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# EFFECT OF HUMAN RESOURCE POLICIES ON EMPLOYEE RETENTION IN COMMERCIAL BANKS IN NAIROBI COUNTY, KENYA

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND LEADERSHIP STUDIES IN PARTIAL FULFILMENT FOR THE AWARD OF A DEGREE IN MASTERS IN BUSINESS ADMINISTRATION AT ST. PAUL'S UNIVERSITY**

**NOVEMBER, 2024**

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## DECLARATION

I certify that this dissertation is entirely original and has not been submitted for review to any other academic institution.

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**Word Count: 27,284**

**SUPERVISORS DECLARATION**

This dissertation has been submitted for examination with our approval as the university supervisors.

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Mr. Eric Siele

Second Supervisor

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## DEDICATION

I dedicate this dissertation to my husband, Augustine Musyoka, and to my children, Melinda, Melissa, and Israel, in appreciation of their patience and on-going support. Without their encouragement, I might not have been able to complete this task.

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## ABSTRACT

Employee retention remains a critical challenge for Kenya's commercial banks, as evidenced by a substantial 40% staff turnover rate reported by the Central Bank of Kenya (CBK, 2020) in Nairobi County. Despite a modest 4.8% improvement in retention in 2022, the sector continues to grapple with high turnover, with global rates climbing to 23.4% and Kenyan banks experiencing consistent turnover between 10% and 15% annually (Jenna, 2023; Muthui, 2023; Wambua, 2018). This study examined the effect of human resource policies on employee retention in commercial banks located in Nairobi County, Kenya. The uncertainty caused by human resource policies has created challenges for organizations, contributing to difficulties in retaining employees. This study explored the effect of human resource policies, specifically, the effects of reward policies, performance management policies, health and safety policies, and grievance policies on employee retention in commercial banks in Nairobi, Kenya. The study was guided by the High-performance work systems (HPWS) theory, the Person-Environment Fit Theory, the Organizational Support Theory, and Adams' Equity Theory in putting the research into context in the literature review. The study assumed a descriptive research design. The target population was Tier 1 banks located in Nairobi County, namely Equity Bank, KCB, ABSA, Cooperative Bank, and NCBA .Stratified sampling was utilized to create a sample size that accurately represented the overall population. A sample size of 595 employees was determined using Slovin's formula to ensure a 99% confidence level in accurately representing the target population. Data collection involved a structured questionnaire that was issued to the managers from within the banks using a drop-and-pick approach. The research instrument's validity was assessed through both construct and face validity. A pilot study was conducted based on 10 percent of the sample size, involving the distribution of 59 questionnaires. The assessment of the reliability for the questionnaire was carried out using Cronbach's alpha coefficient to provide a quantitative measure of internal consistency or reliability. Data analysis was carried out using SPSS version 26 based on descriptive, correlation, and regression analysis. Statistical values such as mean, standard deviation, percentages and an observation of the sum total was contained in the analysis. Pearson's correlation coefficient was used for inferential statistics. Participants generally agreed on the positive influence of monetary rewards on retention. A well-structured monetary reward system, encompassing salary increments and bonuses, was perceived to foster loyalty and commitment. The study found that health and safety policies significantly influence employee retention in commercial banks in Nairobi, Kenya. Participants highlighted the active promotion and enforcement of compliance with health and safety regulations by the bank's management. Participants emphasized the significance of timely grievance handling as a preventive measure against issues escalating, positively influencing employee morale, and ultimately impacting retention. The study found significant positive correlations between Employee Retention and various policies: Reward Policies ($r = 0.547$), Performance Management Policies ($r = 0.624$), and Health and Safety Policies ($r = 0.654$), all at the 0.01 level. Grievance Policies also had a positive correlation with Employee Retention ($r = 0.508$), though it was weaker compared to the other variables. The study recommends that policymakers and regulators should collaborate with commercial banks to develop and enforce comprehensive human resource policies that prioritize employee retention. Regulators should also encourage the adoption of transparent and equitable performance management policies, emphasizing the alignment of individual goals with organizational objectives.


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| | |
|---|---|
| **ABSA** | Amalgamated Banks of South Africa Limited |
| **CBK** | Central Bank of Kenya |
| **HPWS** | High-Performance Work Systems |
| **HR** | Human Resource |
| **KBA** | Kenya Bankers Associations |
| **KPMG** | Klynveld Peat Marwick Goerdeler |
| **NACOSTI** | National Commission for Science, Technology & Innovation |
| **NCBA** | National Commercial Bank of Africa |
| **OSH** | Occupational Safety and Health |
| **SPSS** | Statistical Package for the Social Sciences |
| **WHO** | World Health Organizations |

## LIST OF ABBREVIATIONS AND ACCRONYMS

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## OPERATIONAL DEFINITION OF TERMS

| | |
|---|---|
| **Commercial banks** | The primary financial institutions in Kenya, explored for their role in providing banking services, contributing to economic development and regulatory frameworks. |
| **Employee retention** | The approaches and practices used to ensure employees remain with the banks over time. |
| **Grievance policies** | A structured approach for addressing complaints that employees might raise. They cover issues from workplace disputes to disagreements about job terms. |
| **Health and safety policies** | Sets of guidelines that prioritize the health and safety of employees in their work environment. They aim to mitigate risks and ensure a secure and healthy workplace. |
| **Human resource policies** | Structured guidelines that commercial banks and other businesses, follow in managing their employees. They touch on aspects like rewards, performance, and resolving conflicts, among other employment issues. |
| **Performance management policies** | The procedures for evaluating and enhancing employee performance, linking assessments to promotions, rewards, and growth opportunities. |
| **Reward policies** | Procedures detailing how employees are recognized and compensated for their role and contributions based on performance. They detail both monetary and non-monetary incentives and how they're determined. |
| **Tier 1 banks** | Top-tier financial institutions are characterized by high capital adequacy, significant market presence, and comprehensive service offerings. |

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# CHAPTER ONE
# INTRODUCTION

## 1.1 Background of the Study

Successful organizations understand the invaluable role of employee retention in maintaining a competitive advantage in the fast-paced corporate environment. Employee retention is a critical aspect for successful organizations as it directly affects operational continuity and the availability of skilled and experienced workers (Sepahvand & Khodashahri, 2021). High expenditures for identifying and training new hires as well as lower output and morale among the current staff are all consequences of high levels of staff turnover (Giao, 2020; Kurdi & Alshurideh, 2020).

According to Deloitte research, businesses in the United States alone incur an annual cost of $100 billion due to employee turnover, highlighting the significance of implementing effective reward policies (Meister & Willyerd, 2021). Moreover, replacing an employee typically costs between six to nine months of their income, encompassing potential losses in productivity during the transition period and expenses related to recruitment, hiring, training, and onboarding, underlining the need for efficient health and safety policies (Rodriguez & Sebastian, 2020).

According to Dhir & Ghosh (2020), retaining personnel not only improves production but also plays a pivotal role in promoting employee morale and enhancing customer satisfaction, aligning with sound performance management practices. Furthermore, employee retention has been empirically proven to enhance organizational efficiency and earnings, supporting the implementation of robust reward policies (Anwar & Abdullah, 2021). As Judge and Hulin (2017) assert, contented employees are more likely to stay with the company for an extended period, which can be achieved through promoting a positive work atmosphere and providing employees with opportunities for advancement in accordance with health and safety policies.

In the financial sector, staff retention has emerged as a significant concern due to the intense competition for top talent (Zainee & Puteh, 2020). A Deloitte survey revealed that only 6% of financial institutions feel confident about retaining their key personnel, with 64% considering staff retention a serious issue (Zainee & Puteh, 2020). The cost of employee turnover in the

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financial services industry is substantial, encompassing direct expenses such as recruitment and training, as well as indirect costs associated with decreased productivity and lower morale among the remaining employees (Mackey & Sherrell, 2022).

Apart from the financial implications, high turnover rates negatively impact client satisfaction and confidence (Graham & Lehdonvirta, 2017). Frequent employee departures can create an impression of instability and unreliability, leading customers to question the business's credibility, resulting in reduced client loyalty and declining sales (Zhang & Li, 2020). High employee turnover makes it difficult for financial institutions to establish a strong corporate culture and maintain consistency in their business practices (Tower & Schwarz, 2021). This lack of consistency can hinder the attraction and retention of both customers and employees. According to studies, businesses with greater worker retention rates are more productive and are more likely to be seen as creative (Kane, 2019).

To address these concerns, human resource (HR) policies play a crucial role. HR policies provide a framework for decision-making, ensuring fair and equitable treatment of employees while aligning with the organization's culture, values, aims, and objectives (Armstrong & Taylor, 2023). According to Armstrong et al. (2023), these policies address a variety of facets of the employee lifecycle, such as hiring, selecting, orientation, training, rewards, and growth.

In the context of employee retention, HR policies focus on creating a work environment that promotes employee satisfaction, long-term commitment, and growth opportunities (Gadi et al., 2018). These policies go beyond monetary incentives and encompass a wide range of actions aimed at enhancing employee happiness and engagement (Hewett & Alfes, 2018). Through implementing effective HR policies, organizations can foster a positive work climate, where employees feel valued and appreciated, leading to increased retention rates and reduced turnover costs (Gadi et al., 2018; Sepahvand et al. 2021).

In the face of a vibrant business environment, HR policies are essential for retaining an advantage over others. Focusing on employee retention, organizations can address the challenges posed by a fragmented labor market, shifting demographics, and the importance of talent

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retention for overall corporate performance (Napathorn, 2021). These policies ensure that employees are treated fairly, create a supportive work culture, and provide opportunities for growth and advancement, ultimately contributing to the success of the organization (Gadi & Kee, 2018).

**Employee Retention**

Employee retention in commercial banks has shown considerable fluctuation over time. In 2019, turnover rates were alarmingly high at 40% in Nairobi County (Central Bank of Kenya, 2020). Although there was a slight improvement to 4.8% in 2022, employee retention surged again to 23.4% that year (Jenna, 2023). Kenyan commercial banks consistently face employee retention challenges, with turnover between 10% and 15% (Muthui, 2023). Njeri (2021) noted a 15.2% turnover rate in the sector, while a 2024 survey by Kamau. (2024) reported a troubling 18.7% rate, highlighting persistent issues with staff retention in Kenyan commercial banks.

Due to the significant expenses associated with high staff turnover rates, employee retention has grown in importance for firms throughout the globe (Lee et al., 2021). Employee turnover costs businesses in the United States alone $100 billion yearly, (Meister & Willyerd, 2021). According to Rodriguez and Sebastian (2020), replacing an employee typically costs between six to nine months of their income. The price covers the possible loss in productivity during the transition time as well as expenditures for recruiting, hiring, training, and onboarding. Therefore, it is crucial for companies to focus on maintaining staff members in order to save costs and retain competent workers (Kuhn & Yu, 2021).

Retaining staff will boost output, uplift morale, and raise customer satisfaction as claimed by Dhir & Ghosh (2020). Anwar and Abdullah (2021) have discovered that staff retention has a favorable effect on organizational performance and profitability. According to Judge and Hulin (2017), satisfied workers are more likely to be at the company for a longer time. This may be accomplished by offering employees chances for growth and development and fostering a pleasant work environment.

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### 1.1.2 Human Resource Policies

Policies for an organization are an extensive set of rules and concepts that are designed to instruct and control decision-making and activities (Stone & Gavin, 2020). Formal Policies and informal unwritten procedures that have been regularly followed and accepted inside the business can both be considered kinds of policies. To guarantee compliance and adherence, they can be enforced by a variety of methods, such as disciplinary procedures or legal proceedings (Brewster & Farndale, 2018).

Policies can handle a variety of subjects in the context of a business, including compliance, operations, finance, and human resources. Studies by Hewett and Alfes (2018) indicated that senior management or governing bodies inside the company are normally in charge of developing policies, and they frequently seek feedback from pertinent parties, including legal counsel, subject-matter experts, and employee representatives. According to Hewett and Alfes (2018), this collaborative method ensures that policies are well-informed, in compliance with legal and regulatory standards, and represent the strategic objectives of the business.

Human resource policies provide a framework for decision-making, ensuring that every employee is treated fairly and equally. As such, they should be congruent with the culture and values of the firm as well as its aims and objectives (Armstrong & Taylor, 2023). Armstrong et al. (2023) posit that HR regulations often encompass a wide variety of topics, including recruitment, selection, orientation, training and development, remuneration, benefits, performance management and employee relations. For the purpose of this study, the HR policies that will be studied are reward policies, performance management policies, health and safety policies and grievance policies.

### 1.1.1 Human Resource Policies and Employee Retention

In the context of commercial banks in Nairobi County, human resource policies play a critical role in employee retention. As noted by Kamoche (2018), well-crafted and effectively implemented HR policies can significantly enhance employee satisfaction, motivation, and commitment, which in turn reduces turnover rates. Human resource policies often differ in scope

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and application based on the specific needs of an organization, employing a comprehensive approach to managing personnel, including compensation strategies (Wambugu, 2020). Banks utilize various methods to determine and manage employee rewards, such as fringe benefits and recognition programs, to motivate, retain, and attract talent, aligning with their overall corporate objectives (Muriithi, 2019).

In addition to their strategic goals and beliefs, businesses must consider the needs and expectations of their employees when developing effective incentive programs (Mahapatro, 2022). Implementing incentive structures that acknowledge and foster innovation enhanceemployee creativity and performance (Terlizzi & Albertin, 2017). According to Akter et al. (2022), reward programs are crucial for aligning employee efforts with business objectives and therefore, enhancing organizational performance. Effective reward schemes, according to Xu et al. (2020), have a direct impact on employee engagement, which can boost earnings and efficiency. If an employee believes that the organization's incentive program is fair and equal, this might increase their trust and commitment (Fidan et al., 2019).

In order to increase productivity, accountability, and overall organizational success, Armstrong and Taylor (2019) define a performance management policy as a collection of rules and processes that entail measuring, evaluating, and improving employee performance. To assist employees in improving their performance, these policies also call for the provision of coaching, feedback and growth opportunities (Armstrong & Taylor, 2019). Employee engagement, job satisfaction, and organizational commitment are all positively impacted by effective performance management policies because they offer meaningful feedback, opportunities for growth and development, and a clear alignment of individual goals with organizational goals (Riyanto & Herlisha, 2021).

The significance of workplace health, safety, and wellness regulations as parts of HR policies has received more attention in recent years (Antony, 2018). "Health is a state of complete physical, mental, and social well-being and not merely the lack of illness or defect" (Pakpour, & Alimoradi, 2018). The Occupational Safety and Health Act of 2007 states that safety and health rules are meant to protect workers against risks that may lead to illness or injury at work (Tait,

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2019). Merely a handful of the numerous issues that health and safety policies may address include nutrition, running, emotional well-being, sickness avoidance, and the surroundings (APA, 2020). The Kenyan government launched the Occupational Safety and Health (OSH) policy in 2019 to create a framework for the administration of occupational safety and health across the country. The strategy emphasizes the need for companies to ensure the health and security of their employees by establishing a safe atmosphere, providing teaching on risks associated with work, and establishing effecient precautions in place (Jane, 2018).

The National Policy on Occupational Safety and Health was launched by Kenya's Ministry of Labour and Social Security in 2012, and it provides an extensive structure for the promotion and administration of employee health and safety in the country (Wekoye et al., 2020). Employers, employees, governmental organizations, and regulatory authorities are just a few of the parties whose responsibilities are covered by the policy when it comes to protecting the welfare and security of workers (Ogetii, 2019). Safety and health policies include employee wellness initiatives that encourage employee health and reduce healthcare costs for firms (Goetzel et al. 2018).

The processes and standards established by businesses to handle complaints or grievances voiced by their workers in order to ensure that they feel heard and valued at work are known as grievance policies (Lewin, 2020). Based on Ferris and Mathieson (2021), effective grievance management processes are easily accessible, clearly stated, and have a committed team that addresses issues.

A fair and open grievance mechanism can improve employee motivation and work satisfaction resulting in greater employee retention as opined by Hasan and Butt (2021). Therefore, businesses should make an effort to ensure that their employees likewise believe that their rules are fair.

According to Solomon et al. (2020), grievance policies are essential tools for maintaining positive relationships with workers and minimizing issues in the workplace. These regulations should spell out in detail how concerns will be received, investigated, and resolved while also ensuring that staff members have access to fair and impartial forums for voicing their grievances.

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Organizations with effective grievance policies have higher levels of employee contentment, which improves staff turnover. Wu (2021) posits that one reason for workplace complaints is the absence of acknowledgement and compensation for employees' achievements, which leads to emotions of resentment and discontent in those who feel undervalued and underappreciated. Low morale and diminished motivation can also be caused by this absence of rewards and acknowledgment (Wu, 2021).

According to Liu (2019), harassment and bullying at work are another cause of workplace complaints. Verbal abuse, intimidation, and exclusion from social events are just a few examples of this. Such actions result in severe psychological anguish and have an effect on worker engagement and productivity. Additionally, Liu (2020) contends that disputes between coworkers themselves may give rise to complaints. Differences in communication styles, values, and expectations are the root cause of many confrontations. Unresolved disputes like this have the potential to worsen and have an adverse effect on performance, job satisfaction, and employee retention (Liu, 2020).

### 1.1.4 Regional Perspective on Employee Retention

Organizations must invest in ways to retain staff to keep the very best and avoid the negative effects of a high turnover rate because ,the cost of employee turnover can be particularly high in Africa due to the lack of skilled workers in some industries (Ghani, 2022). Businesses across the continent should take the cultural effects of employee turnover into account since interpersonal interactions and social connections are highly valued in the workplace (Ghani, 2022).

High staff turnover rates not only result in lower production, but also higher recruiting costs and the loss of priceless organizational knowledge and experience, as Abdullahi and Solarin (2022) have also noted. Daniel (2019) suggested staff retention as a solution to this problem in order to foster a dependable and engaged team that remains devoted to attaining the company's goals. Syed and Junaid (2020) further argued that workers tend to be more driven and committed to their jobs when they feel valued and appreciated by their employers, which eventually results in increased productivity and work quality. These findings highlight the importance of staff retention in African businesses to preserve a competitive edge.

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### 1.1. 5 Kenyan Perspective on Employee Retention

Employee retention is a critical factor influencing a company's performance, as highlighted by Al Mamun and Hasan (2017). Their research underlines the positive impact retained employees have on productivity and profitability due to their increased motivation and commitment. In the Kenyan banking industry, high staff turnover was attributed to poor management techniques, lack of recognition, and limited workforce engagement, as noted by Mungania (2017).

Addressing these challenges, Kihama and Wainaina (2019) emphasized the importance of staff development initiatives to enhance retention rates. Furthermore, Kirui et al. (2021) pointed out that employees who feel appreciated and supported exhibit better mental health outcomes, emphasizing the significance of a supportive work environment. A positive company culture, fostered through employee retention, enhances engagement and commitment, giving businesses a competitive edge, as highlighted by Mungai (2021).

Maintaining effective human resource policies is crucial for retaining employees. Manthi and Kimencu (2018) emphasized that low employee retention rates can lead to the loss of valuable knowledge and skills, diminishing a business's competitive advantage. To address this, organizations must invest in retaining their existing workforce. Additionally, other studies explored specific HR policies' impact on employee retention. Kimeto and K'Aol (2018) investigated the effect of transformational leadership styles in Kenyan commercial banks, emphasizing the importance of inspiring and motivating employees, offering intellectual stimulation, and individual attention.

Chepng'eno and Kimutai (2021) delved into the organizational climate's impact on retention, stressing the importance of a strong organizational culture emphasizing ethical conduct, teamwork, and employee empowerment. Furthermore, Mwita and Tefurukwa (2018) established a positive correlation between job satisfaction, influenced by factors like job security, work-life balance, and recognition, and employee retention in Kenyan commercial banks. These studies collectively underscore the significance of various policies, including reward, performance management, health and safety, and grievance policies, in shaping a supportive work environment conducive to retaining employees, as indicated by (Al Mamun & Hasan, 2017).

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### 1.1.6 Commercial Banks in Kenya

Employee retention is a major issue in Kenya's banking industry, where it is believed that employee retention is a crucial aspect of organizational performance (Mungai, 2021). Due to a various issues, including low pay, little prospects for professional advancement, and subpar working conditions, the majority of Kenyan banks have significant turnover rates (Kamau & Omondi, 2020). Banks are fighting for the best people in the market as a result of the competitive nature of the banking business (Ngure, 2018). As a result, several banks have undertaken a range of initiatives to increase staff retention rates, such as offering chances for professional advancement and fostering a happy work environment (Khalid et al., 2018). In addition to other human resource policies suggested by others working in this field, the study will focus on how reward policies, performance management policies, health and safety policies, and grievance policies will improve employee retention in the Kenyan commercial banking sector.

According to the Central Bank of Kenya commercial banks' credit officer survey for the quarter ended march 31, 2023, there are thirty eight (38) operating commercial banks in Kenya both domestic and foreign (CBK, 2023). These banks provide a wide variety of services, including as deposit-taking, lending, foreign exchange, trade finance, and electronic banking. Kenya's commercial banks are governed by the Central Bank of Kenya (CBK), which plays a supervisory role and is tasked with providing banking licenses, establishing prudential regulations, and carrying out routine supervisory evaluations (CBK, 2022).

A Tier 1 bank is a top-ranking financial institution with substantial capital and financial strength, classified according to regulatory standards. These banks typically exhibit high capital adequacy ratios, extensive market presence, and significant ability to absorb losses, making them critical to the financial system's stability and considered too big to fail (Chumo, 2022). Tier 1 banks located in Nairobi County were the exclusive subject of this investigation, and the banks examined were Equity Bank, KCB, ABSA, Cooperative Bank, and NCBA. Tier 1 banks are generally considered more systemically important due to their size, interconnectedness, and impact on the overall financial system. The Tier 1 bank's activities and financial performance have a significant influence on the economy as a whole (Chumo, 2022). Researching Tier 1 banks enables a clearer

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comprehension of the elements influencing the health and expansion of Kenya's financial sector (Maina, 2021).

Additionally, Tier 1 banks often have more comprehensive and readily available financial data, including annual reports, financial statements, and other publicly disclosed information. These banks according to Chumo (2022) have a more extensive network of branches and ATMs, along with a wider range of financial products and services. Thus, the study will be able to capture a significant portion of the banking sector's overall employment trends as necessitated by the need for more employees and a concern for their retention. This accessibility of data can facilitate research and analysis, enabling the researcher to draw meaningful conclusions and insights (Chumo, 2022).

### 1.2 Statement of the Problem

According to the Central Bank of Kenya (2020), employee retention is a major issue for commercial banks in Kenya, with a staff replacement rate of 40% reported in Nairobi County for 2019. For example, Equity Bank's workforce decreased by 5.84%, dropping to 6,318 employees in 2019, and 392 employees left the bank in 2022 (Ngugi, 2023). Turnover rates in Kenyan commercial banks typically range from 10% to 15% annually, highlighting the ongoing challenge (Wambua, 2018). Although there was a slight improvement to a 4.8% retention rate in 2022, global turnover rates in the banking sector rose to 23.4%, and Kenya continues to experience substantial difficulties (Jenna, 2023; Muthui, 2023). According to a 2019 KPMG survey, 59% of banks identified staff retention as a major concern (KPMG, 2019). This evidence underscores the need for effective strategies to improve employee retention in Kenya's banking sector.

If left unaddressed, the consequences of low employee retention in Kenya's banking sector are multifaceted and severe. Inadequate retention strategies can lead to increased hiring costs, the erosion of institutional knowledge, and a reduction in customer satisfaction (Muturi, 2021. These impacts directly jeopardize the stability and profitability of the banking sector in Kenya. In the context of a globalized age, maintaining a competitive edge is crucial, placing HR policies at the forefront of the challenge (Muturi, 2021).

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Despite the evident urgency of the issue, the existing research literature reveals a conceptual gap in understanding the subtle relationship between HR policies and retention within Kenyan banks. While some studies have explored peripheral issues, such as the influence of managerial styles or the benefits of recruitment and training (Muturi, 2021; Mutinda, 2022; Yousuf & Siddiqui, 2019), a comprehensive examination of the direct correlation between HR policies and retention remains n sufficient.

This study addressed this knowledge gap by delving into the intricate ties between HR practices and employee retention in Kenyan banks. Conducting a thorough examination, the research seeks to offer insights crucial to various stakeholders, ranging from bank HR departments to strategic planners and policymakers. The significance of this research extends beyond refining retention statistics; it is about safeguarding the continued growth, stability, and global competitiveness of Kenya's Commercial Banks. Urgent action is required to address the employee retention problem in Kenya's commercial banks, given its potential to impact the stability and profitability of the banking sector.

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## 1.3 Objectives of the Study

### 1.3. 1 General Objective

The objective of the study was to determine the effect of Human resource policies on Employee retention in Commercial banks in Nairobi County.

### 1.3. 2 Specific Objective

i To determine the effect of reward policies on employee retention in commercial banks in Nairobi County.

ii To ascertain the effect of performance management policies on employee retention in commercial banks in Nairobi County.

iii To examine the effect of Health and safety policies on employee retention in commercial banks in Nairobi County.

iv To evaluate the effect of grievance policies on employee retention in commercial banks in Nairobi County.

### 1.3 Research Questions

i Reward policies have no significant influence on employee retention in commercial banks in Nairobi County.

ii Performance management policies have no significant effect on employee retention in commercial banks in Nairobi County.

iii Health and safety policies do not significantly affect employee retention in commercial banks in Nairobi County.

iv Grievance policies have no significant impact on employee retention in commercial banks in Nairobi County.

### 1.4 Justification of the study

High staff retention in Kenyan commercial banks is not just a routine HR achievement; it's essential for maintaining the stability of these institutions. Neglecting retention efforts can lead to more than just financial burdens from recruitment and training; it can disrupt operations by losing experienced professionals, ultimately harming the banks' competitiveness. The stability and effectiveness of these banks are at risk, and the financial strain from constantly recruiting new staff may compromise their overall functionality.

Moreover, the loss of seasoned professionals implies a significant drain on institutional knowledge and expertise, hindering the sector's evolution. Without effective HR employee retention policies focusing on retention, the continuous departure of skilled employees can impede the development of a knowledgeable workforce, crucial for the long-term sustainability and competitiveness of these banks. High employee retention rates can instill feelings of job insecurity and dissatisfaction among employees. This not only affects the morale and well-being of the workforce but also has potential repercussions on productivity and overall performance.

It is essential to put recommendations for improving human resource policy into practice in order to address the urgency of this situation. These have to concentrate on matters like grievance procedures, health and safety, performance management, and incentive schemes. Ignoring these suggestions might make the employee turnover issue worse and perhaps continue, which would be bad for Kenya's commercial banks' reputation and general performance. Effective human capital management lays the groundwork for long-term economic and competitive stability, not

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only for employee retention.

## 1.5 Significance of the Study

The significance of studying the impact of HR policies on employee retention in Kenyan commercial banks lies in its potential to enhance organizational stability and competitiveness. Specifically, understanding how reward policies influence retention can help tailor compensation strategies that motivate employees to stay. Analyzing the role of performance management policies can lead to more effective evaluations that encourage long-term commitment. Investigating health and safety policies ensures a secure working environment, which is crucial for retention. Lastly, examining grievance policies can help banks address employee concerns more effectively, reducing turnover and improving overall satisfaction.

Understanding the impact of reward policies on retention will allow banks to offer incentives that encourage long-term employment. Insights into performance management policies will help create evaluations that foster employee growth and loyalty. Evaluating health and safety policies ensures a secure work environment, which is crucial for retention. Finally, understanding the role of grievance policies in retention will enable banks to address employee concerns effectively, leading to a more satisfied and stable workforce. This approach will not only retain talent but also nurture and develop it, ensuring that banks remain competitive and resilient with a skilled workforce capable of driving innovation and adapting to industry changes.

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## 1.7 Scope of the Study

The study focused on examine the effect of human resource policies on employee retention in commercial banks in Nairobi County. Branch managers, operations managers and sales managers from Equity, KCB, ABSA, Cooperative Bank, and NCBA were the target respondents. The study examined human resource policies:such as reward policies, performance management policies, health and safety policies and grievance policies in order to ascertain how these HR policies affect employee retention in Kenyan commercial banks. At the targeted Kenyan commercial banks, structured questionnaires were utilized to collect data from the respondents. The study was conducted from March 2023 to June 2024.

### 1.8 Limitations and Delimitations of the Study

This study focused exclusively on commercial banks within Nairobi County, Kenya, which limited the generalizability of the findings to other sectors or regions. To mitigate this limitation, the research incorporated a diverse range of literature from both Kenyan and international sources. The investigation centered on the impact of human resource policies specifically reward policies, performance management policies, health and safety policies, and grievance policies on employee retention. However, the study did not address other potential influences, such as workplace culture, employee relationships, or job satisfaction. To address this gap, a comprehensive approach was employed, examining a broad spectrum of variables to provide a more complete understanding of the factors affecting employee retention.

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# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 INTRODUCTION

This part provides an overview of the literature with a particular emphasis on how human resource (HR) policies affect employee retention in Nairobi, Kenya's commercial banks. It includes a detailed analysis of conceptual models, empirical investigations, and theoretical frameworks, as well as the identification of research gaps in the body of current literature. The researcher has made significant use of pertinent sources that were in line with the goals of the investigation, allowing for the collection of insightful knowledge from earlier studies and boosting the overall strength and validity of the study.

## 2.2 Theoretical Review

A theoretical literature review is a systematic examination of the existing research on a particular topic. It is used to identify and analyze the key theories, concepts, and frameworks that have been used to study the topic. The aim of a theoretical literature review is to provide a comprehensive overview of the current state of knowledge on the topic, identify gaps in the literature, and develop a theoretical framework for the research (Zhang 2017)

Theories, at their core, are systematic collections of principles and concepts that explain and predict phenomena. Serving as the bedrock of research, they offer a structured perspective, enabling researchers to interpret intricate real-world events. They not only offer a blueprint for understanding relationships and causal links within data but also possess the ability to anticipate outcomes. Embedding research within established theories allows for an intellectual continuation, connecting new inquiries with a broad spectrum of pre-existing literature. High-performance work systems (HPWS) theory, person-environment fit theory, Organization support theory, and Adam's equity theory serve as guiding theories for this investigation.

### 2.2.1 High-Performance Work Systems (HPWS) Theory

John P. Campbell's developed the High-Performance Work Systems Theory (HPWS), which was put out in the late 1990. The theory emphasizes the fusion of multiple HR guidelines to create an atmosphere at work that boosts efficiency, satisfaction, and persistence. The premise of HPWS is that aligning HR policies and practices with business goals may improve staff efficiency and

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increase organizational effectiveness. (Fouquereau, 2023).

Researchers like Galgallo and Mutembei (2022) suggested that the HPWS theory shows that a well-designed incentive system may play a major role in improving employee retention in the context of reward policies and staff retention in commercial banks in Nairobi, Kenya. Effective incentive programs may give workers both internal and external motivation, which increases job satisfaction and employee retention. Employee retention is higher when they feel appreciated and are properly compensated for their services.

According to Nduati and Wanyoike (2022), it is crucial to take into account incentive plans that correspond with the particular demands and expectations of employees if you want to adopt HPWS in Kenya's banking industry. Attractive salary packages, performance-based bonuses or incentives, recognition programs, chances for professional advancement, and measures to promote work-life balance are a few examples of this. Organizations may establish a productive work environment that encourages employee retention by creating incentive programs that take into account the particular problems and goals of employees in the banking sector.

According to Johnstone (2020), the HPWS Theory has a propensity to ignore the impact of external factors on organizational performance, such as market circumstances, industry dynamics, and macroeconomic issues. While HR policies are important, they are not the only factor in determining an organization's performance. The HPWS Theory may not be applicable in complex and dynamic corporate situations if external elements are ignored. High-Performance Work Systems (HPWS) Theory is linked to the first and second study objectives on the effect of reward policies and performance management policies on employee retention in Commercial banks in Nairobi, Kenya respectively. This is because High-Performance Work Systems (HPWS) theory suggests that implementing a high performance environment that is rewarded can lead to higher employee performance, motivation, and retention.

The theory also advocates for effective performance management in the context of commercial banks in Nairobi, Kenya. The theory proposes that the design and implementation of effective reward policies can positively influence employee retention. Therefore, in order to enhance their

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efficacy in keeping outstanding workers, commercial banks in Kenya must adjust and customize their compensation schemes and performance management policies depending on their unique organizational context, personnel demographics, and competitive environment.

### 2.2.2 Person-Environment Fit Theory

Person-Environment Fit Theory was developed by John Holland in the 20th century (Vianen, 2018). According to the theory, people are more likely to be content and successful in their careers when their unique qualities and those of their workplace are in harmony or fit (Patton & McMahon, 2021). According to the Person-Environment Fit (P-E Fit) hypothesis, people look for situations that complement their unique qualities, such as their interests, values, and talents.

According to Guan et al. (2021), a high degree of fit between an individual's personality and their workplace results in a number of advantageous consequences, such as enhanced job satisfaction, improved performance, and loyalty to the company, resulting in employee retention. According to critics, the P-E Fit Theory overgeneralizes the workplace by distilling it to a set of features or dimensions (Armitage & Amar, 2021). Individual-environment fit alone may not take into account all of the contextual aspects that affect employee retention. The larger contextual aspects that affect employee success may be overlooked if one only focuses on individual-environment fit. Based on Pudjiarti & Darmanto (2019), managerial policies include the concept of P-E Fit theory by evaluating how well employees' abilities, skills, and behaviors align with the demands of their roles.

P-E Fit theory is relevant to this study and supports the second objective under study on performance management policies. This is because the Person-Environment Fit Theory suggests that employees' satisfaction, engagement, and intention to stay within an organization are influenced by the match between their personal characteristics and the characteristics of the work environment. In the context of performance management policies in commercial banks in Nairobi, Kenya, this theory proposes that employees who perceive a good fit between their skills, values, goals, and the performance management policy of the organization are more likely to be retained.

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### 2.2.3 Organizational Support Theory

The proponent of Organizational Support Theory is Robert Eisenberger, who introduced the theory in the late 1980s and further developed it over the years. Organizational Support Theory (OST) focuses on the relationship between employees and their organization, particularly in terms of perceived support and its impact on various outcomes, including employee retention (Kurtessis and Adis, 2017). According to Organizational Support Theory, employees assess the extent to which their organization values their contributions and cares about their well-being. This perceived support from the organization influences employees' attitudes, behaviors and overall job satisfaction (Adis, 2017).

Critics also suggest that the theory overlooks individual differences in interpreting and perceiving support, as employees may have different expectations and needs (Ryan & Deci 2020). The theory does not adequately address the influence of external factors, such as economic conditions or industry trends, on employee retention (Ryan & Deci 2020). Some argue that the theory places too much emphasis on perceived support, which may not always align with objective support provided by the organization.

Organizational Support Theory is relevant to this study and supports the third objective on the effect of health and safety policies on employee retention, it is evident that the perception of organizational support in promoting health and safety can significantly impact employee retention. When organizations prioritize employee well-being and establish robust health and safety policies, employees perceive the organization as caring for their safety and overall welfare. This perception of support fosters positive attitudes and commitment among employees, resulting in increased retention (Sabri et al., 2020).

### 2.2.4 Adam's Equity Theory

Originated by J. Stacey Adams in 1963, the Equity Theory of Employee Motivation hinges on the premise that workers feel motivated when they consider their pay equitable for their labor (Uka & Prendi, 2021). It asserts that employees are motivated to strike a balance between their own and others' notions of fairness. People won't be as motivated to do extra effort if they feel

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they are being treated unfairly, for this reason. Employees are motivated to maintain a sense of justice and equity in their workplace. This perspective suggests that employees who perceive grievance policies and procedures to be fair and effective are more likely to stay (Uka & Prendi, 2021).

The idea has important implications for managers, who need to understand how their employees see resource allocation. Employees who feel they are being treated unfairly in the application of rules or resource distribution may experience negative consequences resulting in increased employee turnover rates. (Uka & Prendi, 2021). The primary focus of Adam's Equity Theory is on people's immediate feelings of fairness or injustice. The theory, according to critics, fails to appropriately take into account long-term factors like the possibility of future rewards or the general career trajectory. If temporary unfairness is seen as a stepping stone to greater rewards or possibilities, workers may be more prepared to put up with it (Jost, 2020).

The main focus of Adam's Equity Theory is on how people see fairness and what drives them. The approach, according to critics, ignores the value of team dynamics and organizational results. In reality, people may be driven not just by their personal notions of equality but also by group objectives, teamwork, and the success of the business as a whole (Kittay, 2018). However, Adam's equity Theory lacks unbiased metrics for evaluating equality views (Claridge, 2018). The notion mainly relies on a person's subjective assessment of fairness, which can differ widely from person to person. This subjectivity makes it challenging to assess equity levels properly and quantify them effectively, which might result in inconsistent application of the idea (Claridge, 2018).

According to the theory, everyone aspires to feel fairness, and when they notice unfairness, they will be compelled to make things right (Neff & Knox, 2020). Research indicates that people may respond to unfairness in different ways, and their motivation to restore equity may change depending on personal variables, including personality, values, and prior experiences. Failure to take into account outside factors may affect its applicability (Belarmino & Koh, 2018).

Adams' equity theory is relevant to this study. It supports the fourth objective related to the third

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aim on grievance policies on employee retention in commercial banks in Nairobi, Kenya, since it offers an original viewpoint on how workers understand the distribution of resources within an organization which is a source of grievance (Twalib & Kariuki, 2020). By taking into account the inputs and outputs of every single worker, supervisors may create a fairer workplace that fosters higher levels of employee happiness and productivity (Twalib & Kariuki, 2020).

## 2.3 Empirical Review

The empirical study offers a discussion of the study's objectives by examining research done by other academicians on the impact of human resource policies on employee retention in Kenyan commercial banks.

### 2.3.1 Reward Policies and Employee Retention

Terera et al. (2021) delved into the impact of rewards on the job satisfaction and the retention rate of nurses. The primary objectives of this study were to determine the role of incentives in influencing job contentment, to probe the correlation between rewards and job satisfaction, and to establish the connection between job satisfaction and employee retention. Following the findings, the study suggested potential measures aimed at enhancing employee retention. About 180 respondents were chosen at random to take part in the investigation, which employed a quantitative research methodology. The data was examined using SPSS version 20.0. Hypotheses were made in order to look into the connections between both independent and dependent variables. The study discovered that while recognition programs improve retaining staff, job satisfaction does not. Terera et al. (2021) found recognition programs boost retention but not satisfaction, despite using a robust quantitative approach with SPSS. The study could benefit from exploring additional factors affecting job satisfaction. In contrast, the current study on the effect of HR policies on employee retention in Nairobi's commercial banks will examine broader policy impacts, potentially offering a more comprehensive view of factors influencing retention.

Njanja et al. (2021) looked at the impact of awards on employee retention. The research project aimed to determine how employee retention of staff at KPLC was impacted by incentives. The study's particular goal was to determine how cash rewards affected employee retention. An empirical correlational approach was applied in the study. The opinions of 68 board members

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were expressed. The information was gathered using questionnaires. Descriptive statistics (frequency tables, percentages) were used to present the data. The relationship between financial bonuses and employee retention was investigated using chi-square inferential statistics. The data were analyzed using SPSS. The study's conclusions demonstrated that financial bonuses do not impact employee retention (p=0.8). Njanja et al. (2021) found financial bonuses ineffective for retention, despite using SPSS and chi-square analysis. The small sample size and narrow focus on bonuses limit the study's applicability. The current study on HR policies in Nairobi's commercial banks provides a broader perspective on retention, considering diverse policy impacts rather than focusing solely on financial incentives.

Mngomezulu and Chikandiwa's (2019) study looked at the impact of recognition on retaining top employees' talent. The purpose of this study was to determine what impact incentive had on a company's ability to retain brilliant workers. A total of 70 questionnaires were distributed to workers in a variety of occupational functions. The study demonstrated that management may apply a number of tactics to retain talented workers. Managers also need to be aware that different people may respond differently to these methods. This research also addressed some of the most urgent issues that the corporate world is now facing, such as the inability to recognize exceptional achievement and employee attrition due to a shortage of skilled labor. Corporate executives have to consider a variety of factors, such as salary, excitement, acknowledgment, and effective staff administration, in order to lower voluntary turnover and retain good employees. Mngomezulu and Chikandiwa (2019) highlighted the importance of diverse retention tactics but lacked depth in analyzing specific incentive impacts. A broader view could enhance understanding of effective employee retention strategies. The current study on HR policies in Nairobi's commercial banks provides a more nuanced analysis of various HR practices' effects on retention, integrating a wider range of factors beyond recognition alone.

Vasquez (2021) looked at staff retention as a way to stabilize the economy. Semi-structured interviews with workers in the South Florida hospitality sector were used to collect the data for this study. In order to collect people's actual memories, an exploratory phenomenological methodology was adopted in the study. The outcomes validated the strategy for employee retention. In the hotel sector, a good work environment with supportive management,

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promotions, and incentive programs will boost staff retention. Vasquez (2021) employed semi-structured interviews and phenomenology but lacked quantitative validation. While the study emphasizes a supportive work environment, it did not fully address broader HR policy impacts on retention. The current study on HR policies in Nairobi's commercial banks offers a quantitative perspective, potentially revealing broader and more generalizable insights into employee retention strategies across different sectors.

Okotoh (2019) assessed how incentive methods of leadership impacted worker retention at the Kenyan Communications Authority as a specific aim of the study. A preliminary investigation was carried out. Each employee of the Kenyan Communications Authority was the study's topic. The information was gathered by use of questionnaires and descriptive statistics was used to assess the data and examine the study's different facets. The statistics package for social sciences (SPSS) software was employed for analysis. As indicated by the findings, successful compensation techniques for leadership and employee retention are related. The Communications Authority of Kenya reportedly placed a significant amount of reliance on its incentive strategy and policy, job evaluation and grading, wage survey, and overall incentives. Okotoh (2019) used descriptive statistics and SPSS but focused narrowly on leadership incentives at one organization. The study's findings on compensation and retention lacked broader applicability. The current study on HR policies in Nairobi's commercial banks provides a more comprehensive analysis of various HR practices, providing insights across different banking institutions rather than focusing solely on leadership incentives.

Tirta and Enrika (2020) examined the effects of reward and recognition, the balance between work and life, and employee retention on millennials in Indonesia. Using satisfaction with a job as a mediating variable, the research sought to investigate the effects of reward and recognition, work-life balance, and retention of staff. These findings helped firms create initiatives and policies to retain the millennial population that makes up the majority of their existing workforce. Samples were taken using non-probability sampling. Tirta and Enrika (2020) used non-probability sampling and focused on millennials in Indonesia, limiting generalizability. Their emphasis on job satisfaction as a mediator is insightful but may not address broader HR policy impacts. The current study on HR policies in Nairobi's commercial banks provides a

wider perspective, examining various HR practices and their effects on retention across a diverse workforce.

Nyanjom (2013) examined the factors influencing reward policies and employee retention. The study adopted a cross-sectional design as it took a representative sample of its target group and based its overall findings on the views of those targeted. The target population of this study included all 155 state corporations in Kenya as of December 31st, 2012. The study took a sample of 54 state corporations and collected primary data using a self-administered questionnaire. The data was analyzed using descriptive statistics comprising of mean scores, standard deviations, frequency distribution, percentages, and factor analysis. A summary of the findings showing the relative importance of factors influencing employee retention in the state corporations in Kenya ranked employee training and career development first as the most important factor, followed by performance appraisal, employee empowerment, employee commitment, and lastly, employee compensation. The study concluded that employee retention is influenced by training and career development, performance appraisal, employees' empowerment, employees' commitment and employees' compensation. The current study on HR policies in Nairobi's commercial banks will likely examine a range of practices and their cumulative effects on retention, potentially offering a more comprehensive understanding beyond job satisfaction alone.

Msengeti and Obwogi (2019) studied the Mombasa County hotel industry to determine the effects of pay and workplace culture on employee retention. The findings demonstrated that, compared to salary, work environment had a significant (p =.005) 2-tailed influence on employee retention. The findings demonstrated that workplace culture is an important component in employee retention, but it was also suggested that businesses in the industry review their current compensation shortfalls in order to remain competitive. Msengeti and Obwogi (2019) highlighted the significant impact of workplace culture over salary on retention but recommended addressing compensation gaps. The focus was on one industry, which limited broader applicability. The current study on HR policies in Nairobi's commercial banks examined a wider range of HR practices, offering insights into how comprehensive policy strategies impact employee retention across different sectors.

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### 2.3.2 Performance Management Policies and Employee Retention

In their research on increased innovation efficiency through gathering data, Papa and Miglietta (2020) concentrated on the mitigating impact of performance management policies on employee retention. In order to test the assumptions using ordinary least squares (OLS) regression models, data from 129 enterprises operating in a sample of different industries were gathered via a conventional survey. The results demonstrated that expertise acquisition has a favorable impact on innovation success and that HRM moderates the relationship between knowledge acquisition and innovation performance. As open innovation becomes more prevalent, firms may anticipate both opportunities and difficulties that will alter how they manage their human resources. This is predicated on the notion that employees are the source of a company's knowledge base and that certain HRM elements might have an impact on creativity inside organizations. Despite this, limited studies have beenbeen done to examine the relationship between knowledge acquisition, HRM and innovation performance from the perspective of open innovation.

Kigo and Gachunga (2019) examined the effect of performance management policies on employee retention in the insurance industry. In order to represent the insurance industry in the study, five businesses were randomly selected. Because the participants just recounted the events, they did not change the variables; hence, the research was diagnostic. The target audience consisted of 200 Assistant and Managers. 70 employees were selected for the samples based on a simple random selection process. Primary data was acquired using a standardized questionnaire. The SPSS programme, version 21.0, was used to analyze the data. The study concentrated on Kenyan-owned companies with a more diverse staff. Moreover, other elements that were not examined in this study may be utilized to generalize the findings of this analysis. The current study on HR policies in Nairobi's commercial banks provides a broader analysis of various HR practices, aiming for more generalizable findings across different banking institutions and addressing a wider range of retention factors.

Hausknecht and Howard (2020) explored key performance indicators (KPIs) as factors influencing employees' reasons for staying in an organization, focusing on both results and job-related aspects. Their research revealed that the most commonly mentioned retention factors

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were job satisfaction, extrinsic incentives, connections with colleagues, organizational commitment, and the organization's reputation. High performers and non-hourly workers were more likely to cite opportunities for growth and the organization's status as motivators for staying, while low performers and hourly workers tended to emphasize extrinsic rewards like pay and benefits. These findings underscore the importance of adopting diverse strategies to manage human resources effectively and retain valuable employees. However, Hausknecht and Howard (2020) primarily focused on KPIs related to performance levels, which may have overlooked other significant HR policies and factors contributing to retention. While their analysis provides valuable insights into performance-based retention drivers, it could benefit from a broader examination of other critical elements influencing employee retention, such as leadership styles, work-life balance, and organizational culture. The current study on HR policies in Nairobi's commercial banks offers a comprehensive analysis of various HR practices, potentially uncovering broader insights into how different policies influence employee retention beyond just KPIs and performance levels.

### 2.3.3 Health and Safety Policies and Employee Retention

Studies by Mahmood and Aftab (2019) investigated the effects of a safe and healthy workplace on staff retention in the pharmaceutical business, as well as the mediating roles of motivation and job satisfaction. The study examined how elements, including a safe and healthy workplace, job satisfaction, and motivation, affect employee retention. 250 survey questionnaires were sent out to workers in Pakistan's pharmaceutical sector as part of this quantitative study. To examine the direct and mediated effects of factors, SPSS and AMOS were used. This study reaffirmed that a safe and healthy work environment has a major impact on employee retention. According to the findings, pharmaceutical companies in Pakistan, and more especially those in Lahore, should support health protection legislation since doing so will increase employee satisfaction and motivation and assist retain qualified workers. Mahmood and Aftab (2019) focused on health and safety in a specific sector but might lack broader applicability. The study effectively used SPSS and AMOS but could benefit from exploring other industries. The current study on health and safety policies in Nairobi's commercial banks will provide a broader view, examining how these policies impact employee retention across different banking institutions and considering diverse workplace environments.

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In the Ghanaian mining industry, Amponsah and Mensah (2019), evaluated occupational health and safety management and turnover intention. Quantitative information was gathered from the 255 mineworkers who were conveniently selected from the mining sector in Ghana for the study using a cross-sectional survey approach. Standardized questionnaires were used as the data collecting instruments to gauge turnover intentions and management of occupational health and safety. Prior to being used in real data gathering, these scales underwent preliminary testing. The connection value demonstrated a negative connection among aspects of occupational health and safety management and intention to leave the company. This connection included safety leadership (r = 0.33, p 0.01); guidance (r = 0.26, p 0.01); establishments and devices for safety (r = 0.32, p 0.01); and protection action (r = 0.27, p 0.01). Within these factors, risk infrastructure and quality management were highly effective predictors of turnover intention (r= 0.24 and 0.28, respectively, p 0.01). The investigation also discovered that the safety leadership's dedication to ensuring the successful creation of policies and oversight of occupational health and safety at the workplace has a significant impact on the choice of employees to leave their jobs. Amponsah and Mensah (2019) provided detailed insights into health and safety management's impact on turnover but focused solely on mining, limiting generalizability. The study's narrow sector scope may restrict broader application. The current study on health and safety policies in Nairobi's commercial banks will expand the analysis to a different sector, offering a comparative view of how these policies affect employee retention in banking environments.

According to research by Muhammad and Khan (2020), a healthy and safe work environment has an intermediary impact on dedication among employees. The goal of the study was to examine the link between a healthy and safe workplace (HSE) and employee retention while taking into account the role played by workers' commitment as a mediating factor. A closed-ended questionnaire that was completed by 200 workers of Pakistan's four largest textile firms was used to collect the study's data. Using Smart PLS v3.2.8, the partial least squares (PLS) modeling method was used to examine the connection between the variables. The study's conclusions showed that, with the exception of one factor, notification of emergencies, there is a substantial correlation between employee dedication and the health and safety aspects. Muhammad and Khan (2020) effectively used PLS modeling to examine health and safety's

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impact on retention but focused solely on textile firms. Their findings might not generalize across other industries. The current study on health and safety policies in Nairobi's commercial banks will explore a different sector, potentially offering broader insights into how health and safety impact employee retention and dedication in the banking industry.

Miller and Haslam (2020) investigated the justification for company health spending. The occupational health and safety experts who were contacted for this study's interviews provided descriptions of how employee health concerns were discussed in their respective workplaces. Ethics-based justifications for why something should be done were frequently made and were thought to have an effect. Unsurprisingly, the majority of employee health-related behavior was said to be motivated by legal compliance. It was said that contemporary business reasons for employee health were frequently not very empirical, with more logical explanations pointing to concerns with people management, ideas of corporate reputation, and alignment with business objectives. Although not presently utilized or evaluated by this sample, data on employee retention and productivity was thought to be pertinent. There was evidence to support the idea that stronger empirical business cases might aid in removing some of the obstacles that were noted, such as those where costs are more measurable than benefits. Miller and Haslam (2020) discussed ethical and compliance-based justifications for health spending but lacked empirical analysis on retention and productivity. Their focus on justification rather than direct effects limits applicability. The current study on health and safety policies in Nairobi's commercial banks will offer empirical insights into how these policies directly impact employee retention, providing a more actionable analysis for business practices.

Muturu and Mose (2019) investigated the impact of the workplace environment on employee retention. The goal of the study was to ascertain the perceived impact of employee perks on Kenya Forest Service personnel retention. A descriptive study was conducted. Employees of Kenya Forest Service, a state organization, were the study's target group. There are 625 workers working there altogether. 62 employees were utilized as a sample case in the study. Both primary and secondary data were employed to accomplish the research goals. A questionnaire was used to gather the primary information. Reviewing documents, including the Human Resource Manual and departure interview forms, provided secondary data. The examination of qualitative

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data using content analysis. However, the study's reliance on qualitative content analysis may miss broader trends.Using descriptive statistics, quantitative data was examined. The current study on health and safety policies in Nairobi's commercial banks will offer a broader and more quantitative examination, aiming to provide comprehensive insights into how these policies affect employee retention across the banking sector.

Waititu et al. (2017) conducted a research on the effect of employee welfare programs on employee performance. The research determined that the Kenya Railways Corporation's staff efficiency is impacted by the five factors of benefits for staff (occupational health;, succession plans; training and development, employee referral system; and compensation policies). The regression model used in the study showed that compensation practices at Kenya Railways Corporation had a significant beneficial impact on worker satisfaction. The succession strategy registered the least weak and negative effect on worker productivity at Kenya Railways Corporation, in contrast to the employee referral program, which exhibited a weak adverse impact on worker efficiency. The report suggests that the Kenya Railways Corporation embrace compensation policies, occupational health measures, and training and development initiatives to boost worker satisfaction within its walls. However, the study's sector-specific results may not generalize to other industries. The current study on health and safety policies in Nairobi's commercial banks will explore broader HR practices and their direct impact on employee retention, aiming to offer insights relevant across different sectors beyond just welfare programs.

According to a study by Indakwa (2021) on Impact of Occupational health and safety procedures on employee retention at Kenyan Chemelil Sugar Company Limited, occupational health and safety procedures have a positive impact on employee retention at the Kenyan Chemelil Sugar Company Limited. Data were gathered using an organized survey as part of a cross-sectional survey design for the investigation, and descriptive statistics like percentages, means, and standard deviations were utilized to evaluate the results. The study was to determine whether occupational health and safety procedures had an impact on job fulfillment using correlation analysis. Only 84 of the targeted 110 respondents filled out the surveys, resulting in a 76% response rate. The study found that work-related health and safety procedures affect job satisfaction. They concurred that safety procedures, wellness initiatives, and access to medical

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treatment for both work-related and non-work-related conditions were all in place. The current study on health and safety policies in Nairobi's commercial banks will offer a broader and more comprehensive analysis, examining various HR practices and their impact on employee retention across multiple banking institutions.

### 2.3.4 Grievance Policies and Employee Retention

Janjua and Gulzar (2021) looked at how human resource policy affected employee retention and engagement in Pakistan's telecom industry. The data was gathered via a questionnaire. Employees at several telecom businesses in Rawalpindi and Islamabad filled out a total of 250 questionnaires. The data were interpreted and analyzed using correlation, regression, and Sobel tests. The results showed that different human resource strategies have a big impact on employee loyalty and retention. The results also showed that loyalty mediates the relationship between HRM and employee commitment as well as the relationship between HRM and employee retention. However, the results on loyalty's mediating role may not fully apply to other industries. The current study on health and safety policies in Nairobi's commercial banks will examine how these policies specifically impact employee retention, providing sector-specific insights and broadening the understanding of HR practices beyond telecom.

The study by Peterson & Lewin on unionized dispute processes was released in 2020. The examination comprised articles from the disciplines of psychology, sociology, economics, and labor relations. The authors counsel senior human resource and labor relations directors and their staffs to conceptualize the grievance procedure as an intensive human resource practice, differentiate among the existence and use of disagreements activities, use grievance data to ascertain how much the person complaining or their supervisors suffered punishment, assess supervisors' dominant introduction towards staff members and decide whether what staff think of the disagreement procedure fair. Their findings may not directly address health and safety policies or employee retention. The current study on health and safety policies in Nairobi's commercial banks will focus specifically on how these policies impact employee retention, providing targeted insights relevant to banking rather than broader dispute processes.

Ngetich (2019) looked at the impact of the Jomo Kenyatta Foundation's grievance- handling

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procedure on worker performance. Because there had been no earlier research on the organization's employee grievance handling procedures, this study was exploratory. Since self-administered questionnaires were considerably easier to use and less expensive to deliver, they were employed to gather research data. The data were examined using descriptive statistics, including ranking, percentages, frequency, and pie charts. The major findings of the study demonstrated that the business had a prompt and effective grievance resolution procedure. The study's findings demonstrated that the organization's grievance management process provided the employees with legal protection and channels for communicating their concerns in a collected and systematic fashion. The study highlights effective grievance resolution but may not generalize to broader contexts or different HR policies. The current study on grievance policies in Nairobi's commercial banks will explore how such policies affect employee retention across multiple institutions, offering broader insights into the impact of grievance management beyond a single organization.

A study by Muhere (2019) examined the factors contributing to employee loss of morale. The findings also showed a link between work satisfaction and employee opinions of the grievance management process that is good. The study will advance theories relating to grievance management practices and work satisfaction, as well as the design of labor policies, legislation, and institutional rules. The study makes several recommendations, including the need for an efficient method of handling complaints at the Ministry and adoption by its agencies, the need for a policy paper or guideline on handling various complaints at the Ministry, and the need for employers to be concerned that workers believe company handling processes adequately demonstrate how their problems are handled by improving productivity. The study's findings might not fully address grievance impacts on employee retention. The current study on grievance policies in Nairobi's commercial banks will provide targeted insights into how these policies affect employee retention in a specific industry, aiming for practical applications within the banking sector.

Effective interaction may assist in lessening or remove doubt, which will help with retaining staff members, in line with Martin and Butler's (2019) research on "The Managing Influence of Executive Political Skill on Employee Uncertainty on Post-Acquisition". Keeping important

employees under merger conditions is essential. Employers must devise plans to retain their highly valued employees on board. Organizations should utilize the creation of a competitive advantage and actual shareholder value brought about by retaining the best employees on board to measure the success of mergers. Their insights are valuable but may not directly address grievance policies. The current study on grievance policies in Nairobi's commercial banks will specifically examine how grievance management affects employee retention, providing a detailed analysis of retention strategies beyond the context of mergers and executive skills.

The investigators looked at worker worries during M&A insertion, which happens after talks are done, including ambiguity, attrition intent, work satisfaction, tardiness, and job pressure. These researchers claimed that forthcoming M&A activity may have a number of negative consequences, including higher inclinations to leave the company, decreased work satisfaction, increased absenteeism, and increased workplace stress (Martin & Butler, 2019). The researchers concluded that senior leadership should provide their staff with clear and regular interaction, and that before pursuing a contract, they should gather knowledge about the issues facing the sector and potential future trends. They must avoid combining unrelated organizations, comprehend the merger process, and decide on owners, outputs, and timetables. Their findings are less applicable to the effects of grievance policies on employee retention. The current study on grievance policies in Nairobi's commercial banks will address how grievance management specifically impacts employee retention, offering insights into internal policy effectiveness rather than merger-related strategies.

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### 2.3.5 Employee Retention

Cloutier and Pemberton-Jones (2019) examined the significance of creating strategies for staff retention. According to the report, retaining employees successfully is crucial for an organization's stability, expansion, and financial success. Employers may maintain their workforce by using four methods. First, encouraging excellent communication is important. Hire a diverse workforce next. Third, employ employees with the necessary skills. Finally, provide training and development opportunities for your staff. These factors that support employee retention techniques are discussed in the research. Without effectively executed staff retention methods, the company may experience significant employee turnover rates. The performance of

an organization will ultimately benefit from an employee staying with the company for a longer period of time.

Singh (2019) conducted a study of the literature on employee retention with an emphasis on current developments. Employing efficient retention tactics, organizations work to keep their people. High Employee Turnover will, therefore affect the organization's productivity and long-term viability. This study makes an effort to comprehend how retention strategies affect employee turnover in India's IT industry. Bangalore was selected as the study's venue since it is India's IT powerhouse. Previous studies by a number of academics have demonstrated that employee intention to stay influences the actual turnover.

Chiboiwa and Chipunza (2010) published an analysis of the staff retention strategy at a private Zimbabwean company. This research was a case study of a major private sector medical laboratory company in Zimbabwe. It was aimed at achieving the following objectives: identify the causes of employee turnover in the organization, examine the current retention practices in the organization, establish the effectiveness of the practices, and attempt a workable retention practice that could reduce the high rate of employee turnover in the organization. Qualitative research design was employed using structured interviews as well as administering research questionnaire to all category of employees. 3820 employees made up the organization's whole workforce nationwide, and 2240 responses made up the sample size. According to the research's findings, non-managerial employees have a greater rate of labor turnover.

It was discovered that compensation, recognition, and pay progression were important variables in luring, keeping, and inspiring employees. The difficulty for the majority of firms was to develop an efficient employee retention plan that would aid in keeping on board those staff members who are seen as essential to achieving corporate objectives. In light of an ever-changing economic climate marked by hyperinflation and a depleted labor market brought on by skill emigration, the hostile economic environment in Zimbabwe made it particularly difficult for managers to formulate realistic retention strategies.

A study by Sandhya and Kumar (2018) looked at employee motivation. The study's major goal

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was to pinpoint the managerial techniques for retention. Two Indian producers of heavy engineering are the companies under scrutiny. 100 people in middle management roles in the two firms provided the data. The questionnaire's Cronbach's alpha was discovered to be 0.823 and its Pearson correlation to be 0.951. The findings revealed that intrinsic and extrinsic motivation has a significant impact over employee retention, and perceived organizational support mediates the relationship between extrinsic, intrinsic motivation, and employee retention.

### 2.4 Summary of Reviewed Studies

| Author | Focus of the study | Key Findings | Research Gaps | How this study will address the gaps |
|---|---|---|---|---|
| Terera et al. (2021) | Effect of rewards and incentives on staff retention among nurses | The study found that while recognition programs do increase staff retention, they do not increase work satisfaction. | The study was limited by the use of a single independent variable, which was incentives, ignoring other variables | This study will focus on both monetary and non-monetary incentives and determine how they affect employee retention in the banking industry in Kenya. |
| Njanja et al. (2021) | Effect of rewards on employee performance at KPLC. | Those who received financial incentives and those who did not concur that cash bonuses had the same impact on their performance. | The study focused only on rewards and was limited to one organization in Kenya, meaning the findings are not generalizable | This study will focus on performance management, health and safety and grievance policies in addition to rewards. The industry Scope is the banking industry in Kenya, and not a single organization |
| Mngomezulu and Chikandiwa (2019) | The study examined the effect of recognition on keeping | The study found that recognition had an effect on employee retention | The focus was on employee recognition, ignoring other variables that improve employee | This study will focus on not just employee recognition but also on performance management, health and safety, and |

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| | | | | |
|---|---|---|---|---|
| | employee retention | | retention | grievance policies. |
| Vasquez (2021) | Employee retention strategies in the South Florida hospitality industry | A positive work environment with managerial support, incentives, and reward programs will increase employee retention in the hospitality industry. | The focus was on different employee retention strategies, not policies in the hospitality industry, not the banking industry | This study will focus on specific human resource policies and their effect on employee retention The industry scope is the banking industry in Kenya. |
| Okotoh (2019) | The perceived impact of incentive management strategies on the staff retention at the Kenyan Communications Authority. | There is a link between effective incentive management strategies and staff retention at the Kenyan Communications Authority. | The focus was on incentive management and the study was conducted in only one organization, meaning the findings are not generalizable | This study will focus on reward policies, performance management policies, health and safety policies, and grievance policies in the banking industry in Kenya, not just a single organization |
| Tirta and Enrika (2020) | The effects of reward and recognition, balance between work and life, and employee retention on millennials in Indonesia. | Job satisfaction, work-life balance, and rewards and recognition have a considerable beneficial impact on employee retention. | The focus was on job satisfaction, work-life balance, and rewards and recognition as the independent variables and has a geographical limitation | This study will specifically focus on reward policies, performance management policies, health and safety policies, and grievance policies and how they affect employee retention in the banking industry in Kenya . |
| Msengeti and Obwogi (2019) | The impacts of wage and work environment on | Wage and work environment is a key factor in employee | The study does not consider other variables like performance | This study will not only focus on not just wage but non-financial rewards like |

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| | | | | |
|---|---|---|---|---|
| | employee retention on the hotel business in Mombasa county | retention | management and is limited in applicability to the hospitality industry | health programs on the amongst other policies, and how they affect employee retention in the banking industry in Kenya |
| Kigo and Gachunga (2019). | The impact of talent management methods on employee retention in the insurance business | Talent management had the biggest beneficial impact on employee retention | The focus was only on talent management methods, ignoring other factors on employee retention, and the study was specific to the insurance sector | This study will focus on performance management policies where talent management is a factor, as part of the human resources policies that improve employee retention but in the context of the banking sector. |
| Sandhya and Kumar (2018) | The study investigated employee motivation as a factor in retention | Employee motivation is a factor in employee retention. | The study does not emphasize on other factors like performance management, which also affect motivation and employee retention . | In assessing the impact of reward policies on employee retention, this study will show the link between rewards (motivator) and employee retention . |
| Mahmood and Aftab (2019) | The effects of a safe and healthy workplace on staff retention in the pharmaceutical business | A safe and healthy work environment has a major impact on employee retention. | The study used health and safety as the only independent variable, and the findings are industry-specific to pharmaceuticals. | This study will add performance management policies, reward policies and grievance policies to the list of policies that affect employee retention with a specific focus on the |

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| | | | | |
|---|---|---|---|---|
| | | | | banking industry in Kenya |
| Amponsah and Mensah, (2019) | The study evaluated occupational health and safety management and turnover intention In the Ghanaian mining industry. | The findings noted that risk infrastructure and quality management were highly effective predictors of turnover intention. | The study does not look at how safety training as part of safety policy can improve employee retention. | In assessing health and safety policies on employee retention, this study will seek to establish the importance of safety training on employee retention in the Kenyan banking sector |
| Muhammad and Khan (2020) | The link between a healthy and safe workplace (HSE) and employee retention | There is a substantial correlation between employee retention and the health and safety aspects. | The study focused on workers' commitment as the mediating factor and did not look at how other mediating variables affect retention. | This study will look further into the broader aspect of health and safety to include the incident rates, adherence to safety rules and employee involvement in safety initiatives. |
| Miller and Haslam (2020) | The justification for company health spending | The majority of employee health-related behavior was said to be motivated by legal compliance. | The study did not show how spending on effective health policies impact employee retention. | This study would evaluate the impact of sound health policies and how the policy will impact employee retention in banks in Kenya |
| Muturu and Mose (2019) | The impact of the workplace environment on employee retention in Kenya Forest Service | KFS has an employee health benefit program and it does not affect their retention | The health benefit programs are not well designed because they do not incentivize employees to stay. | This study will explore how banks can create health benefit programs that can influence employee retention through employee engagement. |

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| | | | | |
|---|---|---|---|---|
| Waititu et al. (2017) | The effect of employee welfare programs on employee performance at the Kenya Railways Corporation | Safety at work had a marginally favorable impact on employee performance | The study does not address whether the programs designed are of perceived value to the employees, and the emphasis is on employee performance not retention | This study will focus on employee retention and how health as part of welfare programs can impact retention in the commercial banking sector in Kenya. |
| Indakwa (2021) | Impact of Occupational health and safety procedures on employee retention at Kenyan Chemelil Sugar Company Limited. | The study demonstrated a significant relationship between work-related health and safety procedures and job satisfaction not retention. | The study focused more on safety aspects that lead to job satisfaction more than employee retention . | This study will focus specifically on the effect of health and safety on employee retention in the banking sector not an individual organization for practicability purposes. |
| Janjua and Gulzar (2021) | The effect of human resource policies on employee engagement and retention in Pakistan's telecom business | The findings demonstrated that various human resource approaches significantly affect employee commitment and retention. | The study was focused on the Pakistan's telecom business | This study will focus on specific human resource policies and their effect on employee retention in the Kenyan commercial bank sector |
| Ngetich (2019) | The effect of the grievance management process on employee performance at | The organization's grievance management procedure affected employee performance. | The study did not focus on the effect of grievance management on employee retention. | This study will look at the direct effect of grievance management on employee retention but on a wider industry scope in the banking sector in Kenya. |

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| | | | | |
|---|---|---|---|---|
| | Jomo Kenyatta foundation | | | |
| Klaas and DeNisi (2018) | The effect of grievance activity on performance rating | The overall trend of data indicated that prejudice was at least partially responsible for the association between grievance activity and performance ratings. | The study focused on grievance activity and not the grievance handling mechanisms. | This study will focus on the entire grievance handling policy and mechanisms and how the policy affects employee retention in commercial banks in Kenya. |

**Table 2.4 Summary of revised studies and literature**

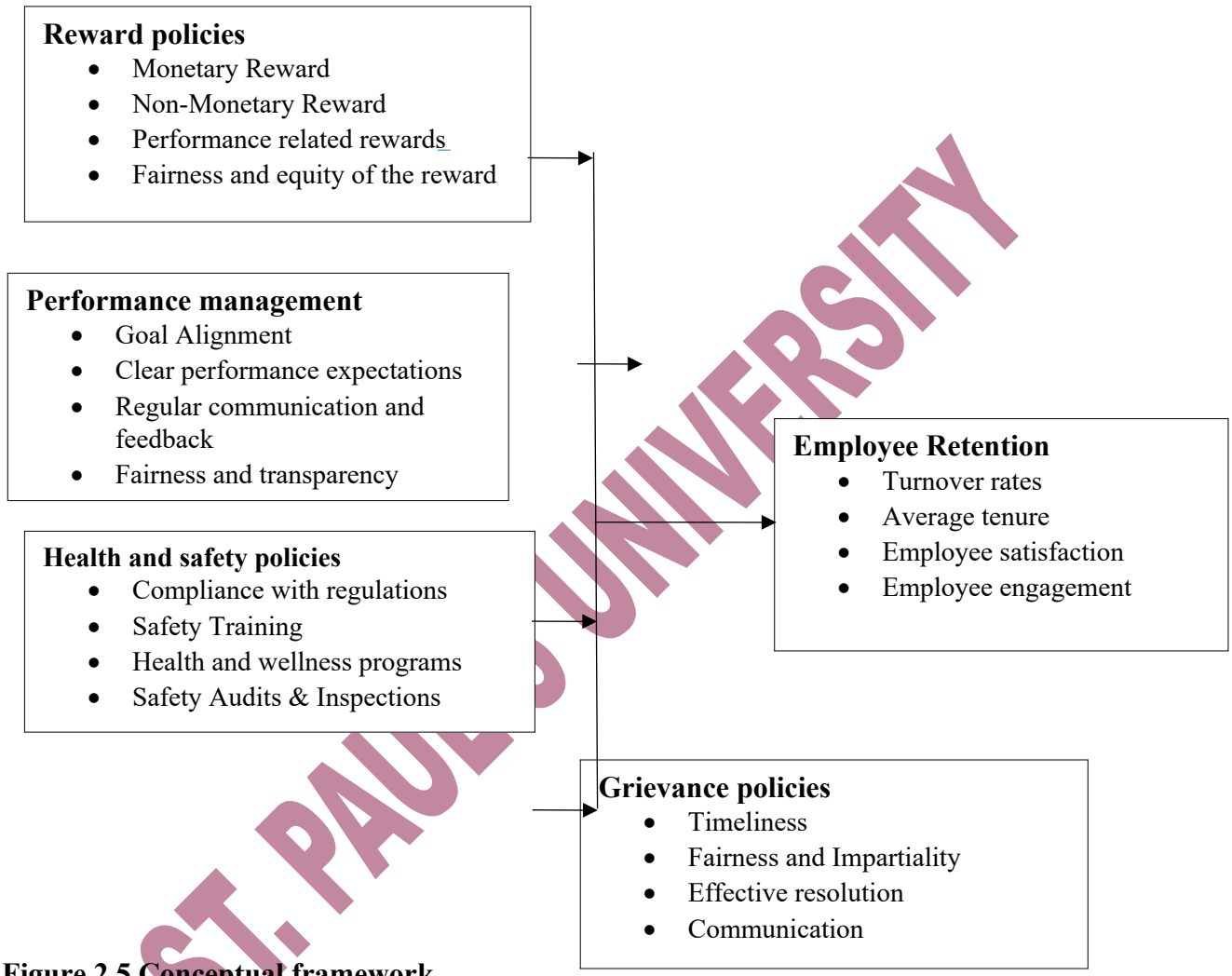
**Source: Author, (2023)**

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## 2.5 Conceptual Framework

The practical application of the independent and dependent variables under study, as well as their connection to one another, is illustrated in the conceptual framework below.

**Independent Variables** **Dependent Variable**




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**Figure 2.5 Conceptual framework**

**Source: Author, (2024)**

## 2.6 Research Gaps

Few researchers have examined the impact of HR policies on retaining staff in Commercial Banks in Nairobi County, Kenya. Many researchers have examined the impact of human resource policies on organizational performance (Mokaya, 2021). This study has helped to close this gap. Numerous academics have examined various HR practices used by firms, but none has combined studies on rewards, performance management, health and safety, and grievance-

handling policies.

This study has helped to fill this gap by identifying the best staff retention practices and human resource policies among those taken into consideration, which can be used by firms to improve performance through retention. There is limited information about Kenyan Commercial Banks' staff retention strategies and human resource policies in the studied articles (Kossivi et al., 2019). This study has contributed to filling that knowledge vacuum by providing commercial banks with guidance on how to retain their valuable staff members in order to boost productivity.

## 2.7 Chapter Summary

This chapter begins with a theoretical review, which examines foundational theories and models relevant to understanding the impact of human resource policies on employee retention. Following this, an empirical review provides an overview of existing research studies and findings that explore similar themes. This section is crucial for contextualizing the current study within the broader body of knowledge. Next, the summary of reviewed studies synthesizes key insights and conclusions drawn from previous research. This summary helps to identify common trends and gaps in the literature. Building on this, a summary of revised studies and literature offers an updated perspective, reflecting recent developments and shifts in understanding.

The chapter also includes a conceptual framework that outlines the theoretical constructs and relationships central to the study. This framework serves as a guide for analyzing how human resource policies influence employee retention. Finally, the chapter addresses research gaps specifically related to the effect of human resource policies on employee retention in commercial banks in Nairobi County, Kenya. Identifying these gaps highlights areas where further research is needed to enhance our understanding and inform future studies.

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# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter illustrates the approach employed to direct the study. The chapter is structured as follows: research design, target population and sample frame, data collection instruments and procedures, data analysis, and the ethical issues related to the study.

## 3.2 Research Design

A research design sets the framework for gathering and analyzing data, aiming to optimize efficiency while ensuring the study's objectives are met (Dannels, 2018). Kothari (2004) postulated that research design is a road map that makes it easier for the various operations of research to run smoothly, making research more efficient and producing the most information with the least amount of work, time, and money spent. In order to comprehensively ascertain the association between Human Resource Policies and Employee Retention**,** the study used a descriptive research design. The use of a descriptive research design for this study was justified by the need to obtain a comprehensive understanding of the research topic through a quantitative approach of research metrics like turnover rates, retention percentages, and tenure, among others.

## 3.3 Target Population

The study focuses on Nairobi's Tier 1 commercial banks, Equity, KCB, ABSA, Cooperative Bank, and NCBA to ensure relevance, data richness, homogeneity, and manageability, providing targeted insights into human resource policies and employee retention. According to the Central bank supervision annual report of 2022, banks classified under tier 1 dominate the market with a 75.14% share and have amassed 86.7% of the pre-tax profit from a total of 240.8B. Their capital reserves account for 74.6% of the 917.6B total, and they possess assets that constitute 75.45% of the overall 6589.8B (CBK, 2022).

Tier 1 banks are generally of more importance to the Kenyan economy due to their size, interconnectedness, and impact on the overall financial system as a whole and as such are a key area of research interest (Chumo, 2022). The choice was also informed by the number of branches they each have within Nairobi County as compared to the other banks in the same

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category. According to Matara (2021) on the List Banking institutions in Nairobi, Equity Bank has 52 branches in Nairobi County, KCB has 44 Branches in Nairobi County, ABSA has 33 Branches in Nairobi County, Cooperative Bank has 40 branches in Nairobi County and NCBA Bank has 42 branches in Nairobi County.

The study population comprised of branch managers, operations managers, and sales managers. Branch managers are involved in implementing and enforcing HR policies, thus providing insights into their direct impact on employee satisfaction and retention. Sales managers influence job satisfaction through performance incentives and career growth opportunities, reflecting how HR policies affect retention from a sales-focused perspective. Operations managers manage workforce planning and logistics, offering insights into how HR policies affect overall operational efficiency and employee morale. Together, these roles offer a well-rounded perspective on the effect of HR policies on employee retention.

**Table 3.1 Population Size**

| Bank | Strata | Frequency | Percentages |
|---|---|---|---|
| Equity | Branch manager | 52 | 8.2 |
| | Operations Manager | 52 | 8.2 |
| | Sales manager | 52 | 8.2 |
| KCB | Branch manager | 44 | 7 |
| | Operations Manager | 44 | 7 |
| | Sales manager | 44 | 7 |
| ABSA | Branch manager | 33 | 5.2 |
| | Operations Manager | 33 | 5.2 |
| | Sales manager | 33 | 5.2 |
| Cooperative Bank | Branch manager | 40 | 6.3 |
| | Operations Manager | 40 | 6.3 |
| | Sales manager | 40 | 6.3 |
| NCBA | Branch manager | 42 | 6.6 |
| | Operations Manager | 42 | 6.6 |
| | Sales manager | 42 | 6.6 |

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| | | |
|---|---|---|
| | 633 | 100 |

Source: Matara (2021) List of Banking Branches in Nairobi County.

### 3.4 Sample Design

A sample is a purposefully selected subset of the accessible population that is a good representative of the public and possesses the required characteristics. Sampling is the process of choosing participants for the investigation, and any sample technique may be used, including snowball, random, convenient stratified cluster sampling, systematic, and more (Trochim, 2006). To provide a proportionate depiction of the intended respondents, stratified sampling was utilized to create a sample size that accurately represents the overall population.

### 3.5 Sampling Size Determination

By use of Slovin's formula (Sarmawa, 2020), a sample size from the target population of 633 respondents was calculated as follows:

$$\text{Sample size } n = \frac{N}{[1+N\,(e)^2]}$$

Where $n$= Sample size

N= Target population as 633

$e$ = Margin of error as 0.01 (confidence level of 99%)

Using this formula, $n = \frac{633}{(1+633*0.01^2)}$

$= 595.31$, thus 595.

From the above computation, the determined sample size was 595. This constituted 94% of the total population, exceeding the benchmark set by Mugenda & Mugenda (2003) who suggested a sample size of at least 30% of the target population.

**Table 3.2: Sample Size**

| Bank | Strata | Frequency | Sample Ratio | Sample Size |
|---|---|---|---|---|
| Equity | Branch manager | 52 | 0.94 | 49 |
| | Operations manager | 52 | 0.94 | 49 |
| | Sales manager | 52 | 0.94 | 49 |

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| | | | | |
|---|---|---|---|---|
| KCB | Branch manager | 44 | 0.94 | 41 |
| | Operations manager | 44 | 0.94 | 41 |
| | Sales manager | 44 | 0.94 | 41 |
| ABSA | Branch manager | 33 | 0.94 | 31 |
| | Operations manager | 33 | 0.94 | 31 |
| | Sales manager | 33 | 0.94 | 31 |
| Cooperative Bank | Branch manager | 40 | 0.94 | 38 |
| | Operations manager | 40 | 0.94 | 38 |
| | Sales manager | 40 | 0.94 | 38 |
| NCBA | Branch manager | 42 | 0.94 | 39 |
| | Operations manager | 42 | 0.94 | 39 |
| | Sales manager | 42 | 0.94 | 39 |
| | | 633 | | 595 |

**Source: Author, (2024)**

### 3.6 Data Collection Instruments

According to Babbie (2007), a questionnaire is a tool made expressly to elicit data for analysis. For the purpose of gathering information for this study from the branch managers, operations managers, and sales managers of the Tier 1 Commercial Banks in Kenya, structured questionnaires were physically presented to the respondents at the selected Commercial Banks.

### 3.7 Data Collection Procedure

To get fresh perspectives and provide answers to the concerns that motivated this study, data collecting was necessary (Kombo & Tromp, 2006). With approval from St. Paul's University postgraduate office, the researcher acquired a research license from the National Commission for Science and Technology Innovations (NACOSTI) to conduct research in the targeted banks. Permission was sought from the targeted banks before commencing data collection in their branches. The study made use of primary data by use of Questionnaires using the drop and pick method by the researcher. In order to raise the percentage of people who responded for the study, subsequent follow-ups were made to encourage the filing of the questionnaires.

### 3.8 Pilot Test

Campbell (2016) suggested that a pilot test with 10% of the participants was suitable for any academic study before doing the actual study, supporting the choice of the pilot test. The pilot study involved a total of fifty-nine participants from SBM Bank and Family Bank. This was done to assess the device's accuracy and validity. This ensured the instrument's accuracy while

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enabling the researcher to make the required modifications.

### 3.8.1 Validity of the Research Instrument

According to Shrotryia and Dhanda (2019), content validity measures how correctly a questionnaire captures the range of subject matter that it aims to assess. To test for content validity, all significant variables were recorded. A 5-point nominal scale was used for all the variables to measure the individual indicators in the research and all the important elements of each variable were covered by the data collecting instrument.

The researcher utilized construct validity to ensure that the study's tool genuinely measured the intended theoretical constructs, as highlighted by Sekaran & Bougie (2019). The researcher utilized face validity to ascertain whether research tools were perceived as valid from the respondents' perspective. As emphasized by Blumberg, Cooper, and Schindler (2014), face validity involved the judgment of independent observers who assessed the research tools to determine whether the items in the questionnaire appeared valid.

In the pilot study, respondents provided feedback on the apparent relevance of the questionnaire's contents to human resource policies and indicators of employee retention in Commercial Banks in Nairobi. There was consistent agreement among these respondents regarding the questionnaire's pertinence, which suggested strong face validity, indicating the questionnaire effectively addressed the core issues under investigation.

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### 3.8.2 Reliability of the Research Instrument

The assessment of reliability for the research instrument was carried out using Cronbach's alpha coefficient, which ranges from 0 to 1. The Cronbach's alpha coefficient provided a quantitative measure of internal consistency or reliability. A value closer to 1 indicated higher internal consistency, suggesting that the items within the instrument were highly correlated and effectively measured the same underlying construct. According to Taber (2018), a high alpha coefficient (above 0.70) suggests good internal consistency. Because the research instrument consisted of multiple items, different aspects of reward policies, performance management, health and safety policies and grievance policies were assessed using Cronbach's alpha to

indicate the degree of interrelatedness or coherence among the items within each scale. This information was crucial for ensuring the robustness and credibility of the study's findings.

### 3.9 Data Analysis and Presentation

In this study, data analysis played a crucial role, employing various tools and techniques customized to the specific research objectives. The data analysis process encompassed several key steps. Firstly, data preparation was done; it involved cleaning, transforming, and organizing the collected investigation data to render it suitable for analysis. Subsequently, the study delved into descriptive analysis, wherein statistical measures like the mean, standard deviation, percentages, and the sum total of observations were computed. This step offered a concise summary of the data under scrutiny.

The study employed correlation analysis to evaluate the direction and strength of relationships between variables. Pearson's correlation coefficient was the chosen method for exploring the connections between Human Resource Policies and Employee Retention. Multiple linear regression analysis was a pivotal component of the study, allowing for an in-depth investigation into the relationships between independent and dependent variables in alignment with the research objectives. The significance of these relationships was determined by the p-value, typically set below 0.05. To facilitate these analytical processes, specific tools and software were utilized.

Data analysis was conducted using SPSS 26.0, a widely recognized statistical software renowned for its data analysis and statistical modeling capabilities. Within the SPSS environment, mean, standard deviation, percentages, and the sum total of observations were calculated for the descriptive analysis. For the correlation analysis, Pearson's correlation coefficient, conveniently available in SPSS, was employed to gauge the direction and strength of associations between variables. The study also utilized SPSS for multiple linear regression analysis, aligning with its objectives.

Relevant diagnostic tests for multiple linear regression analysis were carried out to ensure the validity and reliability of the results. The formula utilized in multiple linear regression analysis

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was presented as necessary to offer a thorough comprehension of the analytical process.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where:

Y = Dependent variable (employee retention).

X1, X2, X3, and X4 = Independent variables (reward policies, performance management, health and safety policies, and grievance policies, respectively).

$\beta_0$ = Intercept, representing the constant term.

β1, β2, β3, and β4 = Coefficients that measure the impact of each independent variable on the dependent variable.

*e* = The error term, representing the random variability or unexplained factors.

To apply multiple regression, the researcher needed a dataset with observations for Y (employee retention) and corresponding values for X1, X2, X3, and X4 for each observation. The regression analysis estimated the values of β0, β1, β2, β3, and β4 that best fit the data.

The coefficients (β0, β1, β2, β3, and β4) indicated the magnitude and direction of the relationship between each independent variable and employee retention. A positive coefficient suggested a positive impact on employee retention, while a negative coefficient suggested a negative impact. The magnitude of the coefficient represented the strength of the relationship, with larger values indicating a stronger effect.

Analyzing the coefficients, the researcher determined which factors (reward policies, performance management, health and safety policies, and grievance policies) had a statistically significant influence on employee retention. Additionally, the researcher used the regression equation to predict employee retention based on specific values of the independent variables.

### 3.10 Diagnostic Tests

In order to ensure that the assumptions of the classical linear regression model (CLRM) are met, various diagnostic tests were conducted. Violating any of these assumptions can result in

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inefficient and biased parameter estimates (Seeram, 2019). Diagnostic tests that were applied included multicollinearity, autocorrelation, stationarity, heteroscedasticity, normality, and model specification tests.

### 3.10.1 Multicollinearity Test

Multicollinearity refers to the situation when the explanatory variables used in the regression model are highly or moderately correlated (Ahmad& Jha 2019). High levels of Multicollinearity among independent variables lead to wider confidence intervals and inaccurate p-values. The Variance Inflation Factor (VIF) was used to assess the level of Multicollinearity. Multicollinearity occurs when the association among independent variables is high ($r \geq 0.9$). A threshold of 2 was used to determine if the Multicollinearity level among variables was low and adequate for inclusion in the regression analysis.

### 3.10.2 Autocorrelation Test

When the error component in a model is associated throughout several time periods, autocorrelation happens (Wiedermann 2017). It suggests that a model's residuals are connected over time. Inaccurate parameter estimations and inferences regarding the relationships among other amngst factors can result from synchronization. The Durbin-Watson test was used to determine if autocorrelation existed in this research.

### 3.10. 3 Heteroscedasticity Test

According to Wiedemann (2017), heteroscedasticity occurs when the residual variances are not consistent between samples. It is preferable to have uniformly distributed (constant) error variables in a model based on the intervals of confidence, and p-values may be skewed as a result of heteroscedasticity. The Breusch-Pagan test was used to determine if the data set had any heteroscedasticity (Wiedermann 2017). The probability threshold was set at >0.05.

### 3.10.4 Normality Test

The data set used in the study should ideally follow a normal distribution. Non-normally distributed data can lead to incorrect inferences (Pek & Wong, 2017). Normality was assessed

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using the Shapiro-Wilk test, which tested if the data set is normally distributed. The test was conducted with a significance level of 0.05.

### 3.11 Ethical Issues

Before commencing data collection, the researcher applied for and was granted an approval letter from St. Paul's University ethics committee. A research permit from NACOSTI (National Commission for Science, Technology & Innovation) was also sought and granted. Permission from the management of Equity, KCB, ABSA, Cooperative Bank, and the NCBA was obtained. The researcher urged informed and voluntary consent to allow participants to freely participate after being made aware of the study's objectives. When interacting with the respondents, consent, anonymity, privacy, and confidentiality concerns related to the ethical conduct of research were maintained. The information gathered by the researcher can only be utilized for academic study.

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# CHAPTER FOUR

# DATA ANALYSIS AND PRESENTATION

## 4.1 Introduction

This chapter presents data analysis and discussions of the study findings. In particular, the chapter is organized as follows: response rate analysis and reliability results, demographic information, descriptive analysis showing the respondent's profiles and characteristics, analysis of study findings, and the results of diagnostic tests.

## 4.1 Response Rate

The study sought to collect data from Commercial Banks in Kenya, Nairobi County. The questionnaires returned are as shown in Table 4.1

**TABLE 4.1: Response Rate**

| Bank | Categories | Sample Size | Returned Questionnaires | Non-Returned | % of Returned Questionnaires |
|---|---|---|---|---|---|
| Equity | Branch manager | 49 | 20 | 29 | 40.82 |
| | Operations Manager | 49 | 18 | 31 | 36.73 |
| | Sales manager | 49 | 22 | 27 | 44.90 |
| KCB | Branch manager | 41 | 26 | 15 | 63.41 |
| | Operations Manager | 41 | 20 | 21 | 48.78 |
| | Sales manager | 41 | 14 | 27 | 34.15 |
| ABSA | Branch manager | 31 | 20 | 11 | 64.52 |
| | Operations Manager | 31 | 22 | 9 | 70.97 |
| | Sales manager | 31 | 22 | 9 | 70.97 |
| Cooperative Bank | Branch manager | 38 | 14 | 24 | 36.84 |
| | Operations Manager | 38 | 20 | 18 | 52.63 |
| | Sales manager | 38 | 22 | 16 | 57.89 |
| NCBA | Branch manager | 39 | 14 | 25 | 35.90 |
| | Operations Manager | 39 | 23 | 16 | 58.97 |
| | Sales manager | 39 | 20 | 19 | 51.28 |
| | | 595 | 297 | 298 | 49.92 |

**Source: Survey Data 2024**

The analysis of questionnaire responses from participants in the targeted Tier 1 commercial banks in Nairobi, Kenya is summarized in Table 4.1, focusing on the response rates across different categories within each bank. The overall response rate from the surveyed banks stands

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at 49.92%, with a total sample size of 595. Equity Bank's branch managers exhibited a response rate of 40.82%, operations managers at 36.73%, and sales managers at 44.90%. KCB showed a significant response rate, particularly with branch managers at 63.41%, while operations managers and sales managers had rates of 48.78% and 34.15%, respectively. ABSA demonstrated high response rates across all categories, with branch managers at 64.52%, and operations managers and sales managers both at 70.97%. Cooperative Bank and NCBA also presented diverse response rates, contributing to the overall understanding of participant engagement within each bank.

These findings highlight the importance of considering category-specific responses to draw meaningful conclusions from the questionnaire data. The response rate was found to be adequate for analysis, in line with observations made by Mugenda (2009), who concluded that a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good, while a response rate of 70% and above is excellent for analysis purposes.

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### 4. 2 Reliability of the Research Questionnaire

The study sought to establish the extent to which the questionnaire would produce similar and consistent results on various occasions under similar conditions. Reliability was tested via internal consistency using Cronbach's alpha. The reliability results are as shown in Table 4.2.

**Table 4.2: Reliability of the Research Questionnaire**

| construct | N of Items | Cronbach's Alpha |
|---|---|---|
| Reward policies | 8 | 0.917 |
| Performance management | 8 | 0.888 |
| Health and safety policies | 8 | 0.914 |
| Grievance policies | 8 | 0.85 |
| Employee Retention | 8 | 0.878 |

**Source: Research Survey Data (2024)**

The reliability of the research questionnaire was assessed using Cronbach's Alpha, and the results are presented in Table 4.2. The reliability statistics indicate high internal consistency for each construct measured in the questionnaire. Specifically, the construct of reward policies, consisting of 8 items, achieved a Cronbach's Alpha of 0.917. Similarly, the construct of

performance management, health and safety policies, and employee retention demonstrated robust internal consistency with Cronbach's Alpha values of 0.888, 0.914, and 0.878, respectively. The construct of grievance policies, while slightly lower at 0.85, still attested to a satisfactory level of reliability. These findings align with the recommendations of other researchers who argue that a Cronbach's Alpha value above 0.70 is indicative of good internal consistency and reliability. The high-reliability scores in this study suggest that the questionnaire items within each construct are measuring the intended concepts consistently and reliably, reinforcing the credibility of the research instrument in gauging employee perceptions of reward policies, performance management, health and safety policies, grievance policies, and employee retention.

### 4.3 Demographic Information

The study sought to obtain demographic information relating to respondents 'Gender, level of education, work experience, and job position.

The results are as shown in Table 4.3.

**Table 4.3 Demographic Information characteristics of the participants**

| **Gender** | **Frequency** | **Percent** |
|---|---|---|
| Male | 185 | 62.3% |
| Female | 112 | 37.7% |
| **Total** | **297** | **100%** |
| **level of education** | **Frequency** | **Percent** |
| Post graduate | 9 | 3% |
| First Degree | 240 | 80.8% |
| Diploma | 46 | 15.5% |
| Other | 2 | 0.7% |
| **Total** | **297** | **100** |
| **Years of Experience** | **Frequency** | **Percent** |
| Less than 1 year | 9 | 3 |
| 1 – 5 years | 32 | 10.8% |
| 6 – 10 years | 232 | 78.1% |
| More than 10 years | 24 | 8.1% |
| **Total** | **297** | **100%** |
| **job position** | **Frequency** | **Percent** |
| Branch Manager | 94 | 31.6% |

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| | | |
|---|---|---|
| Operations Manager | 103 | 34.7% |
| Sales Manager | 100 | 33.7% |
| **Total** | **297** | **100%** |

**Source: Research Survey Data (2024)**

In terms of gender distribution, the majority of participants were male, comprising 62.3% of the total sample, while females accounted for 37.7%. Regarding the level of education, a significant portion held a first degree (80.8%), followed by those with diplomas (15.5%), and a small percentage with postgraduate qualifications (3%). Only a minimal proportion fell into the "Other" category, representing 0.7% of the participants. When examining years of experience, the majority had 6 to 10 years of experience (78.1%), followed by those with 1 to 5 years (10.8%), and less than 1 year (3%). Participants with more than 10 years of experience constituted 8.1% of the total sample. Finally, in terms of job positions, the distribution was fairly even among branch managers (31.6%), operations managers (34.7%), and sales managers (33.7%).

These demographic characteristics provide a comprehensive overview of the participant profile, facilitating a nuanced understanding of the study's findings and implications within the context of gender, education, experience levels, and job positions in Commercial Banks in Nairobi County, Kenya. Wanjiku and Njeru (2021) reported that 79% of employees in Kenyan financial institutions held undergraduate degrees, similar to the 80.8% observed in the study. Otieno (2020) found that 75% of employees in Kenya's banking sector had 6 to 10 years of experience, aligning closely with the 78.1% reported in the study.

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### 4.4 Descriptive Analysis

This section provides descriptive statistics on the study variables;, reward policies, performance management policies, Health and safety policies, grievance policies, and employee retention in commercial banks in Nairobi, Kenya. The descriptive statistics provide a summary of the characteristics of the study variables. The respondents were required to respond to statements on each of the variables on a scale of 1-5. Measures of central tendency specifically the mean and the standard deviation were used in this study to summarize the characteristics of the variables under investigation based on the responses given by the respondents from the 5-point Likert scale questionnaire. Each variable is discussed separately, and the responses are presented in

separate tables, followed by discussions.

### 4.4.1 Reward Policies

Reward policies was the first independent variable of the study. The variable was adopted in the study because of its relevance in influencing employee retention in Commercial Banks in Kenya, Nairobi County, as proposed by High-Performance Work Systems (HPWS) Theory. The theory places an emphasis on the fusion of multiple HR policies to create an atmosphere at work that boosts efficiency, satisfaction, and persistence. The questionnaire sought to measure the extent effect of Reward policies on employee retention in Commercial Banks in Kenya, Nairobi County.

**Table 4.4: Descriptive Statistics for Reward Policies**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The provision of monetary rewards by the bank has a positive impact on employee retention | 297 | 4.32 | 1.149 |
| A well-designed monetary reward system that offers salary increments and bonuses promotes loyalty and commitment among employees. | 297 | 4.06 | 1.148 |
| Non-monetary rewards, such as recognition and appreciation, have a positive effect on employee retention | 297 | 3.84 | 1.43 |
| Non-monetary rewards enhance employee loyalty and commitment to the bank | 297 | 3.96 | 1.236 |
| Performance-based rewards provide a clear link between individual effort and recognition. | 297 | 3.85 | 1.261 |
| Performance-based rewards enhance employee job satisfaction and improve retention | 297 | 3.83 | 1.418 |
| The existing reward system is perceived as fair and equitable | 297 | 3.82 | 1.287 |
| The current reward system ensures equal opportunities for all employees to receive recognition and rewards | 297 | 4.01 | 1.193 |
| Average Mean | | 3.96125 | |

**Source: Research Data (2024)**

Participants generally agreed that the provision of monetary rewards by the bank has a positive impact on retention, as evidenced by a high mean of 4.32 and a standard deviation of 1.149. They also believe that a well-designed monetary reward system that offers salary increments and bonuses promotes loyalty and commitment among employees, reflected in a mean of 4.06 and a

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standard deviation of 1.148 improves retention. While non-monetary rewards, such as recognition and appreciation, were also acknowledged positively (with a mean of 3.84 and a standard deviation of 1.43), the mean scores for these items were slightly lower than monetary rewards. The findings imply that while non-monetary rewards contribute to employee retention, there may be room for enhancing their effectiveness. Regarding performance-based rewards, participants feel that these rewards provide a clear link between individual effort and recognition, with a mean of 3.85 and a standard deviation of 1.261. They also think that performance-based rewards enhance job satisfaction and improve retention, with a mean of 3.83 and a standard deviation of 1.418. The existing reward system is perceived as fair and equitable, as indicated by a mean of 3.82 and a standard deviation of 1.287.

Additionally, the current reward system is seen to ensure equal opportunities for all employees to receive recognition and rewards, with a mean of 4.01 and a standard deviation of 1.193. The average mean across all statements is 3.96125. Karanja and Wambua (2021) noted that non-monetary rewards, such as recognition and appreciation, do contribute to employee retention. However, their impact on long-term retention is often less pronounced compared to monetary incentives. This supports the finding that while non-monetary rewards are valued, there may be potential for improving their effectiveness, as reflected in the slightly lower mean scores in the study.

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### 4.4.2 Performance Management Policies

Performance management policies was the second independent variable of the study. The variable was adopted in the study because of its relevance in influencingemployee retention in commercial banks in Nairobi, Kenya, as proposed by the Person-Environment Fit Theory. Person-Environment Fit Theory suggests that employees' satisfaction, engagement, and intention to stay within an organization are influenced by the match between their personal characteristics and the characteristics of the work environment.

**Table 4.5: Descriptive Statistics for Performance Management Policies**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The performance management system in the bank provides clarity | 297 | 3.64 | 1.512 |

| | | | |
|---|---|---|---|
| on how individual goals support the achievement of broader organizational goals | | | |
| Goal alignment helps create a sense of purpose and direction for employees, improving employee retention | 297 | 3.69 | 1.5 |
| existing performance management system provides clarity on performance metrics and targets defined by key performance indicators (KPIs) and performance standards | 297 | 4.01 | 1.193 |
| Clear performance expectations contribute to employee engagement and motivation, leading to high retention rates | 297 | 3.83 | 1.418 |
| The bank provides employees with regular feedback on their performance. | 297 | 3.82 | 1.287 |
| Regular communication and feedback contribute to employee growth and development, leading to increased retention | 297 | 3.64 | 1.512 |
| The performance management process of the bank is perceived as fair and transparent by employees. | 297 | 4.01 | 1.193 |
| Bank employees have a clear understanding of how performance evaluations and rewards are determined | 297 | 3.85 | 1.261 |
| Average Mean | 297 | 3.81125 | |

**Source: Survey Data (2024)**

Participants agree that the existing performance management system in the bank provides clarity on performance metrics and targets defined by key performance indicators (KPIs) and performance standards, with a mean of 4.01 and a standard deviation of 1.193. They also perceive the performance management process as fair and transparent, reflected in a mean of 4.01 and a standard deviation of 1.193. Furthermore, they have a clear understanding of how performance evaluations and rewards are determined, as indicated by a mean of 3.85 and a standard deviation of 1.261.

However, there is less consensus on other aspects. The performance management system is viewed as providing some clarity on how individual goals support broader organizational goals, with a mean of 3.64 and a standard deviation of 1.512. Goal alignment is believed to help create a sense of purpose and direction, improving employee retention, with a mean of 3.69 and a standard deviation of 1.5. Clear performance expectations are thought to contribute to employee engagement and motivation, leading to higher retention rates, with a mean of 3.83 and a standard deviation of 1.418. Participants also believe that the bank provides regular feedback on performance, reflected in a mean of 3.82 and a standard deviation of 1.287 and that regular communication and feedback contribute to employee growth and development, with a mean of

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3.64 and a standard deviation of 1.512. The average mean for all statements is 3.81125.

The above findings are supported by Ochieng and Maina (2021) who found that a well-structured performance management system in Kenyan banks provides clarity on aligning individual goals with organizational objectives. Their research highlighted that such clarity is crucial for creating a sense of purpose and direction among employees, which in turn improves retention rates. Additionally, Akinyi and Ndegwa (2020) observed that clear performance metrics and transparency in performance evaluations significantly contribute to employee engagement and motivation. Their study underscores that fair and transparent performance management processes are essential for fostering high retention rates, aligning with the positive perceptions reported in the current study.

### 4.4.3 Health and Safety Policies

The third objective was to assess the effect of health and safety policies on employee retention in Commercial Banks in Nairobi County, Kenya. The variable was adopted in the study because of its relevance in influencing employee retention, as supported by Organizational Support Theory**.** This study reaffirmed that a safe and healthy work environment has a major impact on employee retention.

**Table 4.6: Descriptive Statistics for Health and Safety Policies**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The Bank's management actively promotes and enforces compliance with health and safety regulations. | 297 | 3.83 | 1.418 |
| Bank employees are actively involved in promoting and maintaining compliance with health and safety regulations | 297 | 3.82 | 1.287 |
| The bank employees receive comprehensive safety training to understand potential hazards and safety protocols | 297 | 4.01 | 1.193 |
| The safety training and education provided by the bank equip employees with the necessary knowledge and skills to respond to emergency situations | 297 | 3.64 | 1.512 |
| Health and wellness programs provided by the bank have a positive impact on employees' physical and mental health influencing their decision to stay. | 297 | 3.69 | 1.5 |
| The health and wellness programs offered by the bank contribute to overall well-being and job satisfaction, influencing employee retention | 297 | 4.02 | 1.181 |

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| | | | |
|---|---|---|---|
| The Bank conducts routine safety audits and inspections | 297 | 3.65 | 1.495 |
| The Bank promptly addresses issues identified during safety audits and inspections | 297 | 3.69 | 1.49 |
| Average mean | | 3.79375 | |

**Source: Survey Data (2024)**

Participants generally agree that the bank provides comprehensive safety training to understand potential hazards and safety protocols, with a mean of 4.01 and a standard deviation of 1.193. Additionally, they feel that the health and wellness programs offered by the bank contribute positively to overall well-being and job satisfaction, which influences employee retention, with a mean of 4.02 and a standard deviation of 1.181.

The safety training and education provided by the bank are seen as somewhat equipping employees with the knowledge and skills needed to respond to emergency situations, as reflected in a mean of 3.64 and a standard deviation of 1.512. The bank's management is perceived to actively promote and enforce compliance with health and safety regulations, with a mean of 3.83 and a standard deviation of 1.418. Bank employees are also viewed as being involved in promoting and maintaining compliance with these regulations, with a mean of 3.82 and a standard deviation of 1.287. Routine safety audits and inspections are conducted by the bank, with a mean of 3.65 and a standard deviation of 1.495, and issues identified during these audits and inspections are addressed promptly, with a mean of 3.69 and a standard deviation of 1.49. The impact of health and wellness programs on physical and mental health, which influences employees' decision to stay, has a mean of 3.69 and a standard deviation of 1.5. The average mean across all statements is 3.79375.

The above findings are supported by Kimani and Mwangi (2022) who found that active promotion and enforcement of health and safety regulations by bank management positively impact employee compliance and engagement. Their research highlights that comprehensive safety training significantly enhances employees' readiness to handle emergencies, aligning with the high mean score observed for safety training in the current study. Njenga and Wambui (2021) observed that health and wellness programs contribute positively to employees' physical and mental health, influencing their decision to remain with the organization. Their study underscores the importance of such programs in enhancing overall well-being and job

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satisfaction, which supports the high mean scores for wellness programs and their impact on retention reported in the current research.

### 4.4.4 Grievance Policies and Employee Retention

Grievance Policies was the fourth independent variable of the study. The variable was adopted in the study because of its relevance in influencing Employee Retention as proposed by Adam's Equity Theory. The theory posits that people won't be as motivated to make extra effort if they feel they are being treated unfairly for this reason.

**Table 4.7: Descriptive Statistics for Grievance Policies**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| Grievances raised by bank employees are addressed and resolved within a reasonable timeframe, averting dissatisfaction | 297 | 3.99 | 1.205 |
| Timely grievance handling helps prevent issues from escalating, positively affecting employee morale and influencing employee retention. | 297 | 3.86 | 1.25 |
| Fairness and impartiality are consistently demonstrated in the investigation and resolution of grievances by the bank | 297 | 3.82 | 1.409 |
| Equal treatment of parties to the grievance contributes to maintaining trust and credibility between management and employees, influencing retention | 297 | 3.82 | 1.275 |
| Bank employees feel that their grievances are handled in a manner that effectively resolves the underlying concerns | 297 | 4.01 | 1.178 |
| The policies and procedures for grievance handling in the bank promote effectiveness and successful resolution | 297 | 3.62 | 1.509 |
| The management encourages constructive dialogue between employees and grievance handlers to address concerns effectively | 297 | 3.66 | 1.505 |
| Employees receive regular updates and information about the progress of their grievances. | 297 | 4.02 | 1.181 |
| Average Mean | 297 | 3.85 | |

**Source: Survey Data (2024)**

Participants generally agree that grievances raised by bank employees are addressed and resolved within a reasonable timeframe, as indicated by a mean of 3.99 and a standard deviation of 1.205. They also believe that timely grievance handling helps prevent issues from escalating, which positively affects employee morale and retention, with a mean of 3.86 and a standard deviation of 1.25. The fairness and impartiality demonstrated in the investigation and resolution of grievances is seen as consistent, with a mean of 3.82 and a standard deviation of 1.409. Equal

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treatment of all parties involved in a grievance is thought to contribute to maintaining trust and credibility between management and employees, influencing retention, with a mean of 3.82 and a standard deviation of 1.275. Bank employees feel that their grievances are handled effectively, resolving underlying concerns, reflected in a mean of 4.01 and a standard deviation of 1.178. However, the effectiveness of the policies and procedures for grievance handling is viewed less positively, with a mean of 3.62 and a standard deviation of 1.509. The encouragement of constructive dialogue between employees and grievance handlers is also seen as somewhat less effective, with a mean of 3.66 and a standard deviation of 1.505. Participants agree that employees receive regular updates and information about the progress of their grievances, with a mean of 4.02 and a standard deviation of 1.181. The average mean for all statements is 3.85.

The above findings are supported by Ochieng (2021) who found that health and wellness programs have a positive impact on employees' physical and mental health, which influences their decision to stay with the organization. Their research highlights how such programs contribute to overall well-being and job satisfaction, supporting the high mean scores for wellness programs and their potential effect on retention reported in this study.

### 4.4.4 Employee Retention

Employee retention was the only dependent variable under study.

**Table 4.8: Descriptive Statistics for Employee Retention**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| The bank should prioritize policies and interventions that enhance the average tenure of employees | 297 | 4.00 | 1.181 |
| Employee satisfaction is an important factor in reducing turnover and retaining top talent. | 297 | 3.72 | 1.325 |
| Overall, the bank employees are highly satisfied with their jobs and work environment | 297 | 3.73 | 1.457 |
| The bank provides opportunities for employees to actively participate and contribute to decision-making processes, fostering higher employee | 297 | 3.83 | 1.266 |

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| | | | |
|---|---|---|---|
| engagement. | | | |
| Employees are actively engaged in their work and demonstrate high levels of commitment. | 297 | 3.73 | 1.388 |
| Average Mean | 297 | 3.802 | |

**Source: Survey Data (2024)**

Participants view turnover rates positively, with a mean of 4.00 and a standard deviation of 1.181. The average tenure of employees is seen somewhat less positively, with a mean of 3.72 and a standard deviation of 1.325. The retention rate is also viewed with a mean of 3.73 and a standard deviation of 1.457. Exit interview feedback is considered somewhat favorable, with a mean of 3.83 and a standard deviation of 1.266. Turnover rates are again mentioned, with a mean of 3.73 and a standard deviation of 1.388. The average mean for these statements is 3.802. The above findings are supported by Juma and Onyango (2023), who found that prioritizing policies aimed at increasing employee tenure is crucial for retaining experienced staff. Their research highlights the importance employees place on initiatives that enhance retention, aligning with the high mean score observed in the current study. Additionally, Mwikali and Otieno (2022) observed that while employee satisfaction plays a role in reducing turnover, there are nuanced aspects to this relationship. Their study supports the slightly lower mean score for satisfaction's role in retention, and they also noted that opportunities for participation in decision-making can enhance engagement, which aligns with the positive but nuanced findings reported in the current research.

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### 4.5 Diagnostic Tests

In the context of time series analysis, ensuring the robustness of the classical linear regression model (CLRM) assumptions becomes imperative. Diagnostic tests were employed to scrutinize these assumptions, as violations may lead to inaccurate and biased parameter estimations (Seeram, 2019). Several diagnostic tests were conducted, encompassing checks for Multicollinearity, Autocorrelation, Stationarity, Heteroscedasticity, Normality, and Model Specification. This comprehensive assessment is particularly relevant in time series analysis, where the temporal dependencies and patterns are critical considerations, ensuring the validity and reliability of regression results over different points in time.

### 4.5.1 Regression Output Table

The results of the regression output table, as presented in Table 4.9, provide insights into the existence of multicollinearity among the predictor variables (reward policies, performance management, health and safety policies, and grievance policies) in the model predicting employee retention.

**Table 4.9 Regression Output Table**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 0.321 | 0.229 | | 1.405 | 0.161 | | |
| | Reward policies | 0.006 | 0.07 | 0.005 | 0.093 | 0.926 | 0.484 | 2.068 |
| | Performance management | 0.731 | 0.091 | 0.628 | 8.005 | 0 | 0.262 | 3.817 |
| | Health and safety policies | -0.037 | 0.057 | -0.034 | -0.643 | 0.521 | 0.569 | 1.758 |
| | Grievance policies | 0.154 | 0.076 | 0.139 | 2.015 | 0.045 | 0.341 | 2.932 |

a Dependent Variable: Employee Retention

**Source: Survey Data (2024)**

Collinearity statistics, specifically the tolerance and variance inflation factor (VIF), are essential indicators of multicollinearity. In this model, the tolerance values for all predictor variables range from 0.262 to 0.569, while the VIF values range from 1.758 to 3.817. Generally, a tolerance value below 0.1 or a VIF value above 10 indicates potential multicollinearity. In this case, all tolerance values are above 0.1, and all VIF values are below 10. This suggests that while there may be some correlation among the predictor variables, the multicollinearity is not severe. The highest VIF value of 3.817 indicates moderate collinearity.

### 4.5.2 Model Summary

**TABLE 4.10 Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .727a | 0.528 | 0.522 | 0.959 | 2.307 |

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a). Predictors: (Constant), Reward Policies, Performance Management Policies, Health and Safety Policies, Grievance policies
b). Dependent Variable: Employee Retention

The Durbin-Watson value of 2.307 is between the acceptable ranges of 1.5 to 2.5, suggesting that there is no significant evidence of autocorrelation in the residuals. The Durbin-Watson statistic of 2.307 suggests that there is no strong evidence of autocorrelation in the residuals of the regression model predicting employee retention based on the specified predictors (reward policies, performance management policies, health and safety policies, and grievance policies).

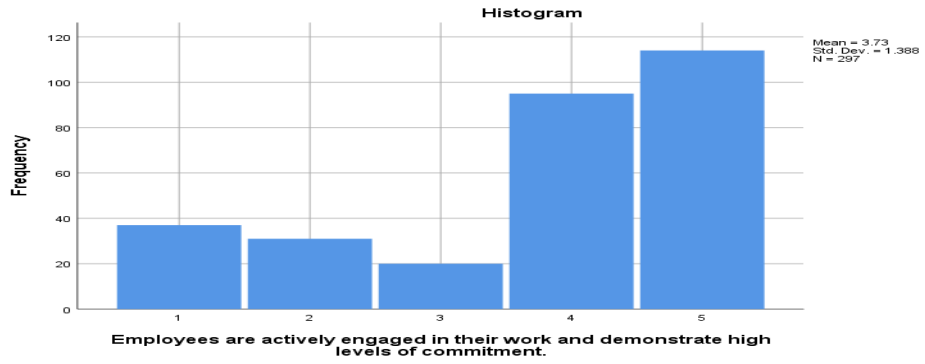
### 4.5.3 Normality test

**Table 4.11 Normality Test**

| | Kolmogorov-Smirnova | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| Employee Retention | 0.28 | 297 | 0 | 0.796 | 297 | 0 |

a Lilliefors Significance Correction

**Figure 2 Diagram Normality Test Histogram**




**Source: Author (2024)**

The results of the normality tests for employee retention, as indicated in Table 4.11, suggest that the distribution of the variable does not follow a normal distribution. Both the Kolmogorov-Smirnov and Shapiro-Wilk tests produced statistically significant p-values (p = 0 for both tests). The low values for the statistics (0.28 for Kolmogorov-Smirnov and 0.796 for Shapiro-Wilk) further support the departure from normality. Lilliefors Significance Correction (a) is employed in these tests, indicating the use of a correction factor to enhance the accuracy of the results.

### 4.6 Regression Analysis

The results of the regression analysis, detailed in Table 4.12 offer valuable insights into the intricate relationship between the key predictors, reward policies, performance management policies, health and safety policies, and grievance policies and the dependent variable, employee retention.

**Table: 4.12: Model Summary**

| Model | R | R Square | Adjusted R Square |
|---|---|---|---|
| 1 | .727a | 0.528 | 0.522 |

a). Predictors: (Constant), Reward Policies, Performance Management Policies, Health and Safety policies and Grievance policies

b). Dependent Variable: Employee Retention

The R-squared value of 0.528 underscores the model's ability to explain approximately 52.8% of the variability in employee retention through the combined influence of these predictors. The adjusted R-squared value, accounting for model complexity, remains robust at 0.522, indicating that 52.2% of the variability is effectively explained. This suggests a collective and meaningful contribution of the specified predictors in elucidating employee retention dynamics. The R -value of 0.727 signifies a moderately strong positive correlation, illuminating a meaningful relationship between the considered predictors and the level of employee retention. The moderately strong positive correlation (R = 0.727) implies that an increase in the predictors' reward policies, performance management policies, health and safety policies, and grievance policies corresponds with an increase in employee retention. The specific policies and interventions represented by these predictors may play pivotal roles in cultivating a positive retention environment.

### 4.7 ANOVA

The outcomes of the Analysis of Variance (ANOVA) in Table 4.11 yield substantial insights into the overall efficacy of the regression model in forecasting employee retention, relying on specific predictors constant, reward policies, performance management policies, health and safety policies, and grievance policies.

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**Table 4.11 Analysis of Variables**

ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 301.22 | 4 | 75.305 | 81.815 | .000b |
| | Residual | 268.767 | 292 | 0.92 | | |
| | Total | 569.987 | 296 | | | |

a). Dependent Variable: Employee Retention

(Constant), Reward Policies, Performance Management Policies, Health and Safety Policies ,: Grievance policies

**Source: Survey Data (2024)**

The ANOVA table highlights a notable explanation of variability in employee retention by the regression model, underscored by a highly significant F-statistic ($F = 81.815$, $p < 0.001$). The sum of squares for the regression (301.22) significantly exceeds the sum of squares for the residuals (268.767), contributing to a total sum of squares of 569.987. Degrees of freedom for the regression ($df = 4$) and residuals ($df = 292$) elucidate the number of predictors and residual degrees of freedom. The mean square for the regression (75.305) represents the variance elucidated by predictors, while the mean square for residuals (0.92) accounts for unexplained variance. The F-statistic of 81.815 signifies the ratio of explained to unexplained variance, with its high significance ($p < 0.001$) indicating that the predictors collectively wield a substantial impact on employee retention.

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**Implications for the Study**

**Model Significance**

The highly significant ANOVA outcome underscores the pivotal role of the regression model in predicting employee retention. The predictors reward policies, performance management policies, health and safety policies, and grievance policies contribute meaningfully to the model's

explanatory power regarding variations in employee retention.

**Practical Utility**

The overall significance of the model allows organizations to leverage insights from these predictors to inform and enhance employee retention strategies through effective human resource policies. The identified human resource policies emerge as crucial contributors to influencing and improving retention rates.

**Model Fit**

The substantial F-statistic indicates a commendable fit of the regression model to the data. However, for comprehensive reliability, researchers and practitioners should consider additional diagnostic measures like residual analysis.

## 4.8 Correlations

The correlation analysis in Table 4.12 examines the relationships between employee retention and various organizational policies.

**Table 4.12 Correlations**

| | | Employee Retention | Reward Policies | Performance Management Policies | Health and Safety Policies | Grievance policies |
|---|---|---|---|---|---|---|
| Employee Retention | Pearson Correlation | 1 | .547** | .624** | .654** | .508** |
| | Sig. (2-tailed) | | 0 | 0 | 0 | 0 |
| | N | 297 | 297 | 297 | 297 | 297 |
| Reward Policies | Pearson Correlation | .547** | 1 | .595** | .585** | .205** |
| | Sig. (2-tailed) | 0 | | 0 | 0 | 0 |
| | N | 297 | 297 | 297 | 297 | 297 |
| Performance Management Policies | Pearson Correlation | .624** | .595** | 1 | .774** | .336** |
| | Sig. (2-tailed) | 0 | 0 | | 0 | 0 |
| | N | 297 | 297 | 297 | 297 | 297 |
| Health and Safety Policies | Pearson Correlation | .654** | .585** | .774** | 1 | .362** |
| | Sig. (2-tailed) | 0 | 0 | 0 | | 0 |
| | N | 297 | 297 | 297 | 297 | 297 |
| Grievance policies | Pearson Correlation | .508** | .205** | .336** | .362** | 1 |

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| | | | | | | |
|---|---|---|---|---|---|---|
| | Sig. (2-tailed) | 0 | 0 | 0 | 0 | |
| | N | 297 | 297 | 297 | 297 | 297 |

** Correlation is significant at the 0.01 level (2-tailed).

**Source: Research Data (2024)**

The Pearson correlation coefficients reveal significant associations among the variables. Employee Retention demonstrates significant positive correlations with the other policy areas. Specifically, it exhibits a moderate positive correlation with Reward Policies (r = 0.547), indicating that improvements in reward policies are associated with increased employee retention. The correlation between Performance Management Policies (r = 0.624) and Health and Safety Policies (r = 0.654) is notably stronger, suggesting a robust relationship between effective performance management, comprehensive health and safety measures, and enhanced employee retention.

The correlation with Grievance Policies (r = 0.508) is also moderate, reflecting a substantial association between effective grievance handling and higher employee retention. Reward Policies are strongly positively correlated with both Performance Management Policies (r = 0.595) and Health and Safety Policies (r = 0.585), indicating that improvements in reward policies are closely linked to better performance management and health and safety practices. The correlation with Grievance Policies (r = 0.205) is weaker, though still positive, suggesting a modest association between reward policies and grievance management.

Performance Management Policies are highly positively correlated with Health and Safety Policies (r = 0.774), signifying a strong connection between effective performance management and health and safety practices. The correlation with Grievance Policies (r = 0.336) is moderate, indicating a moderate association between performance management and the handling of grievances. Health and Safety Policies exhibit a moderate positive correlation with Grievance Policies (r = 0.362), suggesting a moderate relationship between health and safety measures and grievance management. All correlations are statistically significant at the 0.01 level (2-tailed), indicating a high level of confidence that the observed relationships among these HR policies are robust and meaningful.

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### 4.9 Coefficients

The results presented in Table 4.13 outline the coefficients of various human resource policies on employee retention in commercial banks in Nairobi County, Kenya. The table shows the following key findings:

**Table 4.13: Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.921 | 0.224 | | 13.069 | 0.000 |
| | reward policies | 0.023 | 0.009 | 0.020 | 2.565 | 0.013 |
| | performance management policies | 0.039 | 0.008 | 0.042 | 4.804 | 0.000 |
| | Health and safety policies | -0.090 | 0.014 | 0.080 | 6.340 | 0.000 |
| | grievance policies | 0.946 | 0.011 | 1.054 | 89.467 | 0.000 |

a. Dependent Variable: employee retention

**Source: Research Data (2024)**

Constant (B = 2.921, p < 0.000): The constant term indicates the baseline level of employee retention when all the independent variables are zero. Its high significance (p < 0.000) confirms that the constant is a reliable estimate of employee retention in the absence of the specified policies. Reward Policies (B = -0.023, p = 0.013). The coefficient for reward policies is positive and significant, suggesting a slight but statistically significant impact on employee retention. The unstandardized coefficient indicates that for each unit increase in reward policies, employee retention increases by 0.023 units.

Performance Management Policies (B = 0.039, p < 0.000), the coefficient for performance management policies is positive and highly significant. This positive impact (0.039 units increase in employee retention for each unit increase in performance management policies) suggests that effective performance management policies contribute positively to employee retention. It implies that when performance management practices are improved, employees are more likely to stay with the organization.

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Health and Safety Policies (B = -0.090, p < 0.000). The coefficient for health and safety policies is positive and highly significant, indicating a substantial positive impact on employee retention. A unit increase in health and safety policies results in a 0.090 unit increase in employee retention.

Grievance Policies (B = 0.946, p < 0.000): The coefficient for grievance policies is positive and highly significant, with a substantial impact of 0.946 units increase in employee retention for each unit increase in grievance policies. This strong positive relationship highlights the importance of effective grievance mechanisms. Well-implemented grievance policies appear to greatly enhance employee retention, possibly by providing employees with a reliable channel to address their concerns and issues.

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# CHAPTER FIVE
# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

The findings for both descriptive features and the study's aims, conclusions, and suggested courses of action are summarized in this last chapter, along with recommendations for further research.

## 5.2 Summary

The study investigated how human resource policies, in particular, reward policies, performance management policies, health and safety policies, and grievance policies, affect employee retention in commercial banks in Nairobi County, Kenya. Descriptive data analysis was used to analyze data collected through the structured questionnaires used for data collection, and the findings are presented according to each research objective, shedding light on the intricate relationship between HR policies and employee retention in this context.

### 5.2.1 Reward policies influence employee retention in commercial banks in Nairobi, Kenya

The study's findings shed light on the effect of reward policies on employee retention in commercial banks in Nairobi, Kenya. The coefficient for reward policies is 0.023, with a p-value of 0.013. Since the p-value (0.013) is less than 0.05, it suggests that reward policies have a statistically significant positive effect on employee retention.

### 5.2.2 Performance management policies on employee retention in commercial banks in Nairobi, Kenya

The study revealed that performance management policies significantly influence employee retention in commercial banks in Nairobi, Kenya. The highest mean scores indicate that employees generally hold a positive view of the existing performance management system. The coefficient for performance management policies is 0.039, with a p-value of 0.000. This very low

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p-value demonstrates strong statistical significance, indicating that performance management policies positively impact employee retention.

### 5.2.3 Health and safety policies affect employee retention in commercial banks in Nairobi, Kenya

The study found that health and safety policies significantly influence employee retention in commercial banks in Nairobi, Kenya. Participants highlighted the active promotion and enforcement of compliance with health and safety regulations by the bank's management. The coefficient for health and safety policies is -0.090 with a p-value of 0.000. The p-value is significantly less than 0.05, showing that health and safety policies have a statistically significant negative effect on employee retention

### 5.3.4 Grievance Policies and Employee Retention in Commercial Banks in Nairobi, Kenya

The study found that grievance policies have a notable impact on employee retention in commercial banks in Nairobi, Kenya. Participants emphasized the significance of timely grievance handling as a preventive measure against issues escalating, positively influencing employee morale, and ultimately impacting retention. The coefficient for grievance policies is 0.946 with a p-value of 0.000. This very low p-value indicates strong statistical significance, suggesting that grievance policies have a statistically significant positive effect on employee retention.

## 5.5 Conclusion

The study concluded that reward policies, performance management policies, Health and safety policies and Grievance Policies affect Employee Retention in Commercial Banks in Nairobi, Kenya. Salary and benefits continue to be one of the biggest factors both employers and employees consider when deciding to recruit or join an organization.

The examination of performance management policies, health and safety policies, grievance policies, and their collective impact on employee retention in commercial banks in Nairobi,

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Kenya, reveals critical insights for organizational management and policymakers. The study underscores the significance of well-designed performance management systems, as evidenced by the positive correlations between performance-related clarity, engagement, and retention. Health and safety policies emerge as a pivotal factor, with employees attributing high importance to safety training, wellness programs, and routine safety audits, all influencing their decision to stay.

Effective grievance policies, particularly those addressing fairness, timeliness, and clear communication, are identified as contributors to a positive organizational climate and, consequently, higher employee retention rates.

## 5.3 Recommendations

This study sought to establish the effect of human resource policies on employee retention in commercial banks in Nairobi County, Kenya. The study came up with findings that will enhance the understudying of how reward policies, performance management policies, and Health and safety policies affect employee retention in commercial banks in Nairobi, Kenya. Based on the findings the study made recommendations to policymakers and regulators, practice, theory and made suggestions for further studies

### 5.3.1 Recommendations to Policymakers and Regulators

Policymakers should collaborate with commercial banks to establish reward systems that incorporate both monetary and non-monetary incentives, given that reward policies have a statistically significant positive effect on employee retention, evidenced by a coefficient of 0.023 and a p-value of 0.013. By implementing these systems, policymakers can help enhance employee satisfaction and engagement, ensuring that reward structures remain competitive and aligned with industry best practices. Regulators should advocate for the adoption of transparent and equitable performance management systems within banks, as these policies have a strong positive influence on employee retention, indicated by a coefficient of 0.039 and a p-value of 0.000. It is essential that these systems are regularly reviewed and aligned with organizational objectives to sustain employee motivation and retention.

Policymakers should also enforce strict adherence to health and safety regulations, as these

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policies have a statistically significant negative effect on employee retention, with a coefficient of -0.090 and a p-value of 0.000. While compliance is crucial, it is equally important to address any unintended consequences by encouraging banks to actively foster a safe and supportive work environment, thus mitigating negative perceptions. Furthermore, policymakers should ensure that commercial banks implement clear and accessible grievance procedures, as grievance policies have a highly significant positive effect on employee retention, demonstrated by a coefficient of 0.946 and a p-value of 0.000. Regular updates to these procedures are necessary to promptly and effectively address employee concerns, thereby boosting morale and retention.

### 5.3.2 Recommendations to Practice

Commercial banks should maintain competitive and comprehensive reward systems, as the positive impact of reward policies on employee retention is statistically supported by a coefficient of 0.023 and a p-value of 0.013. Regular assessments and updates to these policies are essential, incorporating both monetary rewards and non-monetary incentives, such as career development opportunities, to attract and retain top talent. Given the very significant effect of performance management policies on retention, indicated by a coefficient of 0.039 and a p-value of 0.000, banks should prioritize clear goal-setting and transparent evaluation processes. Aligning individual performance goals with organizational objectives is crucial for enhancing employee motivation. Additionally, regular evaluations and adjustments are necessary to ensure these systems effectively support employee retention over time.

Despite the negative impact of health and safety policies on retention, with a coefficient of -0.090 and a p-value of 0.000, it is still vital for banks to invest in health and safety initiatives. Implementing regular safety audits, training programs, and wellness activities can help create a safe and supportive work environment, addressing any negative perceptions and ultimately improving retention. Grievance policies have a significant positive effect on retention, evidenced by a coefficient of 0.946 and a p-value of 0.000. This underscores the importance of effective grievance handling within banks. Enhancing grievance procedures to ensure timely resolution of issues, promoting open dialogue, and maintaining transparent communication about resolutions are key strategies to build trust and improve overall employee satisfaction.

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### 5.3.3 Recommendations for Theory

Future research should delve deeper into the specific components of reward policies that most effectively drive employee retention, as indicated by the statistically significant positive effect, with a coefficient of 0.023 and a p-value of 0.013. Similarly, the strong positive impact of performance management policies on retention (coefficient = 0.039, p-value = 0.000) suggests the need for further exploration into how different performance management practices influence retention across various industries and contexts.

The statistically significant negative effect of health and safety policies on retention (coefficient = -0.090, p-value = 0.000) points to underlying factors that warrant further investigation. Future research should explore these factors to better understand and mitigate the negative consequences of health and safety policies on employee retention. Moreover, the strong positive effect of grievance policies (coefficient = 0.946, p-value = 0.000) highlights the need to optimize grievance-handling practices and explore how they interact with other HR policies to enhance retention.

## 5.4 Recommendations for Further Studies

While this study demonstrates a direct relationship between human resource policies and employee retention in commercial banks in Nairobi, Kenya, it does not examine the effects of organizational factors such as leadership style on this relationship. Future studies should investigate how these organizational variables influence employee retention under different human resource policies, given the statistically significant effects observed in this study. By exploring these factors, researchers can gain deeper insights into optimizing retention strategies across different sectors and organizational contexts.

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# APPENDICES

## APPENDIX 1: QUESTIONNAIRE

Dear Sir/Madam,

My name is Immaculate Katula Nzyimi, a Master of Business Administration student at St. Paul's University in Kenya. As part of my dissertation research on the ***Effect of Human Resource Policies on Employee Retention in Commercial Banks in Nairobi County, Kenya***, I am writing to request your consent and cooperation in filling out this questionnaire that will significantly contribute to the depth and quality of this research. The collected data will be held in strict confidence and I assure you that the questionnaire is exclusively designed for academic purposes.

By choosing to participate in this study, you acknowledge that you have read and understood the information provided, and you voluntarily agree to take part anonymously. Should you have any questions or concerns about the research, please feel free to contact me via mobile at 0726386138. Thank you in advance and your assistance is genuinely appreciated as I look forward to receiving your valuable input.

**Yours sincerely,**

**Immaculate Katula**

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### SECTION A: DEMOGRAPHIC DATA

**1)** Gender

Male [ ] Female [ ]

**2)** What is the highest level of education attained?

Postgraduate [ ]

First Degree [ ]

Diploma [ ]

Other [ ]

**3)** How long have you worked with in the banking industry in Kenya?

| | | | |
|---|---|---|---|
| Less than 1 year | [ ] | 1 – 5 years | [ ] |
| 6 – 10 years | [ ] | More than 10 years | [ ] |

**4)** How long have you worked with your current employer?

| | | | |
|---|---|---|---|
| Less than 1 year | [ ] | 1 – 3 years | [ ] |
| 4 – 6 years | [ ] | 6 – 8 years | [ ] |
| 9 – 10 years | [ ] | More than 10 years | [ ] |

**5)** What is your job position?

| | |
|---|---|
| Branch Manager | [ ] |
| Operations Manager | [ ] |
| Sales Manager | [ ] |

**SECTION B: SECTIONAL QUESTIONNAIRES**

**Part I: Reward Policies**

Kindly rate the statements below by indicating your preferred answer based on a 5-point Likert scale where: **5= Strongly Agree, 4= Agree, 3= Not Sure, 2= Disagree, and 1= Strongly Disagree. Tick (√) in the applicable box.**

At your workplace to what extent do you agree with the following statements?

| A | Monetary rewards | Rating | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | The provision of monetary rewards by the bank has a positive impact on employee retention. | | | | | |
| 2 | A well-designed monetary reward system that offers salary increments and bonuses promotes loyalty and commitment among employees. | | | | | |
| | | | | | | |

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| B | Non-Monetary Reward | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | Non-monetary rewards, such as recognition and appreciation, have a positive effect on employee retention. | | | | | |
| 2 | Non-monetary rewards enhance employee loyalty and commitment to the bank. | | | | | |
| | | | | | | |
| **C** | **Performance-based rewards** | **1** | **2** | **3** | **4** | **5** |
| 1 | Performance-based rewards provide a clear link between individual effort and recognition. | | | | | |
| 2 | Performance-based rewards enhance employee job satisfaction and improve retention. | | | | | |
| | | | | | | |
| **D** | **Fairness and equity of the reward** | **1** | **2** | **3** | **4** | **5** |
| 1 | The existing reward system is perceived as fair and equitable. | | | | | |
| 2 | The current reward system ensures equal opportunities for all employees to receive recognition and rewards. | | | | | |

**Part II: Performance Management Policies**

This part presents questions on performance management policies and employee retention.

At your workplace to what extent do you agree with the following statements?

| A | Goal Alignment | Rating | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | The performance management system in the bank provides clarity on how individual goals support the achievement of broader organizational goals. | | | | | |
| 2 | Goal alignment helps create a sense of purpose and direction for employees improving employee retention. | | | | | |
| | | | | | | |
| **B** | **Clear performance expectations** | **1** | **2** | **3** | **4** | **5** |
| 1 | The existing performance management system provides clarity on performance metrics and targets defined by key performance indicators (KPIs) and performance standards. | | | | | |
| 2 | Clear performance expectations contribute to employee engagement and motivation leading to high retention rates. | | | | | |
| | | | | | | |
| **C** | **Regular communication and feedback** | **1** | **2** | **3** | **4** | **5** |
| 1 | The bank provides employees with regular feedback on their | | | | | |

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| | | | | | | |
|---|---|---|---|---|---|---|
| | performance. | | | | | |
| 2 | Regular communication and feedback contribute to employee growth and development leading to increased retention. | | | | | |
| | | | | | | |
| **D** | **Fairness and transparency** | **1** | **2** | **3** | **4** | **5** |
| 1 | The performance management process of the bank is perceived as fair and transparent by employees. | | | | | |
| 2 | Bank employees have a clear understanding of how performance evaluations and rewards are determined. | | | | | |

**Part III: Health and Safety Policies**

This part presents the objective of health and safety policies and employee retention.

At your workplace, to what extent do you agree with the following statements?

| **A** | **Compliance with regulations** | **Rating** | | | | |
|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** |
| 1 | The Bank's management actively promotes and enforces compliance with health and safety regulations. | | | | | |
| 2 | Bank employees are actively involved in promoting and maintaining compliance with health and safety regulations. | | | | | |
| | | | | | | |
| **B** | **Safety Training and Education** | **1** | **2** | **3** | **4** | **5** |
| 1 | The bank employees receive comprehensive safety training to understand potential hazards and safety protocols. | | | | | |
| 2 | The safety training and education provide by the bank equips employees with the necessary knowledge and skills to respond to emergency situations. | | | | | |
| | | | | | | |
| **C** | **Health and wellness programs** | **1** | **2** | **3** | **4** | **5** |
| 1 | Health and wellness programs provided by the bank have a positive impact on employees' physical and mental health, influencing their decision to stay. | | | | | |
| 2 | The health and wellness programs offered by the bank contribute to overall well-being and job satisfaction, influencing employee retention. | | | | | |
| | | | | | | |
| **D** | **Safety Audits and inspections** | **1** | **2** | **3** | **4** | **5** |
| 1 | The Bank conducts routine safety audits and inspections | | | | | |

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| | | | | | | |
|---|---|---|---|---|---|---|
| 2 | The Bank promptly addresses issues identified during safety audits and inspections. | | | | | |

**Part IV: Grievance policies**

This part presents questions on grievance policies in relation to employee relations.

At your workplace to what extent do you agree with the following statements?

| **A** | **Timeliness** | **Rating** | | | | |
|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** |
| 1 | Grievances raised by bank employees are addressed and resolved within a reasonable timeframe avoidingdissatisfaction. | | | | | |
| 2 | Timely grievance handling helps prevent issues from escalating, positively affecting employee morale and influencing employee retention. | | | | | |
| | | | | | | |
| **B** | **Fairness and impartiality** | **1** | **2** | **3** | **4** | **5** |
| 1 | Fairness and impartiality are consistently demonstrated in the investigation and resolution of grievances by the bank. | | | | | |
| 2 | Equal treatment of parties to the grievance contributes to maintaining trust and credibility between management and employees, influencing retention. | | | | | |
| | | | | | | |
| **C** | **Effectiveness Resolution** | **1** | **2** | **3** | **4** | **5** |
| 1 | Bank employees feel that their grievances are handled in a manner that effectively resolves the underlying concerns. | | | | | |
| 2 | The policies and procedures for grievance handling in the bank promote effectiveness and successful resolution. | | | | | |
| | | | | | | |
| **D** | **Communication** | **1** | **2** | **3** | **4** | **5** |
| 1 | The management encourages constructive dialogue between employees and grievance handlers to address concerns effectively. | | | | | |
| 2 | Employees receive regular updates and information about the progress of their grievances. | | | | | |

**Part V: Employee Retention**

This section has questions on employee retention.

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To what extent do you agree with the following statements?

| A | Turnover Rate | Rating | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | The bank has a high employee turnover rate | | | | | |
| 2 | The bank's efforts through its human resource policies to retain employees has been effective in reducing the turnover rate. | | | | | |
| | | | | | | |
| **B** | **Average Tenure** | **1** | **2** | **3** | **4** | **5** |
| 1 | The average tenure of employees in our organization is relatively long. | | | | | |
| 2 | The bank should prioritize policies and interventions that enhance the average tenure of employees. | | | | | |
| | | | | | | |
| **C** | **Employee Satisfaction** | **1** | **2** | **3** | **4** | **5** |
| 1 | Employee satisfaction is an important factor in reducing turnover and retaining top talent. | | | | | |
| 2 | Overall, the bank employees are highly satisfied with their job and work environment. | | | | | |
| | | | | | | |
| **D** | **Employee Engagement** | **1** | **2** | **3** | **4** | **5** |
| 1 | The bank provides opportunities for employees to actively participate and contribute to decision-making processes, fostering higher employee engagement. | | | | | |
| 2 | Employees are actively engaged in their work and demonstrate high levels of commitment. | | | | | |

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**Thank you for your participation**

## APPENDIX 2: A LETTER FROM ISERC

# ST. PAUL'S UNIVERSITY

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Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20-2020505/10
Mobile: +254 (0) 728-669000
(0) 736-424440

**REF: SPU/104/2023** **Date: 13th December 2023**

**TO: Immaculate Katula**
**St. Paul's University**

**Dear Immaculate,**

**REF: Effect of Human Resource Policies on Employee Retention in Commercial Banks in Nairobi County, Kenya**

Greetings,

This is to inform you that SPU- Institutional Scientific Ethics Review Committee has reviewed the above-named research proposal. **Your ERB approval number is 113, for the period between 13th December 2023 – 13th December 2024 (1 year).**

This approval is subject to compliance with the following requirements;

i. Only approved documents including (informed consents, study instruments) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SPU- Institutional Scientific Ethics Review Committee.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SPU- Institutional Scientific Ethics Review Committee within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect

the integrity of the research must be reported to *SPU- Institutional Scientific Ethics Review Committee* within 72 hours

v. Clearance for export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days upon completion of the study to SPU- Institutional Scientific Ethics Review Committee.
viii. Please note that it is within the ISERC's mandate to monitor your research and to do random visits to the site.

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

Yours sincerely,



**Dr. Daniel Nzengya, PhD**
**Chairperson**
**SPU- Institutional Scientific & Ethics Review Committee**



# APPENDIX 3: NACOSTI PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **656268**

Date of Issue: **08/January/2024**

## RESEARCH LICENSE



**This is to Certify that Ms.. IMMACULATE KATULA NZYIMI of St. Paul's University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF HUMAN RESOURCE POLICIES ON EMPLOYEE RETENTION IN COMMERCIAL BANKS IN NAIROBI COUNTY, KENYA for the period ending : 08/January/2025.**

License No: **NACOSTI/P/24/32373**

**656268**

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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**See overleaf for conditions**

**APPENDIX 4: List of Tier 1 Commercial Banks in Nairobi County**

1. Equity Bank
2. Cooperative Bank
3. Kenya Commercial Bank
4. National Commercial Bank Of Africa (NCBA)
5. Standard Chartered Bank
6. Diamond Trust Bank (DTB)
7. Amalgamated Banks Of South Africa Bank (ABSA)
8. Stanbic Bank
9. Investment And Mortgages Bank (I&M)

**Source: Cytonn Investment, 2023**

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## APPENDIX 4: SIMILIARITY REPORT

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ORIGINALITY REPORT

| 6% | 4% | 3% | 6% |
|---|---|---|---|
| SIMILARITY INDEX | INTERNET SOURCES | PUBLICATIONS | STUDENT PAPERS |

PRIMARY SOURCES

| | | |
|---|---|---|
| 1 | Submitted to KCA University<br>Student Paper | 2% |
| 2 | Submitted to Kenyatta University<br>Student Paper | 1% |
| 3 | Submitted to Saint Paul University<br>Student Paper | 1% |
| 4 | Submitted to Segi University College<br>Student Paper | <1% |
| 5 | Submitted to Midlands State University<br>Student Paper | <1% |
| 6 | ir-library.ku.ac.ke<br>Internet Source | <1% |
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