

**EMPLOYEE TURNOVER AND PERFORMANCE OF COMMERCIAL BANKS IN  
KENYA**

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## DECLARATION

This research project is my original work and has not been submitted to any other examination body. No part of this research should be reproduced without my knowledge and consent of that of University.

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## **DEDICATIONS**

I dedicate my project work to many family and my friends. A special feeling of gratitude to my loving parents, whose words of encouragement and push for tenacity ring in my ears, I also dedicate this research work to other friend and family members who have either directly or indirectly supported me throughout the research process. I will always appreciate all their contribution towards making this research work a success.

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## **ABBREVIATIONS AND ACRONYMS**

**CBK** Central Bank of Kenya

**ICT** Information Communication Technology

## **OPERATIONAL DEFINATION OF TERMS**

<b>Core Competencies:</b>	Core competencies are the main strengths or strategic advantages of a business including a combination of pooled knowledge and technical capacities that allow a business to be competitive in the market place.
<b>Customer service quality:</b>	Is an assessment of how well the delivered service conforms to the clients expectations.
<b>Employees' job satisfaction:</b>	Is how content an individual is with his or her job
<b>Employees' productivity:</b>	Is referred to as workforce productivity which is an assessment of the efficiency of worker of group of workers.
<b>Employee's replacement costs:</b>	Are the cost incurred by an organization to hire new employees to fill job positions left vacant by the leaving employees.
<b>Employee's turnover:</b>	This is loss of the number of employees laving an organization within a given period of time
<b>Organization Performance:</b>	This is the actual output or results of an organization as measured against the organization intended results.
<b>Commercial Bank:</b>	A commercial bank is a type of financial institution that provides services such as accepting deposits, making business loans, and offering basic investment products.

## ABSTRACT

Many commercial banks in the world are experiencing high rates of employees' turnover which have been affecting the overall bank performance. High rates of employee turnover mostly have a negative effects of the profitability of many commercial banks when not managed properly In Kenya, the banking industry has witnessed high employee turnover rates for the past five years and this has affected banks performance in terms of profitability; quality of banks services and level of customer satisfaction (PWC, 2013). The general objective of the study was to determine the effects of employees' turnover on the performance of commercial banks in Kenya. The study specifically aimed to; establish the effect of employees' job satisfaction; assess the effect of employees replacement costs; determine the effect of employee productivity and to establish the effect of customer service quality on the performance of commercial banks in Kenya. The study adopted a descriptive research design and the target population therefore comprised of a total of 42 commercial banks. The studies applied a probability sampling design by using a stratified random sampling technique to select the sample size of 12 commercial banks. Out of the 12 selected commercial banks, the study selected 5 management staff from each bank leading to a total of 60 respondents as the total sample size for the study. The main data collection instruments were questionnaires. A pilot study was carried out to test the reliability and validity of the questionnaires. Descriptive statistics data analysis method was applied analyze data aided by Statistical Package for Social Sciences (SPSS) to compute responses frequencies, percentage mean and standard deviation results. Finally Multiple Linear Regression model was employed to establish the significance of the independent variables on the dependent variable. The findings were presented using tables and charts. The study found out that employee's turnover affected banks performance in terms of growth of loan book; profitability; quality of services and customer satisfaction. The study drew conclusion that employees turnover has a great affect towards realization of increased banks performance. The study recommended that banks management should provide employees with motivation factors like better rewards, increased remuneration, work life balance and good working conditions. The bank management should reduce employees' replacement costs by employing internal recruitment strategy.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Many organizations worldwide organization managerial issues have gained much awareness for the last two decades, the issue of employee turnover has therefore remained a major managerial issue affecting the performance of many organizations around the world. Even in the most highly industrial developed nations, the rate of employees' turnover has continued to rise for the past ten years (Armstrong, 2007). According to Linda (2012), the analysis of the number of employees leaving the organization is referred to as labor turnover or wastage and provides the required data for use in human resource demand and supply forecasting; hence the calculations of the number of employees lost and replaced can be computed.

According to Hong, Wei and Chen (2007) there are two types of employees' turnover controllable turnover and uncontrollable turnover, turnover that is controllable is said to be voluntary by the organization staff but when employees leaves the organization involuntarily the turnover is said to be uncontrollable. Involuntary turnover is caused by death, retirement or spouse transfer or end of contract and voluntary turnover is caused by employees' willingness to leave the organization for better job opportunities.

Gberevbie (2008) notes that high rate of employees' turnover happen in an organization due to various employees reasons based on their attitude and perception and various personal factors and also organization issues like when firm makes a decision to resign certain number of employees. In many organizations worldwide, there are many factors that contribute to employees turnover, some of the common factors includes; employees age, tenure with the organization, employees perceptions of the organization, employees prospects like career

development, job security, more opportunity to develop more knowledge and skills, better working conditions in other organizations, poor leadership with the management, employees relations, bullying or harassment by senior employees and personal issues like pregnancy, illness or migrating away from an area (Armstrong, 2007). According to Linda (2012) the major effects of employees turnover in commercial banks includes, employee's job satisfaction, employee's recruitment costs, employee's productivity and customer service quality continuity and employees relations.

A study by Abassi and Hollman (2009) on employees' voluntary turnover in USA federal organizations noted that the factors that influences employees to leave organizations includes managerial issues notably; implementation of restructuring strategies, poor management practices and change of the organization management. In Singapore, Marti (2009) identified that, poor management practices was the major issue that led to high employee turnover in many banking institutions, these management practices included low remuneration, poor work conditions, low job satisfaction, poor governance practices and lack of employees benefits and these impacted negatively on performance of many banking institutions.

In Sri Lanka, Sujeewa (2011) found out that poor grievances handling practices led to high rates of employees' turnover in many banking institutions. Sujeewa (2011) noted that high grievances rates that led to industrial disputes with no proper grievances settlement procedures contributed to high rates of employees' turnover and this led to low employees productivity, lower quality work, low employees job satisfaction, poor customer service, poor employees relations, increased employees absenteeism and low rate of employees retention.

In India, Ranjitham (2013) identified that poor pay and lack of better working condition in many banking institutions leads to high rate of employees' turnover. In Ghana, a study by Okumu (2012) a

found out that employees turnover had a negative impact on the performance led low profitability of many banks. Ologunde (2011) in his study employees turnover in commercial banks in southwestern Nigeria found that low morale, poor working conditions and low wages led to high rate of staff turnover in many commercial banks. In South Africa employees turnover in the banking sector has come under the spotlight in the last two decades, research findings demonstrated that the banking sector in South Africa is characterized by high employees' turnover rates and this weakens the bank's core competencies and declined banks performance (Metcalf, 2011).

In Botswana Ongori (2007) revealed that the major factors influencing employees turnover in many organizations includes poor communication system in an organization, poor supervision, poor job description and poor remuneration. Mrope (2013) noted that in many Namibian commercial banks poor employees' remuneration and quest for new better job. In Tanzania, employees' turnover has been recording a high trend for the last ten years leading to declined performance of many firms (Muhammad, 2013). Further, In Tanzania, Hedwiga (2011) opined that existence of poor management practices and policies on employees' personal matters contribute to increased rate of employee labor turnover.

In Kenya study by Muli (2012) revealed that employees turnover in many commercial banks is caused by low remuneration, lack of job satisfaction, employees relations, poor conflict management practices and termination of employees contracts. Oyugi (2011) further noted that high rate of employee turnover in commercial banks lowers the performance of commercial banks in terms of quality of service delivery and profitability in cases of loss of competent staff.

### **1.12 Organization Performance**

Performance in an organization is defined in various ways depending with the nature and

characteristics of an organization, however generally organization performance comprises of the organization output or achieved results compared against or measured against the expected or aimed objectives, goals, outputs (Hong,2007). Richard (2009) states that organization performance comprises of two key specific areas notably; organization outcomes and product market performance. Organization outcomes include financial performance measures in terms of profitability, return on assets or returns on investment. Product market performance includes sales increase and market share. In many organizations, organization performance is affected as result of high rate of employees turnover as result of loss skilled and experienced staff. In many profit making organizations like commercial banks, employees' turnover is likely to result in declined profitability and loss of customers. In this study organization performance in commercial banks is measured in terms of return of assets, growth of loan book, and increase in profitability, delivery of quality services and high level of customer satisfaction (Henery, 2011).

### **1.1.3 Commercial Banks in Kenya**

There are a total of four commercial banks in Kenya according to the Central Bank of Kenya (2014). Most commercial banks are business of dealing with customers' cash deposit and withdrawal transactions among many other business transactions. Commercial banks are custodian of depositors fund and operate by receiving cash deposit from the public and loans the fund to the need at regulated interest rates. The operations of all commercial banks are regulated by the central bank of Kenya. Commercial banks in Kenya play a significant role in determining the pace of country's economic development as they facilitated the operation of many business activities in Kenya. For the past ten years Kenya has witnessed a remarkable growth in the commercial banking sector with new banks emerging and other recording an increased growth and development in terms of assets, customer base, market share which has been evidenced by

increased number of bank branches and bank products across all regions in the country. However, the increased growth and development of commercial banks in Kenya has also contributed to increase rate of employees' turnover and impacting negatively on performance of many banks (Wilson, 2013).

## **1.2 Statement of the Problem**

Many commercial banks in the world are experiencing high rates of employees' turnover which have been affecting the overall bank performance. High rate of employees turnover is expensive as commercial banks incurs high employees replacement costs which includes advertising costs, employees' recruitment and training together with the cost incurred in time spent in execution of management and supervisory functions (Armstron,2008). According to Linda (2012) the major effects of employees turnover in commercial banks includes, employee's job satisfaction, employee's recruitment costs, employee's productivity and customer service quality continuity and loss of core competencies. Most commercial banks find it challenging to manage these effects and this poses as major threat to the overall bank performance (Wilson, 2013).

According to Davis (2003) high rates of employee turnover mostly have a negative effects of the profitability of many commercial banks when not managed properly. In Kenya, the banking industry has witnessed high employee turnover rates for the past five years and this has affected banks performance in terms of profitability; quality of banks services and level of customer satisfaction (PWC, 2013). This was mostly influenced by increased competition for high end clients, qualified, trained and experienced staff to implement bank's strategies (Meaghan,2002).

Despite the importance of understanding the effect of employee's turnover amongst bank managers and the existence of enormous literature on turnover in organizations, there lacks a

recent and a specific study recently undertaken on the link between employees turnover and bank performance. Some of the previous studies includes; a study by Kahiro (2015) on factors influencing labour turnover in banking institutions; a study by Githinji (2015) on influence of labour turnover on performance of security firms and a study by Namasaka (2013) on influence of staff turnover on university performance. The above foregoing reveals that a righ gap in literature exists on effect of employees' turnover on banks performance in Kenya. This study hence aims to fill the noticeable gap in literature by determining the effects of employees' turnover on the performance of commercial banks in Kenya.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

The general objective of the study was to determine the effects of employees' turnover on the performance of commercial banks in Kenya.

#### **1.3.2 Specific Objective**

The study objectives included;

- i. To establish the effect of employees job satisfaction on the performance of commercial banks in Kenya.
- ii. To assess the effect of employees replacement costs on the performance of commercial banks in Kenya.
- iii. To determine the effect of employee productivity on the performance of commercial banks in Kenya.
- iv. To establish the effect of customer service quality on the performance of commercial banks in Kenya.

#### **1.4 Research Questions**

- i. How does employees' job satisfaction affect the performance of commercial banks in Kenya?
- ii. What is the effect of employees' replacement costs on the performance of commercial banks in Kenya?
- iii. What is the effect of employee productivity on the performance of commercial banks in Kenya?
- iv. In which way does customer service quality affect the performance of commercial banks in Kenya?

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

The study is of great importance to the commercial banks in Kenya since the study findings will be of great help to the bank managers in understanding better ways of managing employee turnover intentions and employee turnover itself which is undermining business continuity and future leadership. The findings will also be useful to the private sector both in Kenya and globally in understanding and mitigating the negative impact of employee turnover and how best to employee leadership in their organizations not only to manage turnover but also to improve their performance.

This study will assist the Government of Kenya agencies in charge of employment statistics especially Ministry of Planning to understand and deduce reasons behind some employment patterns associated with age and how to deal with them and to mitigate any negative impact such patterns may have to the economy. The study may be used in policy formulation and decision making at different levels.

The study will be of benefit to human resource practitioners in the banking industry since the obtained findings will help human resource practitioners to understand the reason behind high staff turnover rates and how high employees turnover affect bank performance. The study recommendations will help various human resource practitioners in the banking industry to effectively manage high staff turnover rates and this will play a major role towards retention of employee and realization of increased banks performance.

This study will provide guidance to students and other scholars since it will be used as reference to anyone who wants to add knowledge in this field. This research project will provide the insight on the effects of employees' turnover on performance of commercial banks to various students and scholars. The study report will also act as reference for future researchers in the field of employees' turnover and performance of commercial banks.

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

The research study was undertaken on all commercial banks in Kenya. The target population comprised of a total of 43 commercial banks in Kenya. The study narrowed into gathering data on effect of employees' job satisfaction, employees' replacement costs; employees' productivity; customer service quality and core competencies on the bank performance. The study was undertaken within a time frame of one month.

### **1.7 Limitation of the Study**

Most of the commercial Banks staffs were not be willing to share information of the research topic. However, the researcher explained to the respondents that the research was only for academic intention. There was also a time lag between the time the questionnaires are administered to the respondents and the time of their response and thus prolonged the research

period unnecessarily. However, this was addressed through persuasion.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The chapter covers the theoretical literature by exploring key theories that are in line with independent variable and dependent variables. It also looks at the conceptual framework, a critique of the literature, the summary of the literature and ends by examining the research gaps.

### **2.2 Review of Theoretical Literature**

This section discusses theories related to the study.

#### **2.2.1 Vroom Expectancy Theory**

According to Ingersoll (2001) the Vroom expectancy theory argues that employees will show commitment and more effort if what they get in return is equal to their effort and commitment. If employees get higher pay, higher wages in return to their work efforts, employees will always be committed and satisfied with their jobs. This therefore implies that employees' motivation according to Vroom Expectancy theory is determined by employees expectancy levels in terms of remuneration and rewards and working condition and hence employees with better rewards or better terms and work conditions that will influence them to achieve the expected performance goals. This leads to increased level of employees job satisfaction and eliminates cases of increased rate of employees turnover in organization, This theory is important in establishing the effect of employees job satisfaction on performance of commercial banks in Kenya.

#### **2.2.2 Hierarchy of Needs Theory**

Abraham Maslow hierarchy of needs theory classifies employees' needs into five progressive categories. These includes; physiological needs; safety needs; belongingness; esteem and self-actualization (Jones, 2005). These needs begin with basic physical needs and progresses up to the

needs for personal growth and career development. Maslow argues that employers must meet each category of employees needs for the employees to fully commit themselves towards achievement of the organizations goals. Failing to meet the expected employees' needs at any level in the hierarchy can create a lack of satisfaction in the employees professional lives, causing them to eventually try to fulfill these needs on their own possibly by finding a new employer who offers better opportunities and this may lead to increased cases of employee turnover rates in an organization (Armstrong, 2008).

### **2.2.3 The Stakeholders Theory**

The stakeholder's theory argues that stakeholders are individuals, groups or organizations who can affect or be affected by the achievement of the organization goals. The stakeholders' theory underpins the philosophy of the stakeholders' expectations to the organization management as well as business ethics and moral values the management of an organization is expected to meet (Andrew, 2006). The stakeholders' theory addresses the principle of people who really matters when it comes to execution of the organization functions. The stakeholders' theory argues that managers in an organization have a wider network of relationship to serve which comprises of the owners of the business, employees, suppliers and business customers. It is hence important for the firm to pay attention to the stakeholders especially the employees for the organization to achieve its goals. Lack of paying attention to the employees denies an opportunity to address various employees' matters and this leads to lower level of employees job satisfaction and this leads to increased rate of employees turnover rates in an organization hence affecting the organization performance (Andrew, 2006).

### **2.3 Empirical Review**

A study by Bowden (2012) found out that in many commercial banks in Canada, high rates of employees turnover was experienced in commercial banks with low level of employees' job satisfaction, this was found to lead to loss of competent and experienced customers hence leading to declined bank performance. Massingham (2008) conducted a study on impact of employees' turnover in Germany and noted that employees' turnover had a positive impact on organization change but in some cases it led to low organization performance.

Hong,Wei and Chen (2007) study on employees turnover in Chinese firms noted that high employees turnover rates was caused by low remuneration and work life balance. Hendry (2005) opined that employees' turnover occurs due to low level of employees' job satisfaction in many African commercial banks and this is normally as result of employees' job satisfaction. Hendry (2005) noted that employees job satisfaction factors notably; employees motivation; employees commitment; employees remuneration; work life balance and employees working conditions determines the likelihood of employees leaving the organization and this may affect organization performance when experienced and most competent employees leaves the organization. Aryidsson (2009) identified that in South Africa, internal involuntary employee turnover is especially urgent in much organization and this negatively affects organization performance.

Parker and Skitmore (2005) observed that in many commercial banks in Kenya, involuntary employee turnover is observed when employee's jobs contracts is terminated due to turnaround or downsizing. Parker and Skitmore (2005) notes that involuntary employee turnover is mostly observed in matrix organizations that keeps rotating employees across various departments.

Employees' turnover that occurs as result of end of employees' contract may not have negative impact on organization performance but turnover arising as result of lack immature termination of employee contracts and this results to declined banks performance (Kinuthia,2009).

A study by Lorrain (2012) noted that many commercial banks in Britain experiences high employees replacement costs due to cases of involuntary employee turnover, this occurs due to factors such as downsizing, parental leave, illness, retirement or death among many other factors. Various researchers have established the link between employees' replacement employees turnover and employees' replacement costs like Lum (2008) observed that high rate of employees turnover in many Indian commercial banks led the banks to incur high employees recruitment costs, training costs, work disruption costs and this increased the bank expenditure hence lading to decline banks profitability hence affecting banks performance.

A study by Elangovan (2009) revealed that high rates of employees' turnover rates lowered the level of employees' productivity in many commercial banks in United States; this was found to be experienced due to the fact that most banks lost the most experienced and competent employees who were mostly consulted by the other staff left in the organization. It was noted that teamwork activities were disrupted in many commercial banks since it took a long time for the new employees to adapt to the working teams. A study by Richard (2010) opined that in many South African commercial banks, high rates of employee turnover leads to low level of the employees productivity since the performance of most of the new employees is low, the new employees are mostly not as engaged as the leaving employees, the teamwork environment is disrupted, the new employees takes time before starting to participate in decision making and execution of major organization functions and their work efficiency is low and in addition their

work quality is low.

A study by Taplin (2008) in the British commercial banks noted that two factors emerged as the major reasons for high rate of employees' turnover. One was low wages and salaries in comparison to other commercial banks; the other reason was lack of job security with most employees fearing the long term operations of the commercial banks. A study by Martin (2009) revealed that employee's turnover affects the performance of many commercial banks in Kenya since high rates of employees turnover leads to loss of competent and experienced staff in delivery of quality services, the new staff takes a long time before being accustomed to the bank service quality standards. Akoth (2010) found out that in many employees turnover affects the ability of banks to continually delivery high quality services in terms of; quality of services; customer satisfaction; customer complaints; customer relationship and customer retention

## **2.4 Conceptual Framework**

A conceptual framework is a network of interlinked concepts that together provide a comprehensive understanding of a phenomenon or phenomena (Jabareen, 2008). A conceptual framework shows the relationship between the research variables. In this study the conceptual framework shows the relationship between the independent and dependent variables in figure 2.1. As depicted in the conceptual framework, the independent variables include; job satisfaction; replacement costs; employees' productivity and customer service quality while the dependent variable is bank performance.

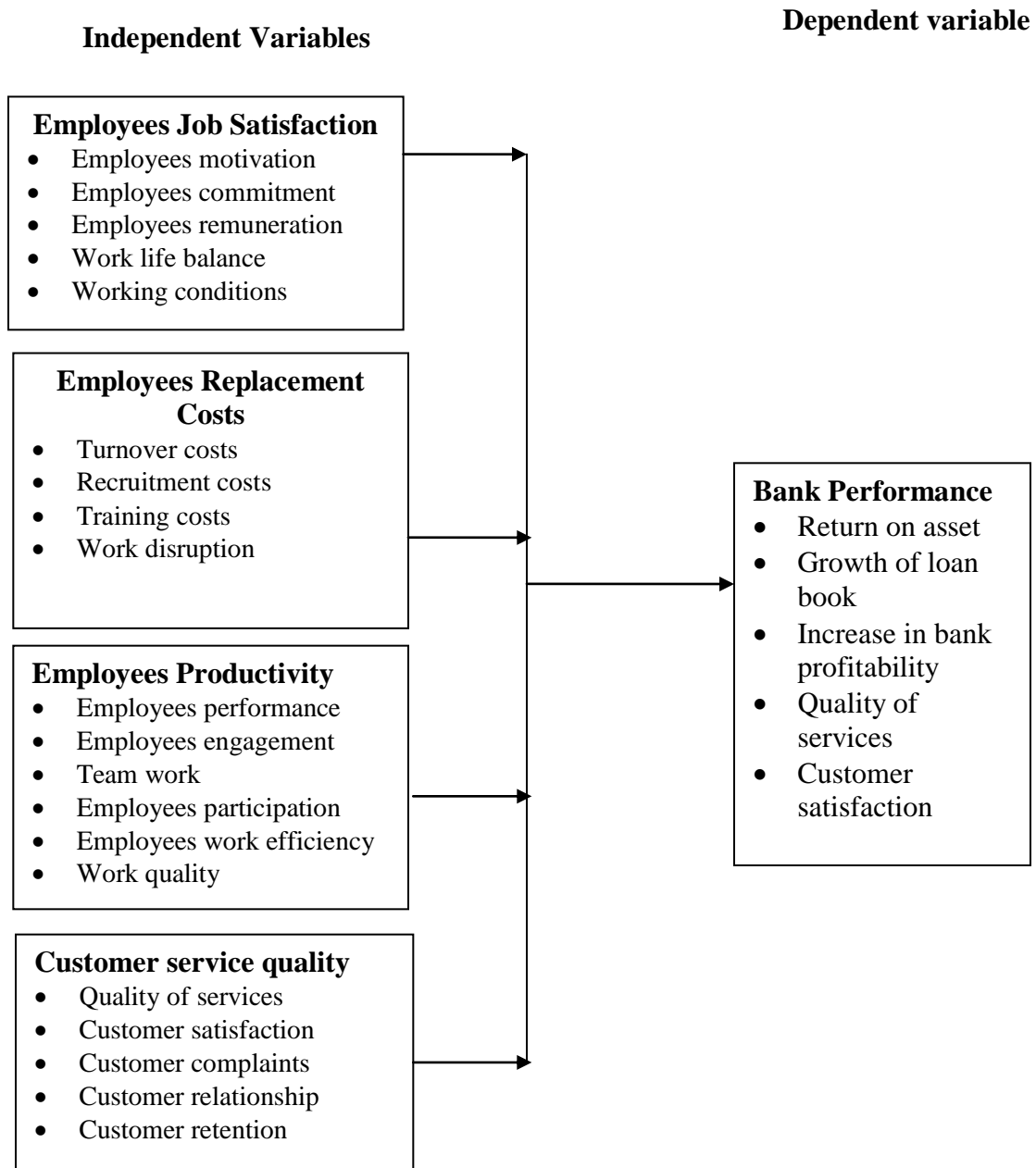


Figure 2.1 Conceptual Framework

Source: Author (2016)

### 2.4.1 Employees job satisfaction

Employees job satisfaction is defined as how content an individual is with his or her job, it is also defined as the level at which the employees like or dislike their jobs or individual facets or

job aspects such as nature of work or supervision. Job satisfaction is also pleasurable emotional state resulting from appraisal of ones job as achieving or facilitating the achievement of ones job values and the extent to which people like satisfaction or dislike dissatisfaction (Armstrong, 2008) Employees job satisfaction is influenced by employees motivation, commitment, employees remuneration, work life balance and working conditions (Spector,2007).

#### **2.4.2 Employees Replacement Costs**

Employees' replacement costs are the total costs incurred by an organization to recruit new employees to fill the job positions left vacant by the leaving employees. Employees' replacement costs are determined by recruitment costs, training costs and work disruption costs (Ali, 2009).

#### **2.4.3 Employees Productivity**

Employees' productivity is referred to as workforce productivity which is an assessment of the efficiency of a worker or group of workers. Productivity may be evaluated in terms of output of employees in a certain period of time. Employees productivity is determined by employees' performance; employees' engagement; team work; employees' participation in decision making; employees work efficiency and employees work quality (Armstrong, 2007).

#### **2.4.4 Customer Service Quality**

Customer service quality is an assessment of how well a delivered service conforms to the client's expectations. Customer service quality in banks is determined by; quality of services; level of customer satisfaction; rate of customer complaints; customer relationship and rate of customer retention (Alex, 2016).

### **2.5 Research Gaps**

Even though a number of studies have been undertaken on employees' turnover, no study has

managed to explain the effect of employees' turnover on performance of commercial banks in Kenya. Most of the past studies reviewed were undertaken in developed nations and others focused on different aspects of employees' turnover which do not affect performance of commercial banks. It has also been identified that very little research has been done on effects of employee turnover on banks performance in terms of employees job satisfaction; replacement costs; employees' productivity and customer service quality. It is hence evident that a major gap in literature exists on effects of employee turnover on banks performance. Therefore this study attempted to fill the missing gap in literature by determining the effects of employee's turnover on performance of commercial banks in Kenya.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter explains the methodology to adopt by the study. The chapter discusses the research design, target population, sampling technique, data collection, data analysis and presentation methods as well as research ethics.

### **3.2 Research Design**

The study adopted a descriptive research design. According to Sekeran (2003), descriptive research design is a non experimental and it deals with the establishment of the relationship between research variables in a natural rather than laboratory setting. Descriptive research design is applied when the events or condition have already occurred and the researcher selects relevant variables for analysis of their relationships. According to Kothari (2006) descriptive research includes surveys and fact findings enquires since the major purpose of the descriptive research design is the description of the state of affairs as they exists at present. Orodho (2009) explains that descriptive research design as systematic empirical enquiry in which the researcher does not have direct control of the research variables since their manifestation have already occurred. The study thus applied the descriptive research design since the research variables were already defined and thus required to establish their relationship.

### **3.3 Target Population**

Target population is the entire set of units for which the study data are to be used to make inferences (Orodho, 2009). According to the Central Bank of Kenya, there are a total of 42 commercial banks in Kenya. The target population consisted of the 42 commercial banks.

### **3.4 Sample Size and Sampling Technique**

The study applied a probability sampling design using stratified random sampling technique to determine the sample size for the study. Kothari (2006) explains that a sample size is representation of the total number of the respondents chosen from the target population and used a study respondents using a given sampling method. The study adopted stratified random sampling technique since according to Orodho (2009), stratified sampling technique is considered appropriate since it gives all respondents in the target population an equal chance of being selected as study respondents and thus it eliminates cases of biasness and it has a higher level of accuracy in generalization of research findings to represent the opinions of the population where research findings are inferred. Stratified sampling technique was applied to obtain a total of 12(30%) of commercial banks. The sample size of 30% of the population was justified since according to Kothatri (2006) a sample size of 30% of the target population gives unbiased representation of all respondents' opinions in the target population and this leads to generation of the research findings which can be generalized to represent the opinions of the individual in a given population. The study further selected five management staff from each of the 12 commercial banks hence lading to a total of 60 respondents as the total sample size of the study who were issued with the questionnaires.

### **3.5 Data Sources and Instruments**

Primary data was the main source of data that was collected from the study respondents. Questionnaires containing both open and closed end questions were used as the main data collection instruments. The questionnaires utilized likert scale format since according to Kiess and Bloomquist (2009) the likert/ordinal scale format helps in measurement of the variables. Questionnaires were used since according to Dempsey (2003), questionnaires are effective data

collection instruments and helps in gathering of reliable information from the respondents on the problem sought by the study without biasness.

### **3.6 Validity and Reliability of the Research Instruments**

The validity and the reliability of the research instruments was determined through conducting a pilot study in order to pretest the questioners.

#### **3.6.1 Validity of the Research Instruments**

To establish the validity of the data collection instruments, the research instruments were given to 8 management staff in different banks. The bank managers were expected to tick if the item in the questionnaires addressed the effects of employee's turnover on performance of commercial banks in Kenya. The content of the responses given by the bank managers was checked against the study objectives and rated using a scale of 1(very relevant) to 4 (not very relevant). The Content Validity Index was used to determine the validity by adding up all the items rated using a scale of 3 and 4 by the bank managers and dividing the total sum by the total number of items in the questionnaires. The coefficient of the data gathered from the pilot study was computed with assistance of Statistical Package for Social Sciences (SPSS). A context of validity coefficient index of 4 was obtained and this implied that the questionnaires were valid research instrument for the study (Joppe, 2000).

#### **3.6.2 Reliability of the Research Instruments**

Reliability is the degree to which instrument yields consistent results over a period of time. The study used test retest method to determine the consistency of the instruments and then the data gathered was analyzed using an internal consistency technique using Cronbach's alpha was applied. Cronbach's alpha is a coefficient of reliability that gives unbiased estimate of data

generalizability (Zinbarg, 2005). Table 4.1 indicates that the obtained data was reliable since data obtained from all independent variables had a Cronbachs alpa values of between 0.923 to 0.960 and this was above 0.75 satisfying Zinbarg (2005) that an alpha coefficient higher than 0.75 indicates that the gathered data had relatively high internal consistency and could be generalized to reflect opinions of all respondents in the target population on the effects of employee’s turnover on performance of commercial banks in Kenya.

**Table 3.1 Reliability Results**

<b>Variables</b>	<b>No. of Items</b>	<b>Cronbach's Alpha Values</b>
Employees Job Satisfaction	6	0.923
Employees Replacement Costs	6	0.971
Employees Productivity	6	0.956
Customer Service Quality	6	0.960

Source: Survey Data (2017).

### **3.7 Data Collection Procedure**

The questionnaires were self-administered with the help of research assistants and permission to conduct the study was sought from the management of commercial banks. The questionnaires were then picked after a later data and data analysis commenced

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

Qualitative data analysis was employed using descriptive statistics data analysis to compute data mean, standard deviation and variance results aided by a Statistical Package for Social Sciences. Qualitative data analysis method was employed to analyze data gathered using open end questions. This was analyses through summarizing the set of observations drawn from the respondents. Common set of observations or responses were assigned numerical values and

analyzed using the SPSS system. Further the study applied inferential statistics through the use of multiple regression model to establish the significance relationship between the independent variables and dependent variables. The findings were presented using tables and charts. The applied multiple regression model was of the form

$$Y = 0.217 + 0.367X_1 + 0.330X_2 + 0.387X_3 + 0.297X_4 + e.$$

Where

Y = Bank Performance (Dependent Variable)

X<sub>1</sub> = Employees job satisfaction (Independent Variable)

X<sub>2</sub> = Employees replacement costs (Independent Variable)

X<sub>3</sub> = Employees productivity (Independent Variable)

X<sub>4</sub> = Customer service quality (Independent Variable)

B<sub>0</sub> = Constant Regression (Independent Variable)

é. = error term

### **3.10 Ethical Considerations**

Ethics refers to the norms and standard behavior that guides moral choices about people behavior and relationships (Carrol and Buchholts, 2000). The main purpose of the research ethics is to ensure that no one is harmed or suffers adverse consequences as result of the research activities. The researcher ensured that all the respondents were protected by keeping all the information gathered confidential. The research activities did not cause any physical harm of the respondents. The research also obtained the research permit from all the necessary authorities and the permission to administer the questionnaires was obtained from the bank management.

## CHAPTER FOUR: RESEACH FINDINGS AND DISCUSSION

### 4.1 Introduction

This chapter covers the descriptive data analysis where data was commuted using frequencies, percentages, mean, and standard deviation and variance results and computed using tables and charts.

### 4.2 Response Rate

To establish the actual number of the respondents who submitted back the questionnaires for data analysis, analysis of the response rate was conducted as shown in Table 4.1.

**Table 4.1 Response Rate**

Response rate	Frequency	Percentage
Response	42	70%
Non Response	18	30%
Total	60	100%

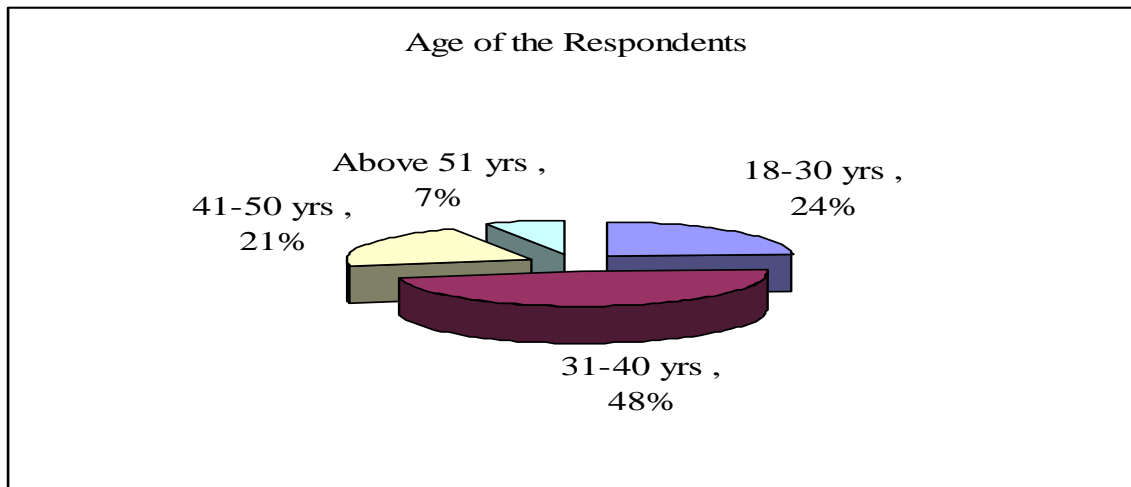
Source: Survey Data (2017).

The table 4.2 presents that the response rate was 70% of the total sample size and the non response was 30%. The response of 70% facilitated towards gathering sufficient data that was generalized to reflect the opinions of respondents on the effects of employee's turnover on performance of commercial banks in Kenya. This was in tandem with Graham (2002) that a response rate above 30 to 50% of the total sample size contributes towards gathering of sufficient data that could be generalized to represent the opinions of respondents in the target population on the sought study problem.

### 4.3 Personal Information

The following section shows the results of respondents' personal information

### 4.3.1 Age

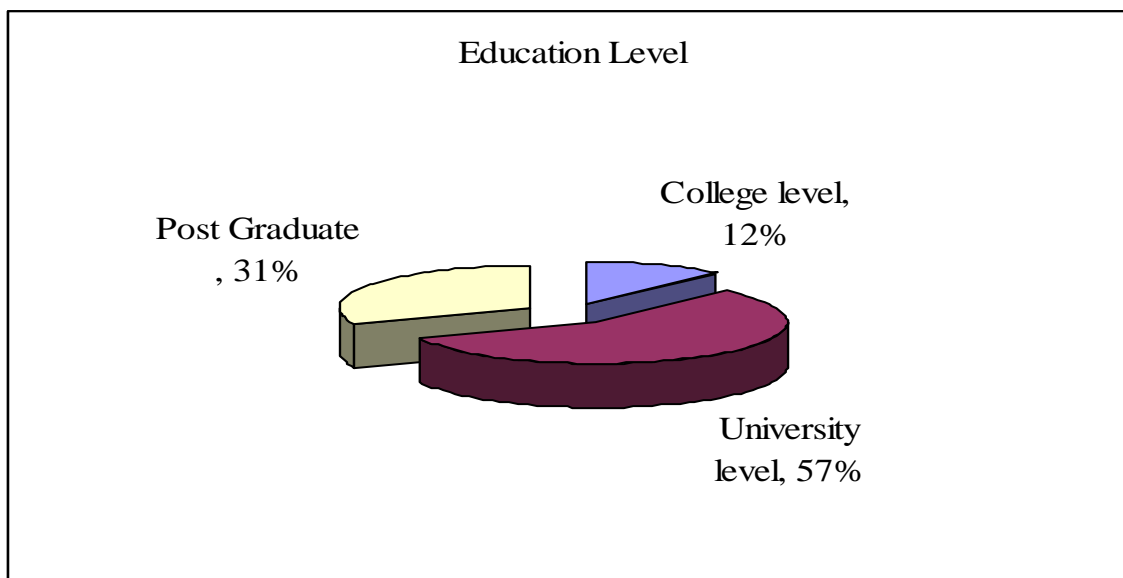


**Figure 4.1 Age of the Respondents**

Source: Survey Data (2017).

Figure 4.2 presents that majority (48%) of the respondents was in the age category of 31-40 years, 24% were in the age category of 18-30 years, 21% were in the age category of 41- 50 years and 7% were in the age category of above 51 years.

### 4.3.1 Highest Education Level

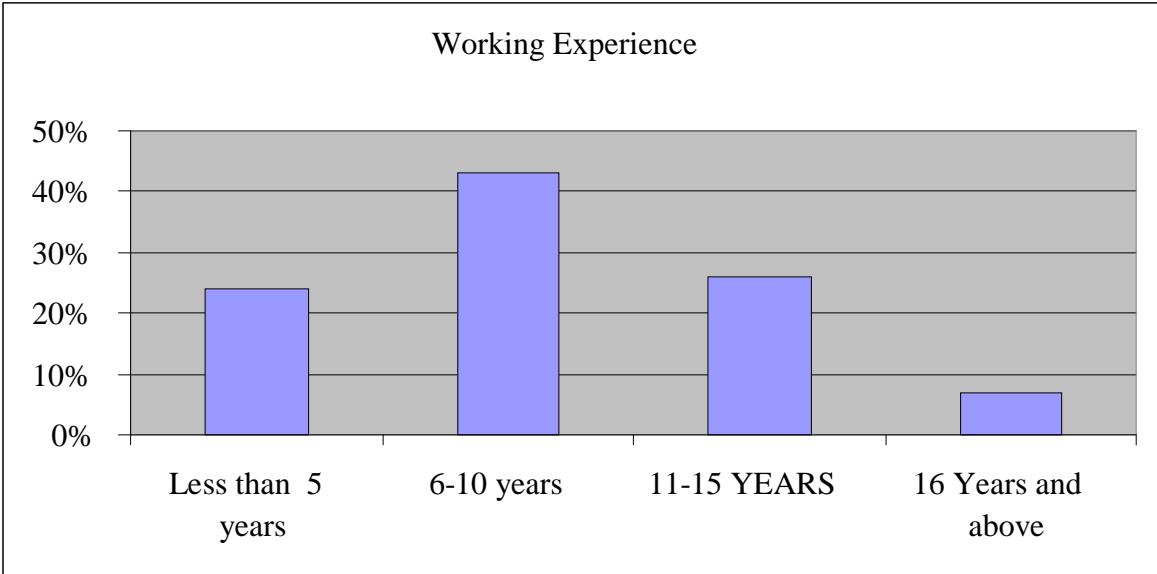


**Figure 4.2 Highest Education Level**

Source: Survey Data (2017).

Figure 4.2, majority (57%) of the respondents were university graduates followed by 31% who had post graduate education level and 12% who had college education level. These findings demonstrated that all respondents were highly educated and had no difficulties in understanding the study problem and this concurred with Joppe (2000) that during research process, respondents with technical knowledge on the study problem assists in gathering reliable and accurate data on the problem under investigation. This demonstrated that most of the organization employees were qualified professionals with technical knowledge and skills on the study problem and thus provided the study with reliable information on the effects of employee’s turnover on performance of commercial banks in Kenya.

**4.3.3 Working Experience**



**Figure 4.3 Working Experience**

Source: Survey Data (2017).

The study further found out it was important to determine how long the respondents had been working in the bank in order to ascertain to what extent their responses could be relied upon to

make conclusions for the study, based on their working experience. From the study findings as indicated in Figure 4.3, majority (43%) of the respondents had a working experience of 6-10 years, 26% had a working experience of 11-15years, 24% of the respondents had a working experience of less than 5 years and finally 7% of the respondents had a working experience of 16 years and above. This was in tandem with findings by Braxton (2008) that respondents with a high working experience assist in providing reliable data on the problem in hand since they have technical experience on the study problem.

#### 4.4 Employees Job Satisfaction

On the effect of employees' job satisfaction on performance of commercial banks, the findings were as follows;

##### 4.4.1 Extent to Which Employees' Job Satisfaction Affect Performance of Commercial Banks.

**Table 4.2 Employees Job Satisfaction Factors**

Employees Job Satisfaction	N	Mean	Std. Deviation	Variance
a) Employees Motivation	42	4.381	.82499	.681
b) Employees Commitment	42	4.547	.55005	.303
c) Employees Remuneration	42	4.428	.91446	.836
d) Work Life Balance	42	4.381	.79487	.632
e) Working Conditions	42	4.285	.94445	.892
f) Employees Relations	42	4.261	.93859	.881
Average	42	4.380	0.8279	0.704

Source: Survey Data (2017).

On the extent to which job satisfaction factors notably; employees' motivation; employees' commitment; employees' remuneration; work life balance; working condition and employees' relations affected the performance of commercial banks. The study adopted a scale of 1-5 where 1= not at all, 2= small extent,3=moderate extent,4= large extent,5= very large extent. Table 4.3 presents that employees motivation scored a mean of 4.381; employee's commitment scored a mean of 4.547; employees remunerations scored a mean of 4.428;work life balance scored a mean of 4.381;working conditions scored a mean of 4.285 and employees relations scored a mean of 4.261.

These results implies that all the employees job satisfaction factors notably; employees' motivation; employees' commitment; employees' remuneration; work life balance; working condition and employees' relations affected the performance of commercial banks to a large extent since all the factors scored an average mean of 4.380.

Further table 4.2 shows the standard deviation and variance result of employees' job satisfaction factors. According to Graham (2002), standard deviation and variance are measures for interval ratio and describe how much variation or diversity there is in a data distribution of respondents' opinion from the mean. Standard deviation and variance shows how individual responses to a question vary or deviate from the mean and helps in determining on if respondents responses are concentrated around the mean or scattered far and wide (Kothari,2006). A standard deviation and variance greater than 1 means that the respondents had divergent views and if the standard deviation and variance is less than 1, it is an indication that the respondents had similar opinion, and thus gave similar answers (Sekeran, 2003).

As can be observed in table 4.2, the standard deviation and variance of all the employees job satisfaction factors had a standard deviation of 0.8279 and variance 0.704. These implies that the standard deviation and variance of all the employees job satisfaction factors was less than 1 and this was a clear indication that most respondents rated all the employees job satisfaction factors in the same way and there was little difference amongst respondents answers. This demonstrates that all the employees' job satisfaction factors to a large extent affected the performance of commercial banks. These findings concurred with Bhavika (2012) that employee's level of motivation and commitment influences the level of employees' productivity and this affects the performance of many commercial banks. Petel (2009) opined that in the banking sector, employees remuneration packages and employees work life balance affects the level of employees' performance and this determines the overall banks performance. These findings also supports findings by George (2009) that employees work conditions and remunerations determines the level of individual employees productivity and this affects the overall organization performance. The study thus affirmed that; employees' motivation; employees' commitment; employees' remuneration; work life balance; working condition and employees' relations affects the performance of commercial banks to a large extent.

#### **4.5 Employees Replacement Costs**

##### **4.5.1 Extent to Which Employees Replacement Costs Affect Performance of Commercial Banks.**

**Table 4.3 Employees Replacement Costs**

Employees	N	Mean	Std. Deviation	Variance
Replacement Costs				
1) Turnover costs	42	4.166	.9606	.923
2) Recruitment costs	42	4.571	.6302	.397

3) Training costs	42	4.428	.8306	.690
4) Work disruption	42	4.214	.8420	.709
Average	42	4.345	0.8158	0.679

Source: Survey Data (2017).

The study sought to determine the extent to which employees replacement costs factors notably; turnover costs, recruitment costs, training costs and work disruption affected the performance of commercial banks. From the findings in table 4.3, employees' turnover costs had a mean score of 4.166, recruitment costs had a mean score of 4.571, training costs had a mean score of 4.428 and work disruption had a mean score of 4.214. Table 4.3 further presents that all the employees replacement costs factors had a standard deviation and variance of less than 1. Joppe (2000) posits that a standard deviation and variance greater than 1 is an indication that the respondents had different views on the issues sought by the study and a standard deviation and variance less than 1 is an indication that there was no much difference among the respondents opinions on the sought issues and thus the respondents rated all the employees replacement costs factors to affect banks performance to a large extent. These results imply that all the employees replacement costs factors to a large extent affected the performance of commercial banks. These findings were in agreement with findings by Mbiti and Wiel (2011) that employees' replacement costs such as recruitment costs and training costs leads to increased expenditure and operational costs and this lowers the banks profit margins and this affects the overall banks performance. The study therefore deduced that employees' replacement costs factors notably; turnover costs, recruitment costs, training costs and work disruption to a large extent affected the performance of commercial banks.

## 4.6 Employees Productivity

### 4.6.1 Extent to Which Employees Productivity Affect Performance of Commercial Banks.

**Table 4.3 Employees Productivity Factors**

<b>Employees Productivity</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
1) Employees performance	42	4.357	.9581	.918
2) Employees engagement	42	4.476	.5516	.304
3) Team work	42	4.357	.8502	.723
4) Employees participation	42	4.357	.7265	.528
5) Employees work efficiency	42	4.285	.8635	.746
6) Work quality	42	4.428	.9407	.885
Average	42	4.376	0.8151	0.684

Source: Survey Data (2017).

The objective was to determine the effect of employees' productivity on the performance of commercial banks. The study therefore sought to determine the extent to which employees productivity factors notably; employees performance, employees engagement, team work, employees participation, employees work efficiency and work quality affected the performance of commercial banks. From the findings in table 4.3; employees' performance had a mean score of 4.357; employees' engagement had a mean score of 4.476; team work had a mean score of 4.357; employees' participation had a mean score of 4.357; employees work efficiency had a mean score of 4.285 and work quality had a mean score of 4.428. These results therefore imply that all the employees' productivity factors to a large extent affected the performance of

commercial banks. These findings were in line with Raju (2011) that that increased level of individual employees' performance, the level of employees' engagement and team work improves the overall organization performance in commercial banks.

#### 4.7 Customer Service Quality

The objective was to examine the effect of customer service quality continuity on performance of commercial banks in Kenya.

##### 4.7.1 Extent to Which Customer Service Quality Affect Performance of Commercial Banks.

The study hence determined the extent to which customer service quality continuity factors affected the performance of commercial banks in Kenya. The customer service quality continuity factors included; quality of services; customer satisfaction; customer complaints and customer relationship.

**Table 4.4 Customer Service Quality Factors**

<b>Customer Service Quality</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
1) Quality of services	42	4.0476	.9865	.973
2) Customer satisfaction	42	4.2857	.8050	.648
3) Customer complaints	42	4.3333	.8165	.667
4) Customer relationship	42	4.0238	.7805	.609
Valid N (listwise)	42	4.1726	0.8471	0.724

Source: Survey Data (2017).

As can be observed in table 4.4, quality of services had a mean score of 4.0476, customer satisfaction had a mean score of 4.2857, customer complaints had a mean score of 4.4333 and customer relationship had a mean score of 4.0238. These findings corroborated with Newton (2009) that employees turnover affects banks customer service quality continuity in terms of quality of services; customer satisfaction; customer complaints and customer relationship which in turn affects the overall performance of commercial banks.

Table 4.4 further presents that all the customer service quality factors had a standard deviation and variance of less than 1 hence indicating that respondents rated all the customer service quality factors to affect bank performance in the same way. Rumsey (2012) posits that a standard deviation and variance less than 1 is a clear indication that respondents gave similar responses on the study questions and thus respondents had no divergent views. Standard deviation and variance are measures of variation i.e the average distance of the values in the data set from the mean. A standard deviation greater than 1 is a clear indication that respondents had divergent views on the study questions. The study therefore affirmed customer service quality factors notably; quality of services; customer satisfaction; customer complaints and customer relationship affect banks performance to a large extent.

#### **4.8 Performance of Commercial Banks**

The study sought to determine the extent to which key factors notably; return on asset; growth of the loan book; profitability; quality of services and customer satisfaction determined the performance of commercial banks.

**Table 4.5 Bank Performance Factors**

Bank Performance	N	Mean	Std. Deviation	Variance
a) Return on asset	42	4.3571	.95818	.918
b) Growth of the loan book	42	4.4762	.55163	.304
c) Profitability	42	4.3571	.85029	.723
d) Quality of services	42	4.3571	.72655	.528
e) Customer satisfaction	42	4.2857	.86351	.746

Source: Survey Data (2017).

From the findings in table 4.5; Return on asset had a mean score of 4.3571; growth of the loan book had a mean score of 4.4762; profitability had a mean score of 4.3571; quality of services had a mean score of 4.3571 and customer satisfaction had a mean score of 4.2857. This demonstrated that all the factors notably; return on asset; growth of the loan book; profitability; quality of services and customer satisfaction determined the performance of commercial banks to a large extent. This was in line with Druncker (2010) performance of many commercial banks is determined by return on asset; growth of the loan book; profitability; quality of services and customer satisfaction.

Table 4.5 further presents that all the factors had a standard deviation of between .86351 and 95818 and variance of between .746 and .918 and this was a clear indication respondents rated all the factors to determine bank performance to a large extent. According to Crossman (2013) a standard deviation and variance less than 1 is a clear indication that respondents gave similar responses on the study questions and thus respondents had no divergent views. The study therefore deduced that return on asset; growth of the loan book; profitability; quality of services

and customer satisfaction determined the performance of commercial banks to a large extent.

#### 4.9 Regression Analysis

Regression analysis was carried out to establish the significance relationship between the independent variables notably employees job satisfaction, employees replacement costs, employees productivity and customer service quality against the dependent variable performance of commercial banks. Green and Salkind (2003) posits that regression analysis helps in determining statistical relationship between the research variables. The regression analysis results were presented using regression model summary table, Analysis Of Variance (ANOVA) table and beta coefficients table. The model used for the regression analysis was expressed in the general form as given below:

$$Y = a + B_1 \cdot X_1 + B_2 \cdot X_2 + B_3 \cdot X_3 + B_4 \cdot X_4 + e$$

**Table 4.6 Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.949 <sup>a</sup>	.901	.890	.16440

a. Predictors: (Constant), X1, X2, X3, X4

Source: Survey Data (2017).

Table 4.6 presents the regression model coefficient of determination R square is 0.901 and R is 0.949 at 0.05 significance level. The coefficient of determination indicates that 94.9% of the variation on performance of commercial banks is influenced by the four independent variables notably; (X<sub>1</sub>) employees' job satisfaction, (X<sub>2</sub>) employees' replacement costs, (X<sub>3</sub>) employees' productivity and (X<sub>4</sub>) customer service quality. This implies that there exists a strong positive relationship between independent variables and bank performance. The remaining 6.1% of the variation on bank performance can be explained by other variables not included in the model. This shows that the model has a good fit since the value is above 75%. These results concurred

with Graham (2002) that R-squared is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains all the variability of the response data around its mean. In general, the higher the R-squared, the better the model fits the data.

**Table 4.7 Analysis of Variance (ANOVA)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.119	4	2.280	84.351	.000 <sup>a</sup>
	Residual	1.000	37	.027		
	Total	10.119	41			

a. Predictors: (Constant), X1, X2, X3, X4

b. Dependent Variable: Y

Source: Survey Data (2017).

The study further used one way Analysis of Variance (ANOVA) in order to test the significance of the overall regression model. Green & Salkind (2003) posits that one way Analysis of Variance helps in determining the significant relationship between the research variables. Table 4.7 hence shows the high value of F (84.351) with significant level of 0.00 is large enough to conclude that all the independent variables significantly affect bank performance. This implies goodness of fit of the model and thus the variables can be carried on for further analysis to determine the level of significance of the effect of each independent variable.

Table 4.8 further presents the results of the test of beta coefficients which shows the extent to which each independent variable determines performance of commercial banks.

**Table 4.1 Coefficients**

	<b>B- Coefficients</b>	<b>Std. Error</b>	<b>Sig F</b>
(Constant)	.217	.211	.005
Employees job satisfaction	.367	.184	.002
Employees replacement costs	.330	.168	.003
Employees productivity	.387	.170	.001
Customer service quality	.297	.184	.005
Dependent Variable Y			

Source: Survey Data (2017).

As presented in table 4.8, ( $X_1$ ) employees' job satisfaction coefficient of .367 was found to be positive at significant level of 0.002 and this indicates that innovativeness has a positive influence on bank performance. ( $X_2$ ) Employees replacement costs coefficient of .330 was found to be positive at significant level of 0.003 and this indicates that Employees replacement costs have a positive effect on bank performance. ( $X_3$ ) Employee's productivity coefficient of .387 was found to be positive at significant level of 0.001 and this indicates that Employees productivity has a positive effect on bank performance. ( $X_4$ ) customer service quality continuity coefficient of .297 was found to be positive at significant level of 0.005 and this indicates that customer service quality continuity has a positive effect on bank performance. This clearly demonstrates that all the independent variables significantly affect bank performance but the relative importance of each independent variable was different. However, since the significance values were less than 0.005, all the coefficients were significant and thus the regression equation was thus  $Y = 0.217 + 0.367X_1 + 0.330X_2 + 0.387X_3 + 0.297X_4 + e$ .

#### 4.10 Results Discussions

The regression model above has established that taking all the independent variables into account notably; ( $X_1$ ) employees' job satisfaction, ( $X_2$ ) employees' replacement costs, ( $X_3$ ) employees' productivity and ( $X_4$ ) customer service quality constant at Zero effects bank performance (0.217). The results presented also shows that taking all other independent variables at zero, a unit increase in employees' job satisfaction leads to a 0.367 increase in bank performance; a unit increase in employees' replacement costs leads to 0.330 increase in bank performance; a unit increase in employees' productivity leads to 0.387 increase in bank performance and a unit increase in customer service quality leads to 0.297 increase in bank performance.

This demonstrates that employees' productivity effects bank performance, followed by employees' job satisfaction, then employees' replacement costs and lastly customer service quality. The study therefore deduced that through improvement of employees' productivity effects bank performance, followed by employees' job satisfaction, then employees' replacement costs and lastly customer service quality, bank performance would be increased. These findings echoed findings by Oliveira and Martins (2011) that performance of commercial banks in many developing nations is greatly affected by effects of employee's turnover such as employees' productivity, employees' job satisfaction, employees' replacement costs and customer service quality.

The study found out that employees job satisfaction factors notably; employees' motivation; employees' commitment; employees' remuneration; work life balance; working condition and employees' relations affected the performance of commercial banks to a large extent. These findings concurred with Bhavika (2012) that employee's level of motivation and commitment influences the level of employees' productivity and this affects the performance of many

commercial banks. These findings also supports findings by George (2009) that employees work conditions and remunerations determines the level of individual employees productivity and this affects the overall organization performance. The study thus affirmed that; employees' motivation; employees' commitment; employees' remuneration; work life balance; working condition and employees' relations to a large extent affected the performance of commercial banks.

The study determined that employees' replacement costs factors notably; turnover costs, recruitment costs, training costs and work disruption affected the performance of commercial banks to a large extent. These findings were in agreement with findings by Mbiti and Wiel (2011) that employees' replacement costs such as recruitment costs and training costs leads to increased expenditure and operational costs and this lowers the banks profit margins and this affects the overall banks performance.

The study identified that employees productivity factors notably; employees performance, employees engagement, team work, employees participation, employees work efficiency and work quality affected the performance of commercial banks to a large extent. These findings concurred with Raju (2011) that that increased level of individual employees' performance, the level of employees' engagement and team work improves the overall organization performance in commercial banks.

The study noted that customer service quality continuity factors notably quality of services; customer satisfaction; customer complaints and customer relationship were found to affect bank performance to a large extent. These findings corroborated with Newton (2009) that employees turnover affects banks customer service quality continuity in terms of quality of services;

customer satisfaction; customer complaints and customer relationship which in turn affects the overall performance of commercial banks.

The study finally found out that the key factors that determined the state of bank financial performance included; return on assets, growth on loan book and profitability influenced the bank performance. According to Druncker (2010) performance of many commercial banks is determined by increases in return on asset, growth of the loan book and increase in profitability. The study thus deduced that return on asset; growth of the loan book; profitability; quality of services and customer satisfaction determined the performance of commercial banks to a large extent.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter gives a summary of the major findings on the effects of employee's turnover on performance of commercial banks in Kenya. The chapter draws the study conclusions and discusses major recommendations and gives suggestion for further studies.

### **5.2 Summary**

High employees' turnover rates can have negative effect on the overall bank performance. High rate of employees turnover is expensive as commercial banks incurs high employees replacement costs which includes advertising costs, recruitment and training together with the cost of associated management and supervisory time. The study specifically aimed to; establish the effect of employees job satisfaction on performance of commercial banks in Kenya; assess the effect of employees replacement costs on performance of commercial banks in Kenya; determine the effect of employees productivity on the performance of commercial banks in Kenya and examine the effect of customer service quality continuity on performance of commercial banks in Kenya. The study established that the major effects of employees' turnover that affected the performance of commercial banks included; employees' job satisfaction, employees' replacement costs, employees' productivity and customer service quality continuity. The study found out that employee's turnover affected banks performance in terms of growth of loan book; profitability; quality of services and customer satisfaction.

The study found out that employees job satisfaction factors notably; employees' motivation; employees' commitment; employees' remuneration; work life balance; working condition and employees' relations affected the performance of commercial banks to a large extent. It was

noted that employee's level of motivation and commitment influences the level of employees' productivity and this affects the performance of commercial banks. Findings revealed that employees remuneration packages and employees work life balance affects the level of employees' performance and this determines the overall banks performance. It was also noted that employees work conditions and remunerations determines the level of individual employees productivity and this affects the overall organization performance. The study thus affirmed that; employees' motivation; employees' commitment; employees' remuneration; work life balance; working condition and employees' relations to a large extent affected the performance of commercial banks.

The study determined that employees' replacement costs factors notably; turnover costs, recruitment costs, training costs and work disruption affected the performance of commercial banks to a large extent. The study identified that employees replacement costs such as recruitment costs and training costs leads to increased expenditure and operational costs and this lowers the banks profit margins and this affects the overall banks performance. The study therefore deduced that employees' replacement costs factors notably; turnover costs, recruitment costs, training costs and work disruption to a large extent affected the performance of commercial banks.

The study noted that employees' productivity affected the performance of commercial banks in Kenya. The study identified that employees productivity factors notably; employees performance, employees engagement, team work, employees participation, employees work efficiency and work quality affected the performance of commercial banks to a large extent. It was noted that increased level of individual employees' performance, the level of employees'

engagement and team work improves the overall organization performance in commercial banks. The study noted that employees' turnover interfered with customer service quality continuity and this affected the performance of commercial banks in Kenya. The customer service quality continuity factors notably quality of services; customer satisfaction; customer complaints and customer relationship were found to affect bank performance to a large extent. It was further noted that high rate of employees turnover affects banks customer service quality continuity in terms of quality of services; customer satisfaction; customer complaints and customer relationship which in turn affects the overall performance of commercial banks.

The study finally found out that the key factors that determined the state of bank financial performance included; return on assets, growth on loan book and profitability influenced the bank performance. The study thus deduced that return on asset; growth of the loan book; profitability; quality of services and customer satisfaction determined the performance of commercial banks to a large extent.

### **5.3 Conclusions**

The general objective of the study was to determine the effects of employee's turnover on performance of commercial banks in Kenya. The study drew conclusion that employees turnover has a great affect towards realization of increased banks performance. The study established that employees' productivity effects bank performance, followed by employees' job satisfaction, then employees' replacement costs and lastly customer service quality.

Employee job satisfaction is how content an individual is with his or her job, in other words, whether or not they like the job or individual aspects or facets of jobs, such as nature of work or supervision. Employees job satisfaction is determined by employees' motivation, commitment,

employees' remuneration, work life balance and working conditions. High rate of employees' turnover leads to increased rate of employees' dissatisfaction and this lowers the level of employees' motivation and commitment towards their work hence affecting the bank performance.

Increased turnover rates leads to high employees' replacement costs that are incurred by an organization to hire new employees to fill the job positions left vacant by the leaving employees. Employees' replacement costs are determined by; turnover costs; recruitment costs; training costs and work disruption costs and these leads to increased operational costs hence reducing the bank profitability.

High rate of employees' turnover lowers the level of employee productivity and this affects banks performance. Employees productivity is determined by employees' performance; employees' engagement; team work; employees' participation in decision making; employees work efficiency and employees work quality.

Finally it was concluded that employee's turnover has a negative effect of customer service quality continuity since when most skilled staff leaves the organization, more time is required from the new recruited staff to adjust to the new work environment and manage to offer customer service with high quality standards as set by the previous employees. Customer service quality in banks is determined by; quality of services; level of customer satisfaction; rate of customer complaints; customer relationship and rate of customer retention.

#### **5.4 Recommendations**

In order to manage employee's turnover and enhance realization of increased performance of commercial banks in Kenya. The study suggested the following recommendations;

#### **5.4.1 Employees Job Satisfaction**

To improve on the level of employees job satisfaction and improve the performance of commercial banks in Kenya. The banks management should provide employees with motivation factors like better rewards, increased remuneration, work life balance and good working conditions.

#### **5.4.2 Employees Replacement Costs**

To minimize on employees replacement costs and enhance realization of increased performance of commercial banks in Kenya. The banks management should reduce the rates of employees' turnover by employing various employees' retention strategies such as employees' benefits, better salaries, rewards, promotion and provision of career development opportunities. The bank should also employ internal recruitment strategy to reduce replacement costs. The bank should also offer various internship programs and continuously train and delegate all employees on various bank jobs in order to have ready manpower for replacement in case of employees turnover.

#### **5.4.3 Employees Productivity**

To improve on employees productivity and increase on the performance of commercial banks in Kenya. The banks management should improve on employees' performance through employees' motivation and training. The bank management should also encourage employees to be more engaged in their work, encourage team work, involve employees' participation in decision making and set standards for the employees work efficiency and employees work quality.

#### **5.4.4 Customer Service Quality Continuity**

To improve on customer service quality continuity and increase the performance of commercial banks in Kenya. The bank management should continuously train its employees on how to

execute banks job task functions as per the bank standards. The bank should continuously provide internship programs to junior employees in order to have a quick replacement of staff with better understanding of the bank services quality standards. The bank should set and monitor service delivery standards, evaluate the level of customer satisfaction, manage customer complaints and improve on customer relationship and customer retention.

### **5.5 Suggestions for Further Studies**

The study determined the effects of employee's turnover on performance of commercial banks in Kenya. The study narrowed its research undertaking into employees job satisfaction, employees replacement costs, employees productivity and customer service quality continuity. Further studies should therefore be conducted to determine other effects of employee's turnover on performance of commercial banks in Kenya. Similar study should also be undertaken in other organizations in Kenya. The study can be replicated in other industrial sectors besides banking sector.

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## **APPENDIX I: QUESTIONNAIRE**

### **Introduction**

This questionnaire seeks to gather information on the **effects of employee's turnover on performance of commercial banks in Kenya**. Please spare your ten minutes to respond to this questions, all information you provide will be treated with utmost confidentiality and only used for academic purposes thank you in advance.

### **Instructions (tick where appropriate)**

#### **SECTION I: BACKGROUND INFORMATION**

1. Age:

- 18-30 yrs
- 31-40 yrs
- 41-50 yrs
- Above 51 yrs

2. Education level

- Secondary level
- College level
- University level
- Post Graduate
- Other specify.....

3. Working experience

- Less than 5 years
- 6-10 years
- 11-15 Years
- 16 Years and above

**SECTION 2: EMPLOYEES JOB SATISFACTION**

1.To what extent do the following factors in relation to employee’s job satisfaction affect bank performance? Use a scale of 1-5 where 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent.

<b>Employees Job Satisfaction</b>	1	2	3	4	5
a) Employees motivation					
b) Employees commitment					
c) Employees remuneration					
d) Work life balance					
e) Working conditions					
f) Employees relations					

2. Could you suggest how the bank should improve on employees’ job satisfaction in order to reduce employees’ turnover and increase bank performance? (Explain).

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**SECTION 3: EMPLOYEES REPLACEMENT COSTS**

1.To what extent do the following factors in relation to employees replacement costs affect bank performance? Use a scale of 1-5 where 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent.

<b>Employees Replacement Costs</b>	1	2	3	4	5
a) Turnover costs					
b) Recruitment costs					
c) Training costs					
d) Work disruption					

2. Could you suggest how the bank should improve on employees replacement costs in order to reduce employees’ turnover and increase bank performance? (Explain).

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**SECTION 4: EMPLOYEES PRODUCTIVITY**

1. To what extent do the following factors in relation to employees’ productivity **affect** bank performance? Use a scale of 1-5 where 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent.

<b>Employees Productivity</b>	1	2	3	4	5
a) Employees performance					
b) Employees engagement					
c) Team work					
d) Employees participation					
e) Employees work efficiency					
f) Work quality					

2. Could you suggest how the bank should improve on employees’ productivity in order to reduce employees’ turnover and increase bank performance? (Explain).

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**SECTION 5: CUSTOMER SERVICE QUALITY**

1. To what extent do the following factors in relation to customer service quality affect bank performance? Use a scale of 1-5 where 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent.

<b>Customer service quality</b>	1	2	3	4	5
a) Quality of services					
b) Customer satisfaction					
c) Customer complaints					
d) Customer relationship					

2. Could you suggest how the bank should improve on customer service quality in order to reduce employees’ turnover and increase bank performance? (Explain).

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**SECTION 6: CORE COMPETENCIES**

1. To what extent do the following factors in relation to core competencies affect bank performance? Use a scale of 1-5 where 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent.

<b>Core competencies</b>	1	2	3	4	5
a) Communication skills					
b) Management skills					
c) Leadership Skills					
d) Technical skills					
e) Conceptual skills					
f) Analytical and decision making skills					

2. Could you suggest how the bank should improve on core competencies in order to reduce employees’ turnover and increase bank performance? (Explain).

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**SECTION 7: PERFORMANCE OF COMMERCIAL BANKS**

1. To what extent do the following factors determine bank performance? Use a scale of 1-5 where 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent.

<b>Bank Performance</b>	1	2	3	4	5
a) Return on asset					
b) Growth of the loan book					
c) Profitability					
d) Quality of services					
e) Customer satisfaction					
f) Return on asset					