Nairobi County. To ensure each department was represented in the study sample, proportionate stratified sampling was used to determine the sub-sample size of the employees as per deposit taking microfinance institution using the formula by Lohr (1999) as follows:

$$s = XS/P$$

Where:

s= Sub-sample size for each deposit taking microfinance institutions

X=Population of employees in each deposit taking microfinance institutions

S= Total sample size for the study

P= Total population of employees in all the 12 deposit taking microfinance institutions

For example, Faulu:  $28/320 \times 177 = 16$  employees

Substitution the value in the above formula presents a distribution of the sub-sample size as shown in table 3.2 below.

**Table 3.2: Distribution of Population and Sample size**

<b>Microfinance Institution</b>	<b>Population</b>	<b>Sample</b>
Faulu	28	16
KWFT	29	16
Remu	26	14
Rafiki	27	15
Century	26	14
Uwezo	26	14
Sumac	25	14
U & I	28	16
SMEP	26	14
Caritos	25	14
Daraja	26	14
Choice	28	16
<b>Totals</b>	<b>320</b>	<b>177</b>

The researcher used systematic random sampling method, to select the sample units from each stratum. Prior to the administration of the questionnaires, the researcher requested the Human Resource managers of each deposit taking microfinance institution for the list of employees in different cadres and then picked every  $n$ th employee until the sample size was filled.

### **3.5 Data Collection**

Primary data was collected using a structured questionnaire. The questionnaire contained closed- ended questions to collect data regarding the profiles of the respondents and study variables. A five-point Likert scale was used whereby employees for all the institutions were required to indicate the extent to which the statements representing variables applied to their Institutions. The questionnaire was issued by hand delivery and an introduction letter detailing the essence of the data collection with assistance from research assistants.

### **3.6 Measurement of Variables**

Career development was measured using the conceptualization of Mensah (2014), in terms of career and development growth while learning and development was measured using adequacy of learning and development programmes and skill development opportunities

adopted from Onah and Anikwe (2016) and Fletcher and Robison (2016). The dependent variable, employee retention was measured using job satisfaction and intention to leave which had 8 items adopted from Mensah, (2014) and Allen et al. (2010). Data was collected using a five-point Likert scale ranging from 1 = Strongly Disagree; 2 = Disagree, 3 = Uncertain, 4 = Agree; 5 = Strongly Agree.

### **3.7 Validity and Reliability of Research Instrument**

Validity and reliability of the research instrument was carried as denoted below.

#### **3.7.1 Validity**

Validity refers to the accuracy and meaningfulness of inferences which are based on the research results (Mugenda, 2008). If such data is a true reflection of the variables, then inferences based on such data was accurate and meaningful. In this study, to ascertain validity of the instrument, the researcher used content validity through the assistance of experts in the Faculty of Commerce, Egerton University. Before actual data collection, pilot testing of the questionnaire was conducted to assess the precision of language and comprehension of meanings, as well as if the pilot respondents understood the contents of the research instrument. The pilot study sample size consisted of 20 staff from two (2) formal microfinance institutions which were Muungano and Daraja Microfinance Bank in Kiambu County both of which were not among the 12 microfinance institutions in Nairobi County were part of the final study. The piloting of the instruments aided in the improvement of face and content validity.

#### **3.7.2 Reliability**

Reliability refers to the consistency and dependability of a measurement or assessment tool (Hair et al., 2006). It indicates the extent to which the instrument produces stable and consistent results over repeated applications under the same conditions. High reliability means that the measurement is free from random error and provides similar outcomes in repeated trials, ensuring that the results are replicable and trustworthy (Creswell & Creswell, 2018). Test for reliability was done through the Cronbach's (alpha) coefficient of internal consistency. Cronbach's alpha is an unbiased estimate of the generalizability and is a measure of how well the sum score on the selected items capture the expected score in the entire domain, when that domain is heterogeneous. According to Nunnaly (1978), the level of alpha values ranges from 0.6 to 0.9 as  $0.6 \leq \alpha < 0.7$  acceptable,  $0.7 \leq \alpha < 0.9$  good and  $\alpha \geq 0.9$  excellent. The threshold of 0.7 was used to determine the reliability of the instrument.

Cronbach's Alpha coefficient was computed to check the reliability of the instrument. The theoretical value of alpha varies from zero to 1, if the values exceed the threshold of 0.7 then the reliability of the model is considered accurate enough (Nunnally, 1978). The dimensions of selected human resource practices and employee retention were subjected to reliability test using SPSS and the results obtained are shown in Table 4.1.

**Table 3.3: Cronbach's Alpha Reliability coefficients**

<b>Dimensions</b>	<b>Cronbach's Coefficient Alpha</b>
Career Development	0.732
Learning and Development	0.712
Employee retention	0.769

According to the Table 3.3, Cronbach's Alpha values for each of the predictor variables are all above the threshold of 0.7. Therefore, all the questionnaire items were considered to have internal consistency and the instrument met the reliability criteria.

### **3.8 Data Analysis and Presentation**

Data processing was done through various steps, including, cleaning, coding, tabulation, and presentation. Data that was collected was processed through various steps which include coding, data entry, checking data for errors, editing and analysis. Data was analysed using Statistical Package for Social Sciences (SPSS). Both descriptive and inferential statistical techniques were used to analyze the data. Descriptive statistics was used to summarise responses to the questionnaire items in the form of mean, percentages and standard deviation and the results were presented in tables and graphs.

Inferential statistics, namely, Pearsons Correlation analysis and regression analysis, was used to test the study hypotheses at 5% significance level (0.05). Pearson's correlation was used to examine the strength and direction of the relationships between the selected human resource development practices and employee retention. The results of correlation analysis were interpreted as follows:  $r \leq 0.35$  are regarded to represent weak or low relationships,  $r = 0.36$  to  $0.67$  was moderate relationships and  $0.68$  to  $0.90$  high or strong relationships with coefficients  $r > 0.90$  very high relationships (Field, 2005). Hypotheses One and Two which sought to determine the effect of each of the selected human resource development practices on employee retention were tested using Simple Regression Analysis. Hypothesis Three

which sought to establish the joint effect of the selected human resource development practices on employee retention was tested using Multiple Regression analysis. The regression Models are shown below:

Objective One sought to determine the effect of career development on employee retention Thus, Hypothesis One which states that Career development does not have significant effect on employee retention in deposit taking microfinance in Nairobi County, Kenya was analysed using Simple regression analysis as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where:

Y = Employee retention

$\beta_0$  = Constant

$\beta_1$  = Regression coefficient

$X_1$  = Career development

$\varepsilon$  = error of the estimate

Objective Two sought to determine the effect of Learning and development on employee retention Thus, Hypothesis Two which states that Learning and development does not have significant effect on employee retention in deposit taking microfinance in Nairobi County, Kenya was analysed using Simple regression analysis as shown below:

$$Y = \beta_0 + \beta_2 X_2 + \varepsilon$$

Where:

Y = Employee retention

$\beta_0$  = Constant

$\beta_2$  = Regression coefficient

$X_2$  = Learning and development

$\varepsilon$  = error of the estimate

Objective Three sought to determine the joint effect of Selected Human resource development practices (career development and Learning and Development) on employee retention Thus, Hypothesis Three which states that the joint effect of Selected Human resource development practices (career development and Learning and Development) do not

have significant effect on employee retention in deposit taking microfinance in Nairobi County, Kenya was analysed using multiple regression analysis as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

$\beta_0$  = constant

$\beta_1$ - $\beta_2$ - Regression coefficients of independent Variables or change induced by  $X_1$ ,  $X_2$

Y = Employee retention

$X_1$  = Career development

$X_2$  = Learning and development

$\varepsilon$  - Error of prediction

**Table 3.2: Summary of Data Analysis**

<b>Research Hypotheses</b>	<b>Independent Variable</b>	<b>Dependent Variable</b>	<b>Statistical Methods</b>
<b>H<sub>01</sub>:</b> Career development does not have significant effect on Employee retention among Employees in deposit taking microfinance institutions in Nairobi County, Kenya	Career development	Employee Retention	-Pearson Correlation Analysis -Simple Regression Analysis
<b>H<sub>02</sub>:</b> Learning and development does not have significant effect on Employee retention among Employees in deposit taking microfinance institutions in Nairobi County, Kenya	Learning and development	Employee Retention	-Pearson Correlation Analysis -Simple Regression Analysis
<b>H<sub>03</sub>:</b> Selected Human resource development practices (namely, Career development and Learning and Development) jointly do not have significant effect on Employee retention among Employees in deposit taking microfinance institutions in Nairobi County, Kenya	Career development and Learning and Development	Employee Retention	-Pearson Correlation Analysis -Simple Regression Analysis

### **3.9. Tests of Assumptions**

Prior to conducting regression analysis, diagnostic tests (Normality test, linearity test and multicollinearity tests) on the model assumptions were conducted. Normality test was done to determine if distribution of the test data was normally distributed where Shapiro-wilk test was conducted. Data was also tested for linearity where predicted probability (P-P) plots were drawn. Linearity is a measure whether the predictor variables in the regression model have a straight-line relationship with the outcome variable. Multicollinearity test determines if variables are correlated or not, was done using Variance Inflation Factor (VIF) values. A value of 1 indicates no correlation, more than one indicates moderate correlation. VIF of 5 to 10 shows high correlation and presence of multicollinearity and that the regression coefficients are poorly estimated (Akinwande et al., 2015).

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

This chapter presents the results and discussions of the results of the study. The data analysis was carried in line with the study objectives from which the patterns were investigated, interpretations done, and conclusions drawn. The main objective of the study was to establish the effect of selected human resource development practices on employee retention in selected deposit taking microfinance institutions in Nairobi County. Both descriptive and inferential statistics were used to analyze the data.

#### 4.2 Response Rate

Data was collected from respondents drawn from different departments of selected deposit taking microfinance institutions in Nairobi County. A total 177 questionnaires were issued from which 131 were filled and returned which represents a response rate of 74.0% as shown in Table 4.1.

**Table 4.1: Results of Response Rate**

Questionnaires	Frequency	Percentage
Returned	131	74
Not returned	46	26
Total	177	100

The response rate was considered satisfactory. According to Mugenda and Mugenda (2008) a response rate of 50% is adequate for analysis, a 60% response rate is good while a 70 % and over response rate is excellent. The achieved success rate in the current study was more than 70% which implied that the response rate was excellent and suitable for analysis and reporting (Mugenda, 2008).

#### 4.3 Demographic Characteristics of the Respondents

The 131 respondents who responded were assessed by gender, age, educational level, length of service and department. Frequencies and percentages were used to examine the distribution for each characteristic.

### 4.3.1 Gender of the Respondents

The gender of the respondents was assessed and the results are shown in Table 4.2

**Table 4.2: Gender**

Gender	Frequency	Percentage
Male	72	55
Female	59	45
Total	131	100

The study findings revealed that majority (55%) of the respondents were males while 45% were female. Though the employees in the microfinance institutions are skewed to males, it does not violate the gender-based policy enshrined in the Constitution of Kenya which stipulates that none of the gender should be more than one third. Thus, both genders were fairly sampled to generate representative data.

### 4.3.2 Age of the Respondents

The study examined the age categories of the respondents and the results are shown in Table 4.3

**Table 4.3: Age of the Respondents**

Number of years	Frequency	Percentage
27 years and above	24	18.3
28 to 33 years	44	33.6
34 years and above	63	48.1
Total	131	100

The results in Table 4.3 shows that 48.1% of the respondents were aged 34 years and above, followed by 33.6% who aged between 28 to 33 years while 18.3% were aged 27 years and above. This shows that 81.7% of the respondents were aged 28 years and above.

### 4.3.3 Educational Level of the Respondents

The study examined the education level of the respondents and the results are shown in Table 4.4

**Table 4.4: Education Level of the Respondents**

Education Level	Frequency	Percentage
Undergraduate Degree	108	82.4
Postgraduate Degree	19	14.5
Others	4	3.1
Total	131	100

The employee's level of education was categorized into Undergraduate degree and Postgraduate degree level. The results in Table 4.4 shows that majority (82.4%) of the respondents had attained undergraduate level of education, followed by 14.5% who were postgraduate holders, while 3.1% had other qualifications. This implies that the deposit taking microfinance institutions had a homogenous pool of staff though skewed towards those that have completed Undergraduate level.

#### 4.3.4 Length of Service

The study established the number of years that the respondents had served in the microfinance institution and the results are shown in Table 4.5

**Table 4.5: Length of Service**

Number of years	Frequency	Percentage
5 Years and Below	17	13
6 to 10 Years	35	27
11 Years and above	79	60
Total	131	100

From the findings in Table 4.5, majority of the respondents (60%) had worked in deposit taking microfinance institutions for a period of 11 years and above, followed by 27% who had worked for a period of 6 to 10 years. In addition, 13% had worked for a period of 5 years and above. This implies that majority of the respondents (87%) had worked in the deposit taking Microfinance Institutions for six (6) years and above which means that they have adequate experience to understand the retention policies and practices of their firm.

### 4.3.5 Department

The deposit taking microfinance institutions provide services in different lines therefore the study sought to find out the department of the institution and the results are shown in Table 4.6.

**Table 4.6: Distribution of respondents by department**

Department	Frequency	Percentage
Legal	17	12.7
Credit	25	19.1
Operations	10	7.3
Customer Service	15	11.8
Finance & Accounts	7	5.5
Administration	6	4.5
ICT	13	10
Sales & Marketing	7	5.5
Support staff	7	5.5
Human Resources	10	7.3
Senior Managers	8	6.4
Audit	6	4.4
Total	131	100

The study findings in Table 4.6 revealed that majority of the respondents (19.1%) of the deposit taking microfinance institutions are from the credit department, followed by 12.7% in the legal service, while 11.8% were in customer service, 10% were in the ICT sector, 7.3% from operations and human resource, 6.4% were senior managers, 5.5 % were from sales and marketing and support staff and finally 4.4% were from audit and administration.

### 4.4 Descriptive Statistics of Selected Human Resource Development Practices

This section discusses results of descriptive analyses of career development, learning and development and employee retention. The respondents were asked to give their views on the independent variables of the study namely; career development, learning and development and dependent variable: Employee retention. The respondents were asked to rate their responses on a 5-point Likert scale where 5 = “Strongly Agree”; 4 represents = “Agree”; 3 = “neither agreed nor disagreed”; 2 = “Disagree”; 1 = “Strongly Disagree”. In this study, the

mean scores were interpreted as follows: Strongly disagree 1.00 - 1.79, Disagree 1.80 - 2.59, Uncertain 2.60 – 3.39, Agree 3.40 - 4.19, and Strongly agree 4.20 - 5.00 (Pimentel, 2019).

#### 4.4.1 Career Development

The respondents were asked to indicate the degree to which they agreed or disagreed with different aspects of career development as shown in Table 4.7 below.

**Table 4.7: Results of Descriptive Statistics of Responses of Career Development**

Career development statements	N	Mean	Standard deviation
I believe the career development program provided in our Institution leads us to job satisfaction	131	4.122	0.953
I believe the career development program provides me with the knowledge and skills to employ clear career progression	131	4.099	1.022
I have had capacity matches with my job	131	3.702	1.114
I believe the career progression program provided me with the knowledge and skills to effectively execute duty	131	3.626	1.205
Overall mean		<b>3.89</b>	1.074

As shown in Table 4.7, the mean score for career development was 3.89. The overall mean suggests that the respondents agreed that career development programs provided them with knowledge and skills for them to employ a clear career progression. The item with the highest score was ‘I believe the career development program provided in our institution leads us to employee engagement’ (Mean= 4.12, SD=0.95) while the item with the lowest score was ‘I believe the career progression program provided me with the knowledge and skills to effectively execute duty’ (Mean=3.63, SD= 1.20). The low mean score suggests that the respondents could be uncertain of the impact of the career progression program. Jehanzeb et al. (2017) reported inconclusive findings regarding the correlation between the availability of career development opportunities and employee retention, a sentiment that is reinforced by the research of Sheraz et al. (2019). Sheraz et al. (2019) demonstrated a significant impact of career development programmes on both job satisfaction and employee retention, thereby supporting and substantiating the earlier observations.

Providing career development opportunities for employees is a valuable HR activity expected to enhance their self-esteem, morale and satisfaction (Volobuiev, 2019). Moreover, employees are deemed to acquire additional knowledge, skills, and abilities and subsequently increase their performance, commitment and retention. If the employee does not receive the expected benefit from career development, they will be dissatisfied. Most employees view training as a symbol of their employer's commitment to them, if this need is not fulfilled, such employee may not see the need to remain with the organization even if further training is promised which supports with the findings of this study (Adeniji et al., 2018).

#### 4.4.2 Learning and Development

The respondents were asked to indicate the degree to which they agreed or disagreed with different aspects of Learning and development as shown in Table 4.8 below.

**Table 4.8: Results of Descriptive Statistics of Responses of Learning and Development**

Learning and development statements	N	Mean	Standard deviation
My employer involves me in learning and development decision making	131	4.206	0.676
Learning and development increases my potential and leads to engagement	131	3.641	1.031
I am committed to Learning and development and have become productive	131	3.618	1.041
My employer regularly talks with me about my learning and development progress	131	3.588	1.066
My employer rewards me through learning and development	131	2.931	0.994
Overall Mean		<b>3.597</b>	0.962

As shown in Table 4.8, the mean of 3.60 suggests the respondents agreed that the employer generally engages them and discusses with them regarding their learning and development progress. The item with the highest score was ‘My employer involves me in learning and development decision making’ (Mean= 4.21, SD=0.68) while the item with the lowest score was ‘My employer rewards me through learning and development’ (Mean=2.93, SD= 0.99). The low mean score suggest that the respondents were uncertain on whether the reward was

adequate or not. Sharma et.al (2020) posited that continuous learning and development practices with engagement of employer lead to job satisfaction hence improved employee retention and lower turnover rates.

Lower retention, high absenteeism and poor productivity are attributed by weak employee learning and development (Al-Suraihi et al., 2021). According to Kinyili (2015), employee learning and development is about how organizations strive to achieve strategic goals by building the conditions for employees to thrive and each staff member to fully switch on in their best efforts in the best interest of the organizations. According to the findings of this study, it is important for employers to involve their staff in learning and development decision making for the employees need to have a sense of belonging and share in the organizations vision and find their role in the organization (Robertson-Smith & Markwick, 2009). In summary, these results were interpreted to mean the more eager employees are to learn, the less they are inclined to remain within the same company. This eagerness to learn, which is also generally associated with high potential employees, leads to a decrease in employee retention.

#### 4.4.3 Employee Retention

The respondents were asked to indicate the degree to which they agreed or disagreed with different aspects of career development as shown in Table 4.9 below.

**Table 4.9: Results of Descriptive Statistics of Responses of Employee Retention**

Employee retention statements	N	Mean	Standard deviation
<b>Job satisfaction</b>			
I constantly receive reward and recognition for excellent executed task.	131	3.908	1.205
I am satisfied with my job since it utilizes my skills.	131	3.603	0.751
I am satisfied with the opportunity to expand my career in this company	131	3.267	1.306
<b>Overall mean</b>		<b>3.593</b>	<b>1.087</b>
<b>Intention to leave</b>			
I have no intention of leaving the organization.	131	4.466	0.694
My work gives me satisfaction in this Company.	131	4.298	0.801

I will remain with this organization even if am offered a better opportunity elsewhere	131	3.405	1.226
		<b>4.056</b>	<b>0.907</b>
<b>Overall mean</b>	<b>131</b>	<b>3.83</b>	<b>0.10</b>

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As shown in Table 4.9, the overall mean score for employee retention was (M=3.83). The item ‘I have no intention of leaving the organization’ had a higher mean score (Mean= 4.47, SD=0.69) and the item ‘I am satisfied with the opportunity to expand my career in this company’ had a lower mean score (Mean= 3.27, SD=1.31). The respondents differ on their level of agreement in regard to item ‘My work gives me satisfaction in this Company’ and as accounted for by standard deviation of 0.80 but on average majority (Mean=4.30) agree on the same. It was important to note that on the item ‘I will remain with this organization even if am offered a better opportunity elsewhere’ had a mean score (Mean=3.40, SD =1.23) which depicted that the respondents neither strongly agreed nor strongly disagreed in looking for better opportunities elsewhere. The overall mean score of (Mean=3.83) indicates that the respondents agreed that employee retention was affected by human resource development practices.

The findings of this study are supported by Al Kurdi et al. (2020), who denoted that retaining of skilled employees is considered an important advantage source for any organization. Nevertheless, while an organization seeks to retain its employees, different challenges also need to be faced. Employees who are creative are encouraged to stay in organizations while employees who are weak performers with low productivity are encouraged to leave (Reitman, 2013). Organizations should retain employees who contribute positively to the value and profit of the organization and who also have a higher positive effect on the organization (Phillips, 2021). Employee retention is preferable to hire a new employee as a substitute for an effective employee as well as considering the cost of hiring the new employee. According to Frost and Kalman (2016), retaining a productive workforce is important for any organization because if the organization cannot retain its employees, it will not be able to exploit its human asset progress inside the organization.

## 4.5. Diagnostic Tests

Normality test, linearity test and multicollinearity test were conducted to test the assumption of the regression model.

### 4.5.1 Normality test

The Shapiro-Wilk test is a widely used test for normality and was used in this study. It calculates a test statistic based on the correlation between the data and the expected values from a normal distribution. When using the Shapiro-Wilk test, the rule of thumb states that if the p-value obtained from the test is greater than 0.05 (or any other chosen significance level, such as 0.01 or 0.10), then the data can be considered approximately normally distributed. The P- values were less than 0.05 indicating that the data was not normally distributed for these variables. The normal distribution assumption can be made since the sample size is greater than 30 (Kothari, 2008). The details of the findings are shown in Table 4.10.

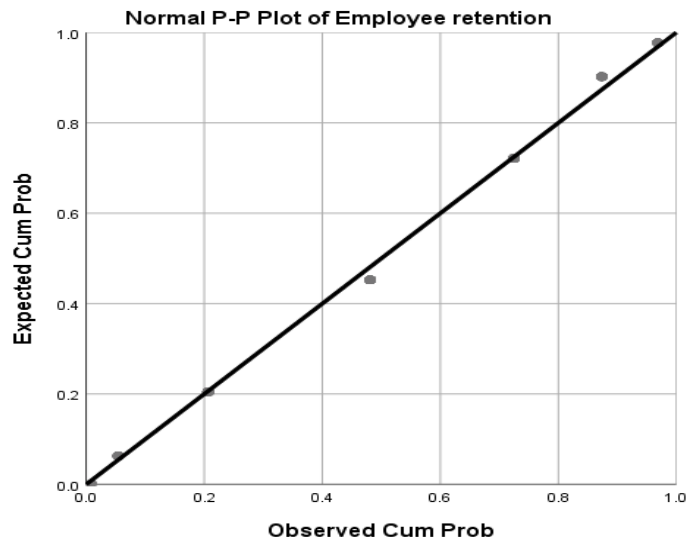
**Table 4.10: Normality Test**

Variable	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Career development	.115	131	.000	.962	131	.001
Learning and development	.165	131	.000	.939	131	.000
Employee retention	.188	131	.000	.940	131	.000

a. Lilliefors Significance Correction

### 4.5.2 Linearity test

A P-P plot was used in testing the linearity of the data where a scatterplot displays the relationship between two variables, with each data point representing an observation. A roughly linear pattern in the scatterplot suggests linearity, while deviations from linearity may indicate non-linear relationships. Results shown in Figure 4.1 show that independent variables in the regression has a straight-line relationship with the dependent variable.



**Figure 4.1: Linearity Test**

### 4.5.3 Multicollinearity test

Multicollinearity was done using Pearson’s moment correlation analysis and Variance Inflation Factor (VIF) values. In this study, the correlation coefficient between learning and development and career development was  $r = 0.588$ ,  $p < 0.05$  which is below 0.70 which rules out multicollinearity. Further, the rule of thumb of VIF is that a value of 1 indicates no correlation, more than one indicates moderate correlation, values of 5 to 10 shows high correlation and presence of multicollinearity and that the regression coefficients are poorly estimated (Akinwande et al., 2015). Results as shown in Table 4.11 showed that there was moderate correlation in the independent variables.

**Table 4.11: Multicollinearity Test**

	Collinearity Statistics	
	Tolerance	VIF
Career development	.998	1.002
Learning and development	.998	1.002

### 4.6. Hypotheses Testing

The study used Pearson’s moment correlation analysis and regression analysis to test the study hypotheses. Pearson Correlation analysis was carried out to determine the strength and direction of the relationships between selected human resource development practices and

employee retention. Simple regression analysis was used to test Hypotheses One and Two. Finally, multiple regression analyses was used to test Hypotheses Three.

#### 4.6.1. Correlation Analysis

The study sought to examine how the dimensions of human resource development practices: career development and learning and development affect employee retention. Pearson’s correlation analysis was used to test the strength and direction of the relationships among study variables. The results are presented in Table 4.12 below.

**Table 4.12: Results of Correlation Analysis exploring the relationship between selected human resource development practices and employee retention**

Indicator		Employee Retention	Career Development	Learning & Development
Employee retention	Pearson Correlation			
	Sig. (1-tailed)			
	N	131		
Career Development	Pearson Correlation	0.684**	1	
	Sig. (1-tailed)	0.002		
	N	131	131	
Learning and Development	Pearson Correlation	0.672**	0.588**	1
	Sig. (2-tailed)	0.000	0.003	
	N	131	131	131

\*\* Correlation is significant at the 0.05 level (1-tailed)

The results of the correlation analysis presented in Table 4.12 show that career development had a strong significant positive relationship with employee retention ( $r = 0.684$ ,  $p < 0.05$ ). This implies that satisfaction with career development will enhance employee retention. The results of the correlation analysis in Table 4.12 shows that there is a moderate, positive relationship between Learning and development and employee retention ( $r = 0.672$ ,  $p < 0.05$ ). This means that retention enhances when employees are satisfied with the learning and development programmes in their institutions. The results of the correlation analysis in Table

4.12 shows that learning and development and career development has significant positive relationship ( $r = 0.588$ ,  $p < 0.05$ ).

#### 4.7 Regression Analysis

This section discusses the results of hypotheses testing using Simple and multiple regression analyses which sought to establish the effect of selected human resource development practices and employee retention.

##### 4.7.1 Career Development and Employee retention

Objective One of the study sought to determine the effect of career development on employee retention. Thus, Hypothesis One stated that career development does not have significant effect on Employee retention among Employees in deposit taking microfinance institutions in Nairobi County, Kenya. Hypothesis One was tested using Simple regression as shown on Table 4.13.

**Table 4:13: Results of simple regression analysis on the effect of career development on employee retention**

<b>Model summary</b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	0.684 <sup>a</sup>	0.592	0.543	0.50570	

<b>ANOVA</b>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.865	1	9.865	13.975	0.008
Residual	19.058	129	0.148		
Total	28.923	130			

<b>Coefficients<sup>a</sup></b>				
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Beta		

(Constant)	2.472	0.825		2.994	0.004
Career development	0.621	0.560	0.684	1.109	0.008

a. Predictors (Constant): Career development

b. Dependent Variable : Employee Retention

From Table 4.13, the model summary on the effect of career development on employee retention shows that R square is 0.592, which shows that 59.2% of the variation in employee retention is explained by the dimensions of career development. This means that the remaining 40.8% was affected by factors outside this research study. The results of the ANOVA *F* statistic ( $F=13.975$ ,  $p < 0.05$ ) indicates career development has a significant effect on employee retention. Therefore, the null hypothesis which states that career development does not have a significant effect on employee retention among employees in deposit taking microfinance institutions in Nairobi County was rejected and the alternative hypothesis which states that career development has a statistically significant effect on employee retention was accepted.

The standardised beta coefficients show that career development was a statistically significant positive predictor of employee retention among employees in deposit taking microfinance institutions in Nairobi County ( $\beta = 0.684$ ,  $t = 1.109$ ,  $p < 0.05$ ). This implies that employees who were satisfied with career development in their organisations have high levels of employee retention. From the coefficient of the regression equation model of the effects of career development on employees' retention, the following regression equation model for career development on employee retention was developed:

$$\text{Employee Retention} = 2.472 + 0.621 (\text{Career Development}) + e$$

The finding of this study is consistent with those of Musinya (2021), who investigated the relationship between work environment practices and employee retention in international non-governmental organizations and found that career development policy and workforce environment significantly influence the intention of the employees to stay with their employer. On the contrary, Al-sharafi et al. (2018) found out that career development had no relationship with employees' satisfaction or retention at the telecommunication sector in Yemen.

#### 4.7.2 Learning and Development and Employee Retention

Objective Two of the study sought to determine the effect of learning and development on employee retention. Thus, Hypothesis Two stated that learning and development does not have significant effect on Employee retention among Employees in deposit taking microfinance institutions in Nairobi County, Kenya. Hypothesis Two was tested using Simple regression analysis as shown on Table 4.14.

**Table 4:14: Results of simple regression analysis on the effect of learning and development on employee retention**

<b>Model summary</b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	0.690a	0.658	0.642	0.47120	

<b>ANOVA</b>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	21.481	1	21.481	11.264	0.000 <sup>b</sup>
Residual	34.020	129	0.264		
Total	55.501	130			

<b>Coefficients<sup>a</sup></b>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.661	0.354		10.351	0.000
Learning and development	0.510	0.398	0.690	1.281	0.000

a) Predictors (Constant): Learning and development

b) Dependent Variable : Employee Retention

The results of the model summary in Table 4.14 on the effect of learning and development on employees' retention shows that R square is 0.658, which shows that 65.8% of the variation

in employee retention is explained by the dimensions of learning and development. This means that the remaining 34.2% was affected by factors outside this research study. The results of ANOVA  $F$  Statistic shows that learning and development has a significant positive effect on employee retention ( $F = 11.264$ ,  $p < 0.05$ ). Therefore, the null hypothesis which states that Learning and development does not have a significant effect on employee retention among employees in deposit taking microfinance institutions in Nairobi County was rejected and the alternative hypothesis which states that Learning and development has a statistically significant effect on employee retention was accepted.

The standardised beta coefficients shows that learning and development is a significant positive predictor of employee retention ( $\beta = 0.690$ ,  $t = 1.281$ ,  $p < 0.05$ ). This means that satisfaction with learning and development programmes positively enhances employee retention. From the coefficient of the regression equation model of the effects of career development on employees' retention, the following regression equation model for learning and development on employee retention was developed:

$$\text{Employee Retention} = 3.661 + 0.510 (\text{Learning and Development}) + e$$

The findings of this study is consistent with those of Karimi (2019), who researched on the influence of learning and development practices on employee retention at Madison Insurance Company Limited and found out that learning and development positively and significantly influenced employee's retention at Madison Insurance Company Limited. The study recommended that there is need to increase learning and development practices in the organization which increase's employee motivation hence raise their rate of retention. Further, Muhammad and Zulfiqar (2020) also found out that learning and development through training and developments have significant effect on employee retention and commitment.

#### **4.7.3. Selected Human Resource development practises and Employee Retention.**

Objective Three of the study sought to establish the joint effect of career development and learning and development on employee retention. Thus, Hypothesis Three stated that selected Human resource development practices (namely, Career development and Learning and Development) jointly do not have significant effect on Employee retention among Employees

in deposit taking microfinance institutions in Nairobi County, Kenya. Hypothesis Five was analysed using multiple regression analysis and the results are shown in Table 4.15 below.

**Table 4:15: Results of Multiple regression analysis establishing the joint effect of selected human resource development practices on employee retention**

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.837 <sup>a</sup>	0.714	0.588	0.27024

**ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.101	2	0.551	2.534	.033 <sup>b</sup>
Residual	27.821	128	0.217		
Total	28.923	130			

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	1.969	0.473		4.162	0.000
Career development	0.575	0.069	0.679	8.333	0.002
Learning and development	0.113	0.063	0.170	1.794	0.000

a) Predictors (Constant) : Career development, Learning and development

b) Dependent Variable : Employee Retention

The results of model summary in Table 4.15 on the joint effect of selected human resource development practices (career development and learning and development) on employees' retention shows that R square is 0.714, which shows that 71.4% of the variation in employee retention is explained by the dimensions of career development and learning and

development. This means that the remaining 28.6% was influenced by factors outside this research study.

From Table 4.15 ANOVA results shows that the model was significant ( $F=2.534$ ,  $p < 0.05$ ) which means that the selected human resource development practices (career development and learning and development) jointly have a significant effect on employee retention. This means that retention in the deposit taking microfinance institutions was high when employees were satisfied with the career development and learning and development programmes of their institutions. Therefore, the null hypothesis which states that selected human resource development practices do not have a significant effect on employee retention among employees in deposit taking microfinance institutions in Nairobi County was rejected and the alternative hypothesis which states that selected human resource development practices has a statistically significant effect on employee retention was accepted.

The standardized beta coefficients shows that career development ( $\beta = 0.679$ ,  $t= 8.333$ ,  $p < 0.05$ ) and learning and development ( $\beta =0.170$ ,  $t = 1.794$ ,  $p < 0.05$ ) were statistically significant positive predictors of employee retention. This implies that career development and learning and development had significant positive influence on employee retention. From the coefficient of the regression equation model of the joint effect of career development and learning and development on employees' retention, the following regression equation model was developed:

$$\text{Employee Retention} = 1.969 + 0.575 (\text{Career Development}) + 0.113 (\text{Learning and Development}) + e$$

The results of this study are consistent with the study findings of Muthumbi and Kamau (2021), who found a significant positive relationship between career management and retention. Similarly, Singh (2019) who did a study on factors that influence employee retention found that retention of skilled employees was positively influenced by provision of career development opportunities. In addition, Nguyen and Duong (2020) in a study on the impact of training and development, job satisfaction and job performance on employee retention found that appropriate training and career development contributes positively influence employee retention as it makes employees feel recognized for their strengths and creates possibilities to develop their qualities.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This final chapter presents the summary of the findings. The chapter has the summary of findings regarding the research objectives, hypotheses and conclusions of the study. It also has the recommendations of the study and recommendations for further research are put forward.

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

The main objective of this study was to determine the effect of selected human resource development practices on employee retention among employees in deposit taking microfinance institutions in Nairobi County in Kenya. The study sample consisted of 177 respondents from 12 deposit taking microfinance institutions. The questionnaires were administered, and 131 respondents filled and returned the questionnaire which resulted to a response rate of 74%.

The first objective sought to evaluate the effect of career development on employee retention among employees in deposit taking microfinance institutions in Nairobi. The results of Pearson Correlation analysis showed that career development had a significant positive relationship with employee retention. The results of the simple regression analysis testing Hypothesis One found that career development was a significant positive predictor of employee retention ( $p < 0.05$ ). This means that career development positively influenced employee retention. Therefore, Hypothesis One that stated that career development does not have a significant effect on employee retention was rejected and the alternative hypothesis that stated that career development has a significant effect on employee retention was accepted.

Objective Two sought to establish the effect of learning and development on employee retention among employees in deposit taking microfinance institutions in Nairobi. The results of Pearson Correlation analysis showed that there was a significant positive relationship between learning and development and employee retention. Further, the results of simple

regression analysis testing Hypothesis Two found that learning and development was a significant positive predictor of employee retention ( $p < 0.05$ ). Therefore, Hypothesis Two that stated that learning and development does not have a significant effect on employee retention was rejected and the alternative hypothesis that stated that learning and development has a significant effect on employee retention was accepted.

Finally, Objective Three sought to establish the joint effect of selected human resource development practices (career development and learning and development) on employee retention in deposit taking microfinance institutions in Nairobi. The results of multiple regression analysis testing Hypothesis Three found that career development and learning and development were significant positive predictors of employee retention ( $p < 0.05$ ). This means that retention enhances when employees are satisfied with career development and learning and development programmes of their institutions. Therefore, Hypothesis Three that states that career development and learning and development jointly do not have significant effect on employee retention is rejected and the alternative hypothesis that jointly career development and learning and development jointly have a significant effect on employee retention is accepted.

### **5.3 Conclusions**

The study sought to establish the effect of selected human recourse development practices on employee retention among employees in deposit taking microfinance institutions in Nairobi County. The findings of the study led to the following conclusions:

The results of the first objective of the study revealed that career development had a positive and significant effect on employee retention since career development is crucial in enhancing employee retention. Hence, higher levels of career development practice would result in a higher rate of employee retention. The study concludes that career development programmes are important as they result in enhancement of employee engagement, which is important in creating a positive work culture, reducing turnover, increasing productivity, building better work and customer relationships, and enhancing employee retention. Further, employees become the best organizational advocates when there is high employee engagement and job satisfaction which positively influences retention.

The results of the second objective of the study revealed that learning and development had a positive and significant effect on employee retention in microfinance institutions. The study concludes that learning and development is an important human resource development practice as employees become more skilled and knowledgeable resulting in better career growth prospects which enhances employee job satisfaction and retention. In this regard, employers who involve employees in learning and development decision making will go a long way in enhancing performance of the organization. Moreover, collaborative decision-making in learning and development initiatives allows employers to tap into the valuable insights and expertise of their workforce. Employees often have a deep understanding of their own learning needs and preferences and incorporating their suggestions can lead to the creation of more effective and tailored training programmes.

The results of the third objective of the study revealed that jointly the selected human resource development practices (career development and learning and development) contribute to 71.4% of the variation seen in employee retention hence the two selected HRD practices jointly contributed to employee retention. This study therefore concludes that both career development and learning and development are important in enhancing employee retention.

#### **5.4 Recommendations of the Study**

This study was based on the social cognitive theory to determine the effect of career development, learning and development on employee retention. It also used Herzberg's motivation theory to determine the joint effect of these dimensions of human resource development practices on employee retention. The findings of the study conducted in deposit taking microfinance institutions in Nairobi County have various implications for human resource management theory and management policy and practice explained below.

##### **5.4.1 Implications of the Theories**

Career development emerges as an instrumental motivational factor, aligning with Herzberg's theory of motivators, encompassing factors such as growth prospects, career advancement, and acknowledgment, thereby significantly enhancing employee job satisfaction and motivation. In addition, this aligns with social cognitive theory which suggests that individuals acquire and refine their career-related behaviour's, beliefs, and goals by observing the experiences and successes of others in similar roles or industries. For

organizations, this implies that fostering environments where employees can observe and learn from successful peers or mentors can significantly enhance career development initiatives. These findings affirm the proposition that career development constitutes a key element capable of positively impacting employee retention.

Learning and development opportunities manifest as influential motivational catalysts, with employees exposed to opportunities for skill enhancement exhibiting heightened satisfaction and motivation within their professional roles. These empirical findings align with Herzberg's theory and substantiate the notion that investments in learning and development are conducive to augmenting employee contentment as well as fortifying retention rates. Moreover, social cognitive theory has profound implications for employee retention through its focus on learning and development. When organizations invest in continuous learning opportunities this proactive approach not only enhances job satisfaction but also contributes to higher retention rates by creating a supportive environment where employees feel valued and capable of growth.

The joint effect of career development and learning and development findings compounds the significance of these motivators in shaping employee retention dynamics. By creating environments where employees can learn from mentors and peers, organizations can enhance skill acquisition and foster a sense of self-efficacy in career advancement. Integrating these principles into career development and learning initiatives not only aligns employees' growth with organizational goals but also demonstrates a commitment to their professional growth. The provision of growth and development prospects becomes a strong catalyst for heightened job satisfaction and motivation, underscoring the imperative nature of these dual influences in bolstering employee retention.

Therefore, it can be concluded that when organizations adopt both career development and learning and development as human resource development practices, it would lead to high employee retention which will lead to superior performance since there will be improved customer relationships, reduced productivity losses and increased employees' loyalty.

#### **5.4.2 Recommendations for Management Policy and Practice**

First, the study confirmed a significant effect of career development on employee retention which implies that career development is essential for an increased rate in employee

retention. The study thus recommends that microfinance institutions facing retention problems should among other things, implement career development programmes as part of their mitigation measures in creating a competitive advantage thus improving their employee retention rate. Secondly, organizations should prioritize the establishment of clear career paths and progression frameworks that align with both employee aspirations and organizational objectives. This includes providing opportunities for skills development, mentorship, and coaching programs tailored to individual career stages and goals. These initiatives will enhance employee retention.

Thirdly, the microfinance institutions should foster a culture of continuous learning through training workshops, seminars, and certifications which will empower employees to expand their skills and knowledge base, thereby enhancing their career growth, job satisfaction and retention. It is also essential for organizations to implement robust performance management systems that provide regular feedback and recognition of achievements, which not only motivates employees but also reinforces their career development efforts. Furthermore, promoting internal mobility and job rotation opportunities allows employees to gain diverse experiences and perspectives within the organization, contributing to their professional development and retention.

The human resource managers of the microfinance institutions should conduct regular assessments and feedback sessions so as to establish the effectiveness of career development programmes which will ensure ongoing improvement and alignment with evolving organizational needs and employee expectations. By adopting these holistic approaches, organizations can foster a supportive environment where employees feel valued, motivated, and equipped to achieve their career aspirations, ultimately leading to enhanced organizational success and employee retention.

Fourthly, the study recommends that the microfinance institutions should define a learning and development policy that specifies the career progression of employees so as to maintain a high rate of employee retention. The study further recommends that employees' professional objectives and aspirations should be strongly matched with learning and development opportunities. This could be implemented through provision of training programme opportunities and financial resources to employees that will assist them in acquiring skills

and information relevant to their current jobs and potential career growth pathways within the organization. Creating individualized learning and development plans with employees that highlight their strengths, areas for improvement, and long-term career goals would also ensure employee retention. In addition, individual needs and interests should be addressed by personalizing learning and development opportunities.

Further, recommendations include implementing measures to assess the success of learning initiatives through using key performance indicators (KPIs) to evaluate the impact of learning initiatives on employee performance and encourage employee input to continuously enhance the quality of learning programs. Finally, the managers of the microfinance institutions should carry out training needs assessment annually so as to determine the skills gap among employees. Training need assessments will be effective by ensuring that all supervisors in all the departments are well trained and conversant with the procedure and the evaluation of all training programmes. This approach of identifying skill gaps should be done by line and HR managers who are conversant with the training needs of their employees.

#### **5.5. Recommendations for Further Research**

The study focused on two human resource development practices namely, Career development and learning and development while employee retention was also limited to focusing on job satisfaction and intention to leave. Therefore, future research studies could examine the effect of other human resource development practices such as recognition and rewards, mentorship programs, coaching, flexible work arrangements and performance management systems on employee retention. Further research might focus on longitudinal studies to track changes on the selected Human Resource development practices and their effects on employee retention over a long period of time to allow for a deeper understanding of current trends and causal relationships. Further, the study recommends that further research be conducted to investigate the effects of the selected Human Resource development practices on other dependent variables such as organizational commitment, employee performance, job satisfaction, intentions to turnover among others.

This study was conducted in selected deposit taking microfinance institutions in Nairobi County. This means that the findings will be generalised to microfinance institutions in other counties with caution. Future studies can be carried in different counties in Kenya. In

addition, future studies on the effect of the selected Human Resource development practices on employee retention can be carried out in different sectors such as banks, manufacturing firms, state corporations, counties among others.

Finally, this study was carried out using quantitative methods. It is therefore suggested that future studies should employ both quantitative and qualitative methods to acquire in-depth knowledge into the selected HRD practices particularly from the point of view of Human Resource managers of the microfinance institutions. Such research can also elicit secondary data for calculating retention rates to determine the actual picture of retention in the microfinance institutions.

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## APPENDICES

### Appendix I: Letter of Introduction

June Wanjiku Mwangi  
Egerton University  
Faculty of Commerce  
P.O. BOX 13357-20100  
NAKURU

Dear Sir/Madam,

#### **RE: PERMISSION TO CARRY OUT ACADEMIC RESEARCH**

I am a Masters in Human Resource Management student at Egerton University conducting a research study entitled “**Selected Human Resource Development Practices and Employee Retention: A Case of Deposit Taking Microfinance Institutions in Nairobi County, Kenya**”.

The purpose of this letter is to inform you that you have been selected as a respondent for this study and you are therefore requested to kindly fill in the questionnaire with precision and

accuracy. The information that you provide will assist in answering the specific objectives of the research which is being undertaken as part of the University requirement. I would like to assure you that any information that you provide will be treated with utmost confidentiality and will be used for the purpose of this study.

Thank you.

**June Wanjiku Mwangi**  
**Reg. No. CM17/0341/13**

## **Appendix II: Questionnaire**

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### **Section A: Background Information**

**Please complete the following section which contains information about you and your work. Kindly answer all the questions by ticking (✓) the relevant boxes.**

1. Gender

Male             Female

2. Age

27 years and above     28 - 33 years     34 years and above

3. Education level of the respondent (state the highest level)

Undergraduate Degree

Postgraduate Degree

Other \_\_\_\_\_

4. Length of service?

5 years and below

6-10 years

[ ] 11 years and above

5. Kindly state your Department \_\_\_\_\_

**PART II: SELECTED HUMAN RESOURCE DEVELOPMENT PRACTICES**

6. The statements presented below describe several aspects of Career Development, and Learning and Development. Please indicate your level of agreement or disagreement with each of these statements below by ticking ‘√’ in the appropriate box (from 1 to 5); where: 1= Strongly Disagree (SD); 2 = Disagree (D); 3 = Uncertain (N); 4 = Agree (A); 5 = Strongly Agree (SA).

	<b>S D</b>	<b>D</b>	<b>U</b>	<b>A</b>	<b>SA</b>
<b>Career Development</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
a) I believe the career development program provided in our Institution leads us to job satisfaction.	1	2	3	4	5
b) I believe the career development program provides me with the knowledge and skills to employ clear career progression	1	2	3	4	5
c) I believe the career progression program provided me with the knowledge and skills to effectively execute duty.	1	2	3	4	5
d) I have had capacity/role matches with my job.	1	2	3	4	5
<b>Learning and Development</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
a) I am committed to Learning and development and have become productive	1	2	3	4	5
b) Learning and development increases my potential and leads to engagement	1	2	3	4	5

c) My employer involves me in learning and development decision making	1	2	3	4	5
d) My employer rewards me through learning and development	1	2	3	4	5
e) My employer regularly talks with me about my learning and development progress	1	2	3	4	5

**Section D: Employee Retention**

8. To what extent do you agree or disagree with the following statements regarding employee retention in your organization? Use a tick (√) to mark the appropriate answer where 1= Strongly disagree, 2= Disagree, 3=Uncertain, 4=Agree, 5=Strongly Agree

	<b>SD</b>	<b>D</b>	<b>U</b>	<b>A</b>	<b>SA</b>
<b>Employee Retention</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1) Job satisfaction</b>					
a) I constantly receive reward and recognition for a excellent executed task	1	2	3	4	5
b) I am satisfied with my job since it utilizes my skills	1	2	3	4	5
c) I am satisfied with the opportunity to expand my career in this Company	1	2	3	4	5
<b>2) Intention to leave</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
d) I have no intention of leaving the organization	1	2	3	4	5
e) I will remain with this organization even if am offered a better opportunity elsewhere.	1	2	3	4	5
f) My work gives me satisfaction in this Company.	1	2	3	4	5

**Appendix III: Licensed MFI Deposit Taking Banks**

	<b>Name of Institution</b>	<b>Date Licensed as Deposit Taking Bank</b>

1	Faulu Microfinance Institution	2009
2	KWFT Microfinance Institution	2010
3	Remu/LOLC Microfinance Institution	2010
4	Rafiki Microfinance Institution	2010
5	Century Microfinance Institution	2012
6	Uwezo Microfinance Institution	2010
7	Sumac Microfinance Institution	2012
8	U&I Microfinance Institution	2013
9	SMEP Microfinance Institution	2010
10	Caritas Microfinance Institution	2015
11	Daraja Microfinance Institution	2015
12	Choice Microfinance Institution	2015
	<b>TOTAL</b>	

**Source: Central Bank of Kenya, (2018)**

#### **Appendix IV: Letter of Research Undertaking**

EGERTON  
NAKURU TOWN

Tel: (051) 215648/215798  
Fax: (051) 62527  
E-mail: [nic@egerton.ac.ke](mailto:nic@egerton.ac.ke)



UNIVERSITY  
CAMPUS COLLEGE

P.O. Box 13357,  
Nakuru

OFFICE OF THE DEAN  
FACULTY OF COMMERCE

15<sup>th</sup> September 2017

TO WHOM IT MAY CONCERN

**RE: RESEARCH UNDERTAKING: MWANGI JUNE WANJIKU**  
**REG. NO. CM17/00341/13**

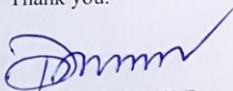
This is to certify that the above named person is a bona fide student of Egerton University undertaking Masters in Business Administration programme offered at Nairobi City Campus. She has passed all the coursework, examinations and the research proposal for the partial fulfilment of the requirement of the degree. The title of her research is "*Effect of Selected Human Resource Practices on Employee Retention. A Case of Selected Deposit Taking Micro Finance Institutions in Nairobi.*"

The purpose of this letter is to request you to allow her to collect data from your organization.

The information and data given will only be for research purposes and will be treated with utmost confidentiality.

Any assistance accorded to her will be highly appreciated.

Thank you.

  
Dr. D.O. Auka, PhD.  
Dean, Faculty of Commerce



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*"Transforming Lives through Quality Education"*  
Egerton University is ISO 9001: 2008 Certified

## Appendix V. Publication

Selected Human Resource Management Practices and Employee Retention: A Case of Deposit Taking Microfinance Institutions in Nairobi, Kenya

1 of 13 Automatic Zoom

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**Selected Human Resource Management Practices and Employee Retention: A Case of Deposit Taking Microfinance Institutions in Nairobi, Kenya**

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**ABSTRACT**

*Retention of employees is increasingly becoming a real challenge in organizations. While past studies have demonstrated the importance of employee retention in organizations, few have empirically examined the effect of human resource management practices on employee retention. The overall objective of this study was to examine the effect of selected human resource management practices on employee retention in deposit-taking microfinance institutions in Nairobi, Kenya. Specifically, the study sought to establish the effect of career development, learning, and development on employee retention in deposit-taking microfinance institutions in Nairobi, Kenya. A census survey of twelve (12) licensed deposit-taking microfinance institutions was conducted in the study. The study adopted an explanatory research design. The target population comprised 320 employees from the institutions' headquarters in Nairobi. Stratified sampling was used to select the respondents from different departments of the licensed deposit-taking microfinance institutions. Primary data was collected using a structured questionnaire. The data was summarized using the mean and standard deviation. Pearson's correlation was used to examine the relationship between career development, learning and development, and employee retention. Simple and multiple regression analyses were used to test the research hypotheses. Pearson correlation results revealed that career development and employee retention ( $r = 0.161$ ,  $p$  value  $0.002$ ) were positively and significantly correlated, with a significant positive correlation between learning and development and employee retention ( $r = 0.672$ ,  $p < 0.000$ ). Further, regression analysis results show that career development, learning, and development have a significant effect on employee retention. The study also revealed that career development, learning, and development have a significant effect on employee retention. The study recommends that to enhance employee retention, organizations need to invest in career development, learning, and development.*

**Keywords:** Career Development, Human Resource Management, Learning and Development, Micro-Finance Institutions