

Addis Ababa University

Faculty of Business and Economics

Department of Business Administration



**The Mediation Effect of Job satisfaction between Reward
Practice and Employee Retention:
The Case of Private Banks in Ethiopia**

By: Hiwot Shifa

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ADDIS ABABA UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
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**The Mediation Effect of Job Satisfaction between Reward Practice
and Employee Retention:**


The Case of Private Banks in Ethiopia

**A Thesis Submitted to Addis Ababa University Faculty of Business & Economics
Department of Business Administration in Partial Fulfillment of the
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Management**


By: Hiwot Shifa

Advisor: Yohannes Workeferahu (PhD)

Approved by: Board of Examiners

Internal Examiner: Hailemariam (PhD) Signature  Date 1/07/2024

External Examiner: Bahran A. (PhD) Signature  Date 3/07/2024


Advisor: Yohannes Workeferahu (PhD) Signature  Date 30/05/2024

DECLARATION

I hereby affirm that the study entitled "The Mediation Effect of Job Satisfaction between Reward Practice and Employee Retention: A Case of private banks in Ethiopia" is the result of my independent research, undertaken with only the guidance and support of my research advisor. This research work has not been previously submitted for the completion of any degree or diploma in this or any other institution, and all sources of materials used for the research have been rightly acknowledged.

Declared by


Name: **Hiwot Shifa**

Signature: 

Date: May2024

Place: Addis Ababa, Ethiopia

Advisor: **Yohannes Workeferahu (PhD)**


Signature: 


Date: 30/05/2024

CERTIFICATE

This is to certify that Hiwot Shifa has undertaken her research work on the topic study entitled “The Mediation Effect of Job Satisfaction between Reward Practice and Employee Retention: A Case of Private Banks in Ethiopia”. The work is appropriate for submission for partial fulfillment of Master of Business Administration Degree in Management.

Board of Examiners

Advisor: Yohannes Workeferahu (PhD) Signature  Date 30/05/2024

Examiner : Hailemariam (PhD) Signature  Date 1/07/2024

Examiner : Bahran A. (PhD) Signature  Date 3/07/2024

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List of Abbreviations and Acronyms

BIB- Bunna International Bank

HR-Human Resource

HRM-Human Resource Management

IBM-International Business Machines

JDI-Job Description Index

LIB-Lion Internation Bank

NBE-National Bank of Ethiopia

SPSS-Statistical Package for the Social Sciences

SWOT-Strength, Weakness, Opportunity, and Threat

VIF -Variance Inflation Factors

ABSTRACT

This research examined the mediating role of job satisfaction in the nexus between reward practice and employee retention in the private banking sector of Ethiopia. Using quantitative methodology, the study distributed a standardized questionnaire to employees of Dashen, Lion, and Bunna banks. These institutions were chosen to represent the first, second, and third generations of banks in the country. Out of the 380-target participants, 335 successfully completed the surveys. Analytical methods both descriptive and inferential (correlation, regression, and mediation) analysis have been used to examine the link between independent variable (reward practice; salary, benefits, promotion, recognition, and working conditions) and the dependent variables (employee retention), alongside the mediating variable (job satisfaction). The Data analysis was conducted using the Statistical Package for Social Science (SPSS) version 20.0.

The result of this study found that all reward practices– salary, benefits, promotion, recognition, and working conditions have statistically significant and positive relationship with employee retention. The regression analysis identified that salary is the predominant reward practice. The research has also established a strong, positive correlation between reward practices, job satisfaction, and employee retention. Baron and Kenny mediation analysis revealed that job satisfaction mediates the relationship between reward practices and employee retention. Overall, Regression analysis confirms job satisfaction's mediating effect, supporting all eight hypotheses of the study.

The study findings suggest that among the studied private banks, while promotion, recognition and working condition have some impact, compensation is key to boosting job satisfaction and employee retention. Banks focusing on compensation-driven reward approach are likely to see improved employee satisfaction and loyalty.

Keywords: Reward Practice, Job Satisfaction, Employee Retention, Mediation, Private Bank, Ethiopia

CHAPTER ONE

INTRODCUTION

1.1. Background of the Study

Given the unpredictability of the current business scene due to factors such as globalization, technology, customer feedback, revenue growth and cost reduction, many employees face uncertainty about their prospects with their current employers (Sawaneh et al.,2019). This situation calls for a vital and effective strategy for organizational development, commitment, and optimal use of human resources. Modern businesses, especially in the service sector, need to find better ways to motivate, develop and retain a reliable workforce.

Reward practice is pivotal to organizational success better than other factors such as organizational structure, strategy, or politics (Frost, 2001). Reward is an essential strategy to enhance the engagement of employees in their work environment, which results in a positive impact on their work quality (Furtado et al., 2009). Employees are rightly regarded as the most asset for any organization, including those in the financial sector (Ong. & Teh, 2012). Rewards have become more crucial, especially in the current volatile and competitive market. This is because it helps organizations to attract and retain employees as well as to boost organizational performance (Dalvi &Ibrahim, 2013).

Moreover, employee retention is a major concern in an organization's competitive advantage since it would have an impact on the organization's efficiency, productivity, and sustainability of the organization. Particularly, employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period or until the completion of the project. Even though Employee Retention has now become a tough task, it is beneficial for the organization as well as for the employee.

The banking industry is vital for a strong economy, and human resources are the key drivers of economic growth. HRM and customer satisfaction are essential factors that shape the banking sector. Financial institutions like private commercial bank of Ethiopia need to not only recruit talented employees who can perform their tasks well, but also retain them for long periods of time to benefit from their contributions (Colquitt et al., 2017).

In the ever-evolving business environment, rigid compensation models are becoming obsolete (Nguyen, 2022). Modern organizations seeking to enhance performance should align their incentive systems with their strategic goals (Krishnan et al., 2017). As Allen et al., 2010 posit the alignment of a company's reward system with its strategic objectives is crucial for organizational effectiveness. This reinforced by O'Connor & Crowley-Henry (2019), who emphasized the importance of a well-designed performance, rewards, and bonus structure in elevating employee productivity to meet employer standards. Moreover, Effective reward strategies are crucial for fostering employee contentment and loyalty. A myriad of literature supports the significant effect of reward practice on employee retention (Nguyen, 2022; Richard, 2020; Gashaw, 2019). These practices are often more critical to an organization's success than its structure, strategy, or politics (Farah et al., 2014). Additionally, a study conducted by Dessler & Phillips (2019), the effectiveness of an organization hinges on the alignment of its reward system with its strategic goals. Hence, it is imperative for organizations to firmly embrace reward practices to reap their benefits and secure employee loyalty.

Armstrong (2010) argues that organizations can benefit from rewarding their employees in ways that suit their needs, expectations, and preferences. This can help them attract and retain qualified and talented staff, as well as increase their satisfaction and motivation levels. Rewards can involve various aspects of the job, such as involvement, participation, autonomy, significance, and recognition. Therefore, organizations that implement effective reward practices can create a positive and supportive work environment that fosters employee commitment and loyalty.

In the same way, the way employees are rewarded has a significant impact on their job satisfaction. A good reward system is one of the key factors that enhance employees' satisfaction with their work (Azeri, 2011). This is because a reward system meets employees' needs and strengthens their bond with the organization. Moreover, employees feel appreciated when the organization pays them fairly, acknowledges their contributions and offers them other forms of rewards, whether they are extrinsic or intrinsic (Al-Shaibah & Hatboro, 2015).

Reward practices have a profound impact on employee satisfaction. A robust reward system is crucial in boosting job satisfaction among employees, (Ogut et al., 2017). This is supported by Kleemann & Matuschek's (2002) findings, which revealed that rewards tied to performance enhance employee contentment. Furthermore, Deci et al. (2017) found that such rewards bolster both satisfaction and engagement at work.

They highlight the symbiotic relationship between an organization's reward system and the job satisfaction of its employees, suggesting a reciprocal influence. Ricardo (2020) highlighted a robust link between employee satisfaction and retention, attributing satisfaction to reward practices. This view is echoed by Ankita & Kanchan (2016), who noted the beneficial impact of rewards on job satisfaction.

The review of the literature shows that job satisfaction, reward system and employee retention are closely linked. Ricardo S (2020) revealed that there is a strong relationship between job satisfaction and employee retention whereby job satisfaction is the outcome of reward practice. He argues that job satisfaction is a reliable and relevant predictor of employee retention, and that higher levels of job satisfaction led to lower turnover rates. Ankita & Kanchan (2016) also support this view, by revealing the positive effect of reward practice on job satisfaction and stating that job satisfaction influences the retention of employees, and that any disturbance in job satisfaction can increase employee turnover. They emphasize that employee satisfaction can have positive effects on the organization, such as enhancing employee productivity, performance, quality of work, profits, commitment to the organization and reducing absenteeism. Locke (1976) has indicated that job satisfaction has been shown to be significantly related to employee retention. Similar conclusion has been supported by (Wang and Feng, 2003). Correspondingly, Htun and Amiya (2022) study findings revealed that there is a significant relationship between employees' job satisfaction and the level of retention.

Therefore, they suggest that addressing employee satisfaction questions can improve their loyalty to the company. This is consistent with the findings of McAllister et al. (2002). Al-Wareth et al. (2021) concluded in their empirical research that there is a strong and significant relationship between three variables such as job satisfaction, reward practice and employee retention.

This research work aims to examine the role of job satisfaction as a mediator that connects reward practice and employees' retention, which is a gap that has not been explored by any previous studies. Job satisfaction is a crucial factor that can influence how employees perceive and value the rewards they receive, and how likely they are to stay or leave the organization. The research will employ quantitative surveys, to gather data from employees of selected private commercial bank of Ethiopia. The research will also validate a conceptual model that predicts the direct and indirect effects of reward practice on employees' retention, mediated by job satisfaction.

The anticipated outcomes of this research are to contribute a new insight into the role of job satisfaction in reward practice, and to offer practical recommendations for improving employee retention in the private banking sector.

1.1.1. Overview of the company

The banking system plays a vital role in the economic development of a country. It facilitates the economic growth rate by mobilizing the existing or potential savings and by extending credit to business enterprises and priority sectors. In the contemporary world, banking is one of the customer-oriented business sectors. It relies heavily on the customers for its survival in the market, however, to achieve competitive customer satisfaction retaining efficient employees is essential.

Private banks in Ethiopia are key drivers of economic growth, as they finance various investment opportunities in different sectors. Public sector banks mainly invest in large-scale developmental projects that require huge capital and involve infrastructure. Private banks, on the other hand, play a vital role in promoting a balanced and sustainable development for the country, as they provide more funds for investment as their deposit base expands. Private banks support investment opportunities that contribute to the country's economic growth (Tom,2014). They also offer various financial products and services to cater to the needs of a growing economy (Rabia,2023).

Ethiopia's banking industry has undergone many transformations over the years, with the emergence of private banks and the consolidation of the sector. Today, Ethiopia has nearly 30 banks, including the oldest state-owned bank: Commercial Bank of Ethiopia. The industry has shown resilience and growth in a challenging environment. (NBE, 2016).

Private capital banks in Ethiopia can be classified into four generations based on their year of establishment. The first generation includes Awash, Dashen, Wegagen, Abyssina, Hibret, and Nib, which started operating from 1994 to 2001. The second generation consists of Cooperative bank of Oromia, Lion, Zemen, and OIB, which emerged from 2002 to 2008. The third generation comprises Bunna, Berhan, Abay, AIB, DBG, and Enat, which were founded from 2009 to 2013. These banks have different characteristics and performance levels in the Ethiopian banking sector since 1995. (EBR,2021).

Ethiopia's financial sector has seen the arrival of new actors in recent years. They are the fourth generation of banks in Ethiopia, and they include Tsehay Bank, Ahadu Bank, Amhara Bank, Zamzam Bank and Hijira Bank. They strive to deliver innovative and inclusive services to their customers and help the Ethiopian economy prosper. (Fortune report,2022)

The main goal of this study is to explore the reward practice and job satisfaction factors that affect the retention of employees in private banks of Ethiopia and selected three private banks: Dashen, Lion and Bunna. These banks offer commercial banking services and belong to different generations of establishment, which can provide a comprehensive view of the private banking sector in Ethiopia. The study does not include fourth generation banks, which are new entrants in the market and have not yet built a solid reputation.

Dashen Bank is one of the oldest private banks in Ethiopia, established in 1995 with a capital of ETB 14Million. The bank's headquarters are in Addis Ababa, the country's capital. Dashen Bank offers a wide range of services, including branch banking, Forex Bureaus, ATMs, Point of Sale terminals, and agent banking. The bank has grown steadily over the years and now has more than 500 branches across the country. (Source: Dashen HR manuals,2022). A preliminary interview with the Human Resource Staffing Manager at Dashen Bank has highlighted concerns regarding the bank's reward system, including salary, benefits, promotions, work conditions, recognition, and supervision, as significant factors contributing to staff demoralization. This has led to a noticeable lack of commitment among employees, as well as a deficiency in trust and a sense of belonging within the organization. (Mulugeta, 2018).

Lion International Bank (LIB) is a private share company founded on October 2, 2006. It started its operations on January 6, 2007, with 3,739 shareholders and a subscribed capital of Birr 432.5 million. As of now, LIB has more than 12,000 shareholders and a paid-up capital of over Birr 2.5 billion. The bank has total assets of over Birr 32 billion, a total deposit of Birr 25 billion and a total loan of over Birr 23 billion. LIB serves more than 1.4 million customers through its 278 branches nationwide. It also employs 2,753 people in various positions. (LIB annual report, 2021/2022). As per the study conducted by Emnet (2020) found that rewards and recognition positively impact employee retention at Lion Bank. Furthermore, data from the bank's 2018/19 quarterly report revealed that although the projected annual employee resignation figure was 121, the actual number of departures in the past three quarters was 116. (Lion Bank, Quarterly Reports).

Bunna International Bank S.C. is a third-generation bank that serves the Ethiopian market with a range of financial products. The bank was licensed by the National Bank of Ethiopia (NBE) on June 25, 2009, under the relevant laws and regulations. The bank started its operation on October 10, 2009, with a capital of 308 million Birr, of which 156 million Birr was paid-up. The bank has a strong public base with over 11,200 shareholders. (Source: Bunna HR manuals, 2022). According to a study conducted at Bunna International Bank by Netsanet (2017), there was a noticeable trend of employees leaving for better-paying positions at competing banks. The study identified challenges in attracting and retaining skilled candidates, as well as subpar employee performance, which were attributed to an inadequate reward system, particularly when compared to industry standards. Furthermore, the research findings revealed that 96% of the bank's employees agreed that an effective reward system is essential for staff recruitment and retention.

1.2. Statement of the Problem

The banking industry is vital for a strong economy, and human resources are the key drivers of economic growth (Rabia,2023). HRM and customer satisfaction are essential factors that shape the banking sector (Tom, 2014). Financial institutions like private bank of Ethiopia need to not only recruit talented employees who can perform their tasks well, but also retain them for long periods of time to benefit from their contributions (Rabia,2023). Colquitt et al., (2017) argues that organizations can benefit from rewarding their employees in ways that suit their needs, expectations, and preferences; this can help them attract and retain qualified and talented staff, as well as increase their satisfaction and motivation levels.

The success of any organization depends on the quality of its people, who can give it a competitive edge over others (Kaye & Jordan, 2005). However, retaining talented employees is not easy in the current banking industry, where attractive rewards and benefits are not enough to ensure their loyalty (Smith et al.,2019). Employees need to feel satisfied with their work and contribute to the organization's goals. Watson (1994) argues that a motivated and satisfied workforce can have a significant impact on the bottom line. Satisfaction leads to effectiveness, and effective employees are an asset for the organization (Masri, 2009). According to Journal of Human Resource Management (2021), there is a strong correlation between the reward system and employee retention. This finding suggests that the employees are motivated to stay with the banks, mainly because of the rewards they receive from their employers.

Thus, the study confirms that reward systems are a crucial factor for employee retention in Port Harcourt banks that positively affects employee retention in an organization. Shawtari et al. (2019) argue that the banking sector in Yemen is experiencing instability and inefficiency, which may be partly attributed to employee turnover. Employee turnover can result from low levels of job satisfaction, which are often influenced by the inadequacy of the reward system and the training and development opportunities.

As it is briefly outlined on the background of the study, prior research has investigated the connection between reward practice and employee retention within the banking industry, yet the potential intermediary role of job satisfaction has been overlooked. Notably, the works of Birhan (2021), Norah (2017) and Gashaw (2019) lacked an exploration into how job satisfaction could affect the impact of reward practices on employee retention. Addressing this oversight, the current study seeks to understand if job satisfaction serves as a mediating factor in the dynamic between reward practices and employee retention, specifically within the studied private banks of Ethiopia. However, Prior research has not explored the intermediary role of job satisfaction in the nexus between reward systems and employee retention. This gap in the literature was partially addressed by Al-Wareth et al. (2021), who considered training and development as an additional variable within the context of Yemeni banking institutions. Several Ethiopian researchers have examined the link between reward practices and employee retention. For example, Gashaw (2019) investigated how reward management affects employee retention and found that direct financial rewards, career development opportunities and work-life balance are key factors for retaining employees. Similarly, Martha (2017) suggested that organizations should align their retention strategies with the needs and values of their employees.

Employee turnover is a serious challenge for private banks in Ethiopia, as it affects the quality of their human capital and poses a trial for their performance and sustainability (Birhanu, 2017). According to Agarwal (2016), the average turnover rate in all banks is between 8 - 9% in the last six years, which is very high. This indicates a need for better retention strategies in the banking sector. To address the above worrying figures regarding employee retention to bank, it is vital for the private banks to assess and identify their financial institution reward practice that can invoke employee satisfaction and consequently glue them to retain to the bank.

According to Tom (2014) private banks need to implement strategies to motivate and reward their employees and ensure their loyalty and commitment to the organization. With the increasing competition in the banking sector, employers have to offer various benefits and compensation plans to attract and retain qualified and talented employees (Oyir, et al.,2015). Private banks of Ethiopia face a critical challenge in this aspect, as it needs to satisfy the needs of its employees to sustain and grow in the sector. Previous studies have explored the link between reward practice and employee retention in the banking sector, but they have neglected the possible mediating role of job satisfaction. Norah (2017), Lawler (2000), Manas (2003) did not examine how job satisfaction might influence the effect of reward practice on employee retention. This study aims to fill this gap by investigating whether job satisfaction mediates the relationship between reward practice and employee retention in Ethiopian private bank's context.

In that regard, this study aims to examine the components of reward practices that are relevant for private banks. It will examine whether these reward practices (salary, benefit, promotion, recognition and working condition) affect private banks employee retention, and whether job satisfaction mediates the relationship between reward practice and employee retention. The research will generally identify how reward practice as an independent variable and job satisfaction as a mediator variable impact employee retention.

1.2.1. Research Question:

Based on the identified limitations of previous studies, the researcher formulated the following specific research questions to guide the inquiry.

Does reward practice effects employee retention?

Does reward practice effect job satisfaction?

Does Job satisfaction impact employee retention?

Is there a relationship between reward practice, job satisfaction, and employee retention?

Does job satisfaction have a mediation effect between Reward practice and employee retention?

1.3. Research objective:

1.3.1. General Objective

The main objective of this study is to examine and identify whether reward practice influence job satisfaction and employee retention and prove the mediation effect of job satisfaction between reward practice and employee retention.

1.3.2. Specific Objective

The following specific objectives will be addressed:

1. To identify the existing and dominant reward practice in studied private banks
2. To identify the effect of reward practice on employee retention.
3. To identify the effect of reward practice on job satisfaction
4. To identify the effect of employee retention on job satisfaction
5. To identify if job satisfaction as a mediator variable has any effect on the relationship between reward practice and employee retention

1.4. Significance of the study

This study will have the following proposed significance to the banking sector:

- Identifying the most effective reward practice that will enhance employee retention through job satisfaction. This will help the HR of the banking sector to focus on the key reward practices that can increase job satisfaction and ultimately improve employee retention.
- Moreover, the research will provide the bank with insights into what their employees expect and prefer in terms of benefits and compensation. The findings of this research will also contribute to the knowledge on how to design and implement reward and benefit policies and procedures that can improve employee retention strategy.

- The study will reveal how bank reward policies can affect job satisfaction, and how this can lead to employee retention. This will be useful for managers, employees, stakeholders, and other decision makers in the banking sector.
- The study will also help managers to design and implement incentive practices that can enhance job satisfaction and employee retention.
- The study will provide insights for other banks in the same industry on how reward practices can influence job satisfaction and employee retention.
- The study will contribute to academic literature by examining the mediating role of job satisfaction in the relationship between reward practice and employee retention in the banking industry context.

Therefore, the research will offer valuable information for both practitioners and scholars regarding reward practice, job satisfaction, and employee retention.

1.5.Delimitation of the study

Though there are several reward practices, this research focuses only on salary, benefits, promotion, recognition and working conditions. Employee satisfaction will also be tested as a mediating variable between reward practices and employee retention. The instrument used for measuring employee satisfaction is the overall job satisfaction survey with five items, developed by Judge et al. (1998) based on Brayfield and Rothe (1951). This research does not use facet-based job satisfaction measure along with the universal type of question, but this could be an avenue for future research.

It is virtually impossible to address all factors affecting employee retention. There are quite a few key determinant factors on employee retention in the banking industry. From the standpoint of employee retention, other factors affecting employee retention like economic position of the country, leadership styles, national culture, and demographic characteristics of the respondents are beyond the scope of this study. Hence, to measure employee retention, the study used the Questionnaire that was developed by Imna and Hassan (2015).

The study also delimits itself to Dashen, Lion and Bunna branches that exist in Addis Ababa excluding other countryside banks and commercial bank of Ethiopia employees. The respondents to the survey will be limited to full-time professional employees of Dashen bank, LIB and BIB.

The researcher finds it important to target all Dashen bank, LIB and BIB employees as a population by excluding other support staff. In regard to methodology, the study limits itself to employing cross-sectional study and quantitative research design.

1.6.Limitation of the study

This study is subject to some limitations:

- ❖ All findings rely on the information given by the respondents and may be influenced by the opinion of the people involved.
- ❖ The scope of the study is restricted to employees in Dashen bank, LIB and BIB located at Addis Ababa only.
- ❖ Therefore, due to time and budget constraints, the research was limited on the scope.

1.7.Organization of the study

This paper consists of five chapters.

- The first chapter provides the background of the study, the problem statement, the research objectives, the scope and limitations of the study, the significance of the study, the structure of the paper, and the definitions of key terms.
- The second chapter reviews various relevant literature on reward practices, job satisfaction, and employee retention. In this section, the concepts and relationships of reward practices, job satisfaction, and employee retention will be examined based on the existing literature.
- The third chapter describes the research methodology used to conduct the study. It further explains the selected research design, the data collection methods, the questionnaire design and distribution for the target sample employees, and the data analysis techniques.
- The fourth chapter presents and discusses the results of the study.
- Finally, the fifth chapter summarizes the main findings, draws conclusions and recommendations, and suggests future research directions based on the outcomes of the study.

1.8. Definition of Terms

Reward Practice: Reward practice, often part of a broader reward management strategy, involves the design and implementation of policies and strategies that ensure employees are compensated fairly and consistently. It's a holistic approach that aligns with an organization's goals, culture, and performance, considering both financial and non-financial rewards. Effective reward practices can motivate employees, boost productivity, and foster a positive work environment, contributing to the overall success of an organization. (Armstrong, 2007; Sutherland 2004, Shoaib et al. 2009; Davis 2022).

Salary: A salary is a form of payment from an employer to an employee, which may be specified in an employment contract. It is a fixed amount of money or compensation paid to an employee by an employer in return for work performed. (Lewis & Southern, 2001).

Benefits: Employee benefit is a powerful factor that motivates employees, and it is a part of remuneration that is given in addition to the various forms of cash pay. Employee benefit includes items such as annual holidays, pension, sick leave, insurance cover, company cars, home, and transportation (Armstrong & Murlis, 2005).

Promotion: Employee promotion refers to the advancement of an employee to a higher position within a company, which typically involves increased responsibilities, a higher salary, and a change in job title. Promotions are a key aspect of career growth and are seen as a reward for an employee's hard work, dedication, and loyalty to the organization. (Robbins, 1998).

Recognition is the expression of appreciation for someone's work. When employees receive recognition for their work, they are motivated to maintain or improve their performance (Prasad, 2001).

Working condition: According to Ramlall, 2004 the term working conditions refers to the various aspects of the work environment that affect the well-being and performance of employees or staff members. These include, among others, the availability and quality of facilities, equipment and resources, the physical setting and surroundings, the level of stress and noise, the potential hazards, or risks, and so on.

Employee Retention: According to Tausif (2012), employee retention refers to the practices that employers use to keep employees in their workforce. Employee retention is not just an outcome, but a strategy that aims to achieve competitive advantage and align with the organizational goals.

Job Satisfaction: job satisfaction is the way people feel about their job and its various aspects. It is the degree to which people enjoy or dislike their job. Job satisfaction and job dissatisfaction can occur in any work situation. Job satisfaction is a result of positive or negative feelings that workers have towards their work. (Spector, 2008)

Chapter two

Related Literature Review

2.1. Theoretical review on reward practice

According to Agarwal (1998), the word "reward" in literature refers to something that an organization offers to its workers in recognition of their performance and contributions, which are expected by the workers. Rewards can be in the form of pay, benefits, or other equivalents that employees receive for the service they provide to the organization.

Shields (2007) defined rewards as any material or immaterial benefits that an organization offers to its employees either deliberately or unintentionally in return for the employees' potential or actual work performance, which employees perceive as positive and satisfying for their own self-defined needs. The most common reward employees get from work is salary. However, rewards also include career advancement, attractive work tasks, and many other less visible outcomes—a compliment, peer approval, work autonomy, or a form of recognition. Reward management is grounded in a clear philosophy, a set of beliefs and principles that align with the values of the organization and help to implement them. The philosophy acknowledges that, if Human Resource Management (HRM) is about investing in human capital and expecting a reasonable return from it, then it is appropriate to reward people differently based on their contribution (Armstrong & Murlis, 2004). This means that reward management should be fair, transparent, and consistent.

Rewards can have two types: intrinsic (such as recognition or certificates) or extrinsic (such as money or bonuses). Rewards are crucial for creating a lasting impact on employees and enhancing their sense of worth to the organization (Silbert, 2005). Some researchers claim that a competitive reward package shows a strong commitment from the company and fosters a strong commitment from the workers. The pay system influences the quality of work, the attitude towards customers, and the readiness to adapt and learn new skills (Milkovichev et al., 1991). Pay may be one of the ways workers evaluate whether their time and effort are worthwhile (Ryan & Sagas, 2009).

Reward practice is an important key aspect of Human Resources Management. It involves designing and implementing various policies and programs to recognize and appreciate the achievements and efforts of individuals. The reward system that an organization offers to its employees has a significant impact on their engagement and retention. Willis (2001) argues that compensation is one of the most critical factors for attracting and retaining talent in organizations. The underlying assumption is that money affects employee behavior by influencing their attitudes (Parker & Wright, 2001). Hence, he stated that wages affect the attraction and retention of the workforce. Offering a competitive remuneration package is one of the widely discussed factors of retention. Rewards give employees a social standing and a position of influence within the company, in addition to meeting their material and financial requirements.

A previous study by Allen et al (2003) suggested that employers need to differentiate themselves from other competitors in the market by offering attractive compensation packages to their employees. This implies that a company's remuneration strategy should be designed to attract qualified applicants, retain existing employees, and ensure fair treatment of workers. A good compensation package is one of the ways that employers can keep their workforce loyal and motivated. Employees who receive fair and competitive pay and benefits are more likely to stay in an organization that values their skills, efforts, and contributions (Lockwood & Walton, 2008). Mercer (2003) found that employees are less likely to leave an organization if they are well rewarded, and more likely to leave if they are poorly rewarded. A compensation package that respects internal and external equity can also enhance employee retention, as it shows that the organization is fair and consistent in its remuneration practices (Gomez-Mejia et al., 2008).

Rewards are a key factor in employee retention, as per the findings of Charles (2012). He found that base pay had the most impact, followed by employee benefits and non-financial benefits. As per Doe & Smith (2020), rewards defined as tangible and visible incentives given to employees by another person, usually a manager, for performing a specific task or behavior. Rewards can include money, employee benefits, promotions, status symbols, recognition, and praise (Sinclair, 2002). Smith & Johnson (2018) argued that workers would not change jobs if the discounted stream of benefits outweighed the costs. However, the benefits of staying in a job would decrease if a worker were dissatisfied with the current job, if the immediate cost of leaving was low, if the new job was more attractive, or if the new job offered a similar compensation package (Armstrong, 2011).

In step with CB. Nyarko (2020), both intrinsic and extrinsic reward predict retention of employees, however extrinsic reward predicts more than the intrinsic reward, therefore it is expected that employee retention can be mainly affected by the following five reward components.

Salary: Sinclair (2002) argues that monetary reward is one of the main factors that influence employee motivation. He claims that money represents intangible goals such as security, power, prestige, and a sense of achievement and success. He also demonstrates how money affects job choice and performance, by suggesting that employees are more likely to choose and stay in jobs that offer higher financial rewards, if other job characteristics are similar. In same way, Callen et al. (2014) demonstrates how money affects job choice and performance, by suggesting that employees are more likely to choose and stay in jobs that offer higher financial rewards if other job characteristics are similar. Smith et al. (2018) supports this, who found that pay increases reduce turnover rates.

Davies et al (2001) also stated that “Salary and benefits policies should be used strategically within the organization to improve morale, reduce turnover, and achieve targets”. Therefore, it can be concluded that salary is the key element that connects the employee and the employer in the workplace, and this is formalized in a contract that specifies the amount and components of the compensation.

However, pay alone is not enough to motivate employees to stay loyal to the organization. An employee may seek other opportunities that offer better financial and non-financial rewards. Remuneration is a significant way of expressing appreciation and recognition to an employee (Roberts et al., 1999). Employee retention can be improved by offering competitive salaries to the employees (Lewis & Southern, 2001). Zingheim et al. (2009) suggested that a comprehensive and attractive pay and benefit package is a vital element for employee retention. Remuneration plays a crucial role in attracting and retaining talented employees. Therefore, public sector organizations need to adopt proactive pay policies to compete effectively for qualified employees. According to Arnold and Feldman (1996), pay is a powerful motivator for employees. Money enables people to meet their various needs and desires (Arnold & Feldman 1996). Locke (1976) argued that money motivates people to fulfill their basic and safety needs, as well as their higher needs for status and recognition. Chung (1977) also pointed out that pay should be competitive and fair, otherwise it can cause dissatisfaction and resentment among workers.

Benefits: Employee benefit is a powerful factor that motivates employees, and it is a part of remuneration that is given in addition to the various forms of cash pay. Employee benefit includes items such as annual holidays, pension, sick leave, insurance cover, company cars, home, and transportation (Armstrong & Murlis, 2005).

It also considers the market stance, which is the comparison of the internal rate of payment with the market rates. Cascio (2003) claims that fringe benefits cover bonus, social security measures, retirement benefits like provident fund, gratuity, pension, workmen's compensation, housing, medical, canteen, co-operative credit, consumer stores, educational facilities, recreational facilities, financial advice and so on.

Employee retention is a challenge due to inadequate benefits package management and practice. Benefits are the rewards that the company offers to its employees for their work and performance, and they are also the incentives that the employees desire. Pay raises can reduce turnover significantly. Many companies reward and compensate their high-performing employees, but few use these rewards and incentives strategically. They fail to align their salary and benefits policies with the organizational goals of improving morale, decreasing turnover, and achieving results. Pay is both a motivator and a retention tool for employees. (Armstrong 2011)

Money can be a strong incentive for people who want to achieve material security, but it may not appeal to someone who is already financially stable and who enjoys challenging work that boosts their self-esteem. Different people also have different preferences about when and how they want to be paid (Kreitner, 2004). To effectively motivate job performance, rewards should be given in ways that meet the relevant needs, create positive expectations, ensure fair distribution, and link extrinsic rewards to outcomes. Companies use rewards to encourage people to do things that they would not do otherwise. (Williams, 2005) stated that rewards should be connected to performance. There should be a clear relationship between the quality of the task and the value of the reward.

According to Kaye et al. (2014), tailoring benefits to individual preferences is a challenging and time-consuming process that demands a deeper knowledge of the workforce. Employees have diverse needs and expectations, so a one-size-fits-all approach to benefits and work arrangements may lead to dissatisfaction and attrition. Although it may pose some difficulties to implement more flexible work schedules or a choice-based benefits system, these practices can enhance employee happiness and loyalty.

Armstrong (2011) argues that pay systems that are uncompetitive, inequitable, or unfair can lead to problems. He suggests some possible solutions, such as: Conducting market surveys to review pay levels and adjust them accordingly, Implementing or improving job evaluation schemes to ensure fair and consistent grading decisions, Communicating clearly the link between performance and reward to employees, Evaluating and improving performance-related pay schemes to ensure they are fair and transparent, Modifying payment-by-results systems to avoid penalizing employees who work on short runs, Offering benefits that suit individual needs and preferences, and Engaging employees in the design and implementation of job evaluation and contingent pay systems.

Promotion: One way to describe the process of moving up within an organization and gaining more responsibilities and standing is promotion. Promotion opportunities affect how individuals behave in the organization and motivate them to improve their skills and abilities to advance (Prasad, 2001). Promotion serves as both a reward and an incentive for better work performance and other behaviors that align with the organizational goals. Employees will be more diligent if they believe that promotion is within their reach. They will lose motivation if they think that better positions are only given to outsiders (Prasad, 2001). According to Smith (2018) promotion serves as both a reward and an incentive for better work performance and other behaviors that align with the organizational goals.

Similarly, Raz (2017) posits employees will be more diligent if they believe that promotion is within their reach. The system of promotion allows organizations to meet their need for competent personnel with the employees' desire to use the skills they have acquired (Terera & Ngirande, 2014). There is a strong relationship between opportunities for advancement and a high level of job satisfaction. A well-designed system of promotion can lead to greater organizational effectiveness and higher level of employees' morale (Trevor et al., 1997 and Gomez, 2002).

Employees can benefit from promotion in various ways, such as enhancing their social status, expanding their responsibilities, and advancing their skills. The way the company rewards its employees for their performance and achievements, through promotion, salary increases, or other incentives, is crucial for their satisfaction and retention. Employees who feel that the reward system is unfair or inadequate, and that their professional development is hindered by the company's policies, tend to have lower levels of satisfaction and higher turnover rates.

Conversely, employees who perceive that the reward system is reasonable and sufficient, and that their professional development is supported and valued by the company, tend to have more positive attitudes towards their job and are more likely to stay with the company (Robbins, 1998).

Recognition: A high self-evaluation and a desire for recognition are common among most people (Prasad, 2001). Recognition is the expression of appreciation for someone's work. When employees receive recognition for their work, they are motivated to maintain or improve their performance (Prasad, 2001). Cascio (1998) suggests that recognizing a behavior right after it occurs can increase the likelihood of its repetition. Status is the ranking of people in society or in an organization based on their positions, rights, and duties (Prasad, 2001). The status system can motivate people because it matters to them. Therefore, the status system should match the abilities and aspirations of the people in the organization (Prasad, 2001).

A well-designed reward program that can foster positive behaviors that lead to better performance in the organization (John, 2022 and Danish,2010). This feeling motivates them to work harder and align their efforts with the organization's strategic or vision goals (Khan,2011). Additionally, Nelson & Matveev (2004) state that the most important principle of management in the world is that "you get what you reward." Hence, reward programs are a vital component of any organization (Ali et al. 2009).

Employees feel valued in the organization when they receive recognition for their work (Armstrong 2011). Therefore, the company should provide positive and constructive feedback and praise for a job well done. This can enhance employee satisfaction and retention by improving their morale.

Work condition: The term working conditions refers to the various aspects of the work environment that affect the well-being and performance of employees or staff members. These include, among others, the availability and quality of facilities, equipment and resources, the physical setting and surroundings, the level of stress and noise, the potential hazards, or risks, and so on (Ramlall, 2004). According to Lochhead & Stephens (2004), a supportive learning and challenging work environment is essential for an organization. This means creating a work environment that engages people's skills and knowledge, gives them some autonomy in their tasks, encourages them to share their ideas, and shows them how their contribution affects the organization's performance.

By the same token, Ilyas et al. (2020) argues that employees are motivated to work and remain loyal to organizations that offer a positive and supportive work environment, where they feel valued and impactful. This way, employees contribute to the organization's progress towards its vision (Ongori 2007 and Zhang et al.,2018).

Moreover, support and aspiration at work, work-related stress, level of empowerment and accountability, variety and flexibility in job tasks and development, provision of challenging and meaningful work and development opportunities, are some of the other factors that define the term working environment (Ramlall, 2004). Armstrong & Brown (2006) confirms that the physical and work environment are crucial factors in influencing employee retention and turnover.

2.1.1. Reward Management

According to Armstrong & Murlis (2007), planning, implementing, and maintaining compensation systems that aid in enhancing organizational performance constitutes the core of reward management. Reward management can also be defined as the process of developing and implementing strategies, policies and systems that help the organization to achieve its goals by attracting and retaining the people it needs and by increasing their motivation and commitment. The reward management system should therefore be aligned with the organization's strategies; it should be based on a reward philosophy that fits the culture of the organization.

One of the main purposes of Reward Management is to communicate clearly what kind of behaviors and outcomes are valued and expected; to create a high-performance and supportive organizational culture; to align reward practices with both business goals and employee values; to foster a positive employment relationship and psychological contract; to motivate people and gain their commitment and engagement; to attract and retain the high quality people the organization needs; to operate fairly, and to engage people (Armstrong ,2009). Reward management helps the organization achieve its business goals by ensuring that it has the talented and engaged people it needs. It also promotes high performance by making sure that the reward system acknowledges and rewards it (Armstrong, 2010).

Therefore, according to Amstrong (2009), reward management involves creating suitable organizational cultures that support core values and enhance the motivation and commitment of employees. He contends that there is no universal best practice; rather, there is only good practice that fits the organization.

Furthermore, what works best for an organization at one stage of its development may not work as well as it progresses through its life cycle. In addition, practices that were effective when they were implemented may lose their effectiveness as the organization changes or declines. Reward management, therefore, is not just about money, but also about intrinsic and extrinsic motivation, nonfinancial and financial rewards. This encompasses various aspects of reward management such as grade and pay structure, contingent pay, strategic reward, job evaluation and market rate analysis. (Ripley, 2002).

Ridner & Wilson (2003) explain that "Reward Management is a motivational practice that businesses use to reward employees for their achievements" and success. The organizations define goals and rules for its employees to obey to reach those goals. It ensures that employees are well informed about these goals, rules, and the rewards available for high performance." This is a factual description of the reward management theory and its main components.

According to Sutherland (2004), rewards reflect the monetary value that employees receive for their time and effort in contributing to organizational objectives. Therefore, managers have the responsibility of designing attractive reward packages to attract and retain talented employees. Shoaib et al. (2009) argue that it is essential for businesses to understand the importance that their workers attach to their reward program, to develop policies that ensure fair and equitable compensation for their employees. The reward systems become more effective when the appropriate reward mechanisms are identified and incorporated into the compensation system, to emphasize the criteria that their staff can work harder (Svensson, 2001).

As Davis (2022), posits employee rewards or recognition are the guidelines and procedures that an organization follows to evaluate employee performance and reward them accordingly. The aim of employee rewards is to encourage employees to meet company goals and enhance their performance. He also mentioned that Employee rewards can vary, such as financial incentives, vacation days, company shares, and more.

The HR department typically oversees the employee reward system because it is related to the appraisal and performance management process. Companies with the best pay and reward systems tend to have more engaged and productive employees. And employee engagement is vital for business success.

Kaplan (2005) posits that a sound reward strategy specifies the objectives of the reward programs, their components, and how they work together to achieve their objectives. It explains the rationale behind the programs, providing the basis for future development. Armstrong (2004) supports this argument and defines reward strategy as “a statement of business orientation that expresses the intention of the organization regarding the development of future reward processes and practices that are aligned with the business and human resource strategies of the organization, its culture, and environment in which it operates”.

Armstrong (2010) states that reward strategy is "the way the business and its people's needs are aligned with the reward policies and practices of the organization and how these practices are communicated and justified". However, Armstrong (2011) point out that reward strategy is not a straightforward process as it may seem. It adapts and develops, and sometimes has to respond to external factors rather than anticipate them. The notion of total reward, which reflects the fact that various changes in the business context create different perceptions of what rewards entail, originated from the idea of a reward strategy.

This means that organizations should measure how well their reward processes are aligned with the desired outcomes. Furthermore, it is essential to examine how the policies are executed and practices are performed; for example, how the survey data are utilized and how managers handle the pay adjustment and review process.

2.1.3. Reward Philosophy

According to Armstrong (2009), reward management is based on a set of beliefs and principles that are consistent with and support organizational values. The reward management philosophy views people as human capital that should be rewarded based on their performance and contribution (i.e., the value they add). The reward management philosophy also suggests that it should be strategic, meaning that it should consider the long-term goals and outcomes of rewarding people for their work and achievements.

A business strategy should guide the development and implementation of reward strategies and the processes that support them. Reward management considers the whole range of rewards that employees value and aligns them with other HR initiatives that aim to enhance their motivation, commitment, engagement, and development. This means that reward strategies should be consistent with other HRM strategies, such as talent management and human resource development. Reward management is a key component of an HRM approach to managing people.

2.1.4. Distributive justice:

This concept deals with how people are rewarded for their work. People will perceive that they have been treated fairly if they think that the rewards match the value of their work, that they get what they were promised and that they get what they require.

1. **Procedural justice:** This concept relates to how managers make decisions and implement reward policies. Procedural justice implies that the processes are fair, transparent, and consistent.
2. **Fairness:** A reward system is fair when it follows the principles of distributive and procedural justice. It also respects the „felt-fair“ principle proposed by Eliot Jaques. According to this principle, pay systems will be perceived as fair if they match the expectations of the people involved.
3. **Equity:** Equity means that people are rewarded appropriately in comparison to others within the organization. Equitable reward processes ensure that the relative value of jobs is assessed as objectively as possible, and that equal pay is given for work of equal value.
4. **Consistency:** A consistent approach to reward management means that pay decisions are not arbitrary or unjustified between different people or at different times. They do not deviate from what would generally be considered as fair and equitable.
5. **Transparency:** Transparency occurs when people are aware of how the incentive system functions and how it influences them. When salary decisions are made, the justification is explained. Employees can contribute to the creation of reward practices and policies.

6. **Strategic alignment:** To align reward practices with the business strategy, reward initiatives should be planned with the business objectives in mind and designed to support their attainment. This way, reward practices can help the organization achieve its strategic goals and enhance its performance.
7. **Contextual and culture fit:** to design effective reward processes, it is important to consider the context and the culture of the organization. The context refers to the specific features of the organization, such as its business strategy, its goals, its size, and its type of employees. The culture refers to the shared values and norms that guide the behavior of the organization's members. Reward processes should align with both the context and the culture of the organization, to ensure that they support the desired outcomes and behaviors.
8. **Fit for purpose:** The reward strategy and system should align with the goals of reward management and should be designed to support them. The reward strategy and system should reflect the needs and expectations of the organization and its stakeholders and should be adaptable to changing circumstances.
9. **Developing a high-performance culture:** A culture of excellence is one where people understand the importance of delivering high-quality results and act accordingly to achieve or surpass the desired outcomes. Employees will be motivated and loyal to the organization. In our increasingly service and knowledge-driven economy, employees are the key factor for organizational success.

2.1.5. Types of reward

Reward management is a technique that Human Resource Managers apply to attract and retain qualified personnel and to motivate them to improve their performance at work (Armstrong & Brown, 2006). As Aritonang et al (2018), Posits rewards can be divided into two categories: intrinsic and extrinsic rewards. Intrinsic rewards are psychological rewards that an individual experiences directly from the job itself, such as assignment, responsibility and authority, participation in decision-making, and recognition. They are defined as rewards that are inherent in the job (Gibson et al., 1991). Intrinsic rewards are also defined as psychological rewards that an employee experiences directly (Stoner & Freeman, 1992). Extrinsic rewards are physical rewards that employees receive from their employers, such as salary, rewards and compensations, welfare benefits, bonuses, and attractive reward policies.

One of the main goals of reward programs is to attract qualified people to join the organization, to retain employees, and to encourage employees to perform at a high level. The rewards are offered by the organization, but they are assessed by the individual. The individual's satisfaction depends on whether the rewards are adequate and fair. Both monetary and non-monetary benefits are important for increasing employee retention (Terera & Ngirande, 2014). The employees are more likely to stay with the organization for a long time if the reward systems are attractive and effective. Therefore, the impact of reward systems on employee retention is undeniable.

Financial Rewards/Extrinsic Rewards

Financial rewards are the compensation that organizations offer to their employees for the work they do. These rewards are very significant for most employees, and they can affect how they perform and how loyal they are to the organization. Many studies have demonstrated that financial rewards can help recruit and retain talented employees and make them behave in ways that support the organization's objectives (O'Neal, 1998; Yearout & Trahan, 2005; Schuster, 2008; Duchon, 2007; Zingheim et al, 2009). Financial rewards are also known as extrinsic rewards because they come from outside the employee. Other examples of extrinsic rewards are recognition, praise, and good working conditions.

Gupta & Shaw (1998) conducted a study that showed the effectiveness of financial incentives. They claimed that many jobs lack interest and challenge, and that intrinsic motivation and rewards are not realistic in many work settings.

They asserted that money matters to most people and drives them. Nelson (2004) disagreed and said that monetary rewards for good performance can have negative effects on employees; they can make them focus on individual gains and reduce teamwork. Gupta & Shaw (1998) recognized the messages that monetary rewards convey to employees, but they urged humans to be 'cognitive processors' who can interpret the signals that management sends through rewards; rewarding indicates to employees what kind of behavior is valued. Armstrong (2010) warned that the short-term solutions offered to address the reward management issues might create long-term problems, referring to the use of extrinsic rewards to motivate employees.

According to Kohn (1993), monetary rewards are only effective for creating temporary compliance, meaning that money only motivates us if we receive more of it. Temporary compliance implies that it only boosts an individual's motivation for a short while, until it fades away, and the individual expects another increase.

Compliance is the limited benefit that it brings to an individual's motivation. When a pay raise is given, it stimulates employees for a short time, but then they lose interest and wait for the next raise. "Offering a reward to someone who seems unmotivated is like giving salt water to a thirsty person," he said. He claimed that using money as a motivator is counterproductive, because it makes employees focus on earning more money. Furthermore, Armstrong (2010) points out that the tangible elements of compensation programs fall into two broad categories. The employer provides monetary benefits with direct compensation, and the most common forms are base pay and variable pay. Employee benefits are a form of indirect compensation. According to a CIPD (2011) survey, base pay is the main factor that attracts people to an organization, while benefits help them to stay loyal, and flexible pay motivates them to perform better.

Non-Financial Rewards/Intrinsic Rewards

Intrinsic rewards are non-monetary incentives that motivate employees by providing them with meaningful and satisfying work experience. These include the opportunity to learn new skills, to take on challenging and enjoyable tasks, and to contribute to the success of their organizations. Nelson (2004) argues that employees value recognition and appreciation as the most powerful intrinsic rewards. He cites Elisabeth Kanter, who said, "Compensation is a right; recognition is a gift." He also suggests that recognition, especially when given publicly, encourages other employees to emulate the behaviors that management appreciates and rewards. Intrinsic rewards are intangible but valuable benefits for employees.

Intrinsic rewards are not physical things that we can hold or touch, but rather feelings that we experience, such as satisfaction, appreciation, and recognition. Intrinsic rewards come from the job itself, such as completing a task, receiving praise from the employer, or having more autonomy and responsibility. Intrinsic rewards can affect the loyalty of employees more than extrinsic rewards, according to some studies. Mottaz (1985) classified intrinsic rewards into different types, such as task rewards, which refer to the duties and responsibilities of an employee. Porter & Lawler (1968) defined intrinsic non-monetary rewards as the appreciation that an employee receives for his or her efforts in doing the job.

Malhotra et al. (2007) argued that intrinsic non-monetary rewards have a stronger impact on employee loyalty than extrinsic rewards. According to many studies, intrinsic motivation is more powerful, but extrinsic rewards also play a role, especially in organizational settings.

For instance, Mottaz (1988) acknowledged the importance of intrinsic satisfaction, but also noted that extrinsic factors matter: "without adequate extrinsic rewards, employees are unlikely to remain with an organization for very long". Similarly, Buckman (1991) claimed that money is relevant in the context, but intrinsic incentives are the ones that really influence employee behavior. Because people spend a lot of time at work, they expect more from their jobs than just a salary. Therefore, non-monetary rewards (also called intangible, relational, or non-financial rewards) are gaining more attention. Intangible rewards are "key to differentiating an organization as a top employer, and also have the added benefit of increasing engagement among employees" (McMullen et al.,2009). Hence, they have been suggested to enhance the effectiveness of incentive programs.

Intangible rewards, such as recognition, feedback, autonomy, and learning opportunities, are important factors for employee retention, as several studies have shown. Scott et al. (2007) argued that these rewards can enhance employees' motivation and commitment, and the Hay Group (2009) confirmed that employees value non-financial rewards highly when choosing and staying with an employer. The CIPD (2011) also reported similar results, suggesting that intangible rewards can help organizations retain talent, especially when financial resources are limited.

2.2. Theoretical literature review on Job satisfaction

Job satisfaction is a topic that attracts the attention of many researchers in the fields of social and behavioral sciences because work plays a significant role in the overall life experience of a person. Everyone wants to have a job that can provide them with financial stability and meet their needs. Moreover, all organizations want to know how to increase the productivity of their employees through various factors. One of these factors is how satisfied the employees are with their job, which can be influenced by aspects such as job security, working conditions, promotion opportunities, and job autonomy.

Spector (2008) defines job satisfaction as the way people feel about their job and its various aspects. It is the degree to which people enjoy or dislike their job. Job satisfaction and job dissatisfaction can occur in any work situation. Job satisfaction is a result of positive or negative feelings that workers have towards their work. It also depends on the needs, desires, and expectations that workers bring to their job.

Job satisfaction is the extent to which the actual rewards match the expected rewards. Job satisfaction is closely related to the individual's behavior in the workplace (Davis et al.,1985). Human resource management is a crucial function in any organization. It ensures that the right people are hired for the right roles and placed in the right locations. However, hiring is not enough. Employees need to be retained and motivated to stay with the organization. Skilled and talented employees have many options in the market and can easily switch jobs if they are unhappy. The best organizations are the ones that value their employees and create a positive work environment for them.

According to George & Jones (2002), job satisfaction is a crucial factor for the success of any organization. They argue that the degree of satisfaction that employees feel in their work affects their absenteeism rate, which can have significant consequences for employee turnover. When employees are dissatisfied with their jobs, they may quit or look for other opportunities, which can harm the organization's performance and reputation. Hoppock (1935) described job satisfaction because of various psychological, physiological, and environmental factors that make a person say honestly that they are happy with their job. This perspective suggests that job satisfaction is an internal state that reflects how the employee feels, rather than an external condition that depends on many factors. In other words, job satisfaction is a feeling of satisfaction that comes from a set of factors.

Job satisfaction is a key factor in organizational behavior and work performance. Robbins (2000) defines job satisfaction as "an individual's general attitude toward his/her job. The more satisfied workers are with their jobs, the more likely they are to have a positive attitude toward their work (Wang & Feng, 2003) and to be loyal to the organization. Conversely, workers who are dissatisfied with their jobs tend to have a negative attitude toward their work, a higher intention to quit, and a lower commitment to the organization (Wright & Bonett 2007). Similarly, employees who feel that their needs are not met become unhappy and look for other employment opportunities (Tziner, 2006)."

According to Colquitt et al. (2017), job satisfaction is an enjoyable emotional state that arises from how one evaluates one's job or job experiences. It reflects how individuals feel and think about their job. Employees with high job satisfaction have positive emotions when they think about their duties or perform them, while employees with low job satisfaction have negative emotions when they face their duties or carry them out (Colquitt et al., 2017).

Thus, job satisfaction is the employee's positive or negative attitude towards his/her job or work environment. Quinn and Staines (1979) define employee satisfaction as a feeling that arises from their work and how much they enjoy working for the organization. Armstrong (2004) argues that people's emotions and opinions about their jobs determine their job satisfaction. These positive opinions are usually assessed by job satisfaction indicators. A negative and unfavorable emotion at work indicates job dissatisfaction, while a positive and favorable emotion at work shows job satisfaction. From these definitions, we can deduce that job satisfaction depends on how a person views and feels about their work. The general implication is that people tend to seek satisfying tasks and avoid unsatisfying ones.

Luthan (1998) proposed three main aspects of job satisfaction. The first one is that it is an emotional reaction to the job situation that cannot be seen, only inferred. The second one is that it depends on how well the outcomes meet or exceed the expectations. For example, if employees feel that they are working more than others in their unit but getting less rewards, they may have a negative attitude towards their job, their boss, and their coworkers. Conversely, if they feel that they are treated fairly, they may have a positive view of their job. The third one is that job satisfaction reflects the actual responses to several related attitudes that are important job characteristics.

These include things like pay, promotions, the work itself, the boss, and the coworkers. Bruce and Blackburn (1992) identified five different work dimensions that make a job well-enriched. These include autonomy, feedback, task relevance, task variation, and task identity. These psychological elements improve job satisfaction, low absenteeism, excellent performance, and motivation. According to Herzberg (1968), workplace satisfaction is strongly influenced by five factors: achievement, recognition, the work itself, responsibility, and advancement. Other aspects that affect workplace satisfaction are supervisory quality, workplace environment, compensation, and interpersonal ties.

Job satisfaction can be a general attitude towards the job or a set of related attitudes about different aspects of work. The facet technique is used to measure how work factors lead to satisfaction or dissatisfaction. Drago et al. (1992) found that supportive and friendly coworkers are also a source of professional satisfaction. For some employees, the job itself may provide a need for social interaction. Employees may join or leave organizations for various personal and professional reasons. Employees who are satisfied and engaged with their work are more loyal and contribute positively to the growth of the organization.

Employees will stay with the organization and work there if they are happy in their jobs. This could imply that employees who are satisfied with their jobs will remain loyal to the organization.

2.2.1. Importance of job satisfaction

The success of any business depends largely on the job satisfaction of its employees. When employees are satisfied with their careers, they tend to perform better and contribute more to the organization. Therefore, employers should always strive to keep their employees happy and fulfilled with their work. Employee satisfaction is crucial for employees to enjoy their work and give their best. According to Jacob (2015) he identified and explained them as follows:

1. A happy employee is a good employee: Happiness is a key factor that influences the quality and quantity of work that an employee can produce. A happy employee is more motivated, creative, productive, and loyal to the organization. A happy employee is a good employee.
2. Employee retention: Hiring high-class employees is a great investment for your organization but retaining them is even more important. You want to ensure that they are committed and loyal to your vision and goals, as this will result in a better work environment, positive reputation for the company, healthy competition for places and less turnover.

2.2.2. Factors of job satisfaction

Factors of job satisfaction in an organization are being determined by several factors; some of these notable ones include:

Working condition: According to Spector (2008), the work environment is a key factor that influences the job satisfaction of employees. The work environment includes aspects such as a peaceful and comfortable workplace, ventilation, lighting and temperature, spacious and well-designed workspaces, and office space. These aspects affect the workers' job satisfaction. When the firm provides a good work environment, the employees become more satisfied (De Troyer, 2000). Andrews (2001) also argued that a good work environment enhances the employees' productivity.

Promotion: Career advancement is a crucial motivator for employees, as it rewards their performance and ensures justice and equity in the workplace. Frye (2004) argues that compensation and performance are positively correlated when employees perceive that they are paid fairly and equitably. Therefore, promotion is a key factor in enhancing employee engagement and satisfaction. However, the current system of pay, benefits and promotion are not fair or transparent, and it discriminates against some employees based on irrelevant criteria.

Job autonomy: refers to the extent to which employees feel they have control and influence over their work. It is one of the key factors that affect how satisfied employees are with their jobs. Research shows that people who have high levels of job autonomy tend to be happier than those who have low levels of job autonomy, regardless of their income levels. This suggests that job autonomy has a positive impact on job satisfaction, as it allows employees to exercise their creativity, initiative, and self-direction.

Job safety and security: A common source of unhappiness at work is the uncertainty in the job market. Workers who are unsure about their job security tend to be pessimistic about their work. This lowers their productivity, enthusiasm, and commitment. Unhappiness at work can have serious implications for both the individual and the organization.

2.2.3. Measurement of Job Satisfaction.

Job satisfaction is a complex phenomenon that reflects human emotions and attitudes (Wanous & Lawler III, 1972). Various methods have been employed to measure it, such as observer ratings, management ratings, questionnaires, interviews, and incident analysis (Greenberg & Baron, 2000). However, questionnaires are the most common technique among researchers because they are less time-consuming than other methods (Spector, 2008).

Job satisfaction can be measured in three main ways: global measures, facet measures, and a combination of both (Spector, 2008 and Fields, 2002). Spector (1997) suggests that sometimes a combination of both methods is needed to obtain a complete picture of employee job satisfaction. The faceted method of measuring job satisfaction involves examining certain facets that constitute a specific job, such as pay, supervision, and promotion. According to Howard & Frink (1996) and Porter & Steers (1973), job satisfaction is a multifaceted construct, with various features or facets contributing to the overall concept. This type of measurement is used to determine how workers feel about each aspect of the work and to identify areas of dissatisfaction that require improvement (Spector, 1997).

It is worth noting that the levels of facet satisfaction have different degrees of relationship with global satisfaction. For example, satisfaction with pay may have the highest positive correlation while satisfaction with supervision might have the lowest (Fields, 2002).

A single question like "how do you feel about your job overall?" can capture the global job satisfaction of an employee, according to Nagy (2002). This is because employees usually have a clear sense of how satisfied they are, and do not need multiple questions to express it. Global job satisfaction is the general feeling of an employee towards their job, as shown by responses to such questions. However, global job satisfaction is not just the sum of the parts, and employees can be dissatisfied with some aspects (facets) of their job, but still be generally satisfied (Thierry, 1998).

Thierry (1998) criticizes the use of facet measures because he believes that people may have different levels of importance for each facet. Some researchers suggest that global measures capture the individual differences in the construct better than specific items (Fields, 2002). Moreover, researchers who have used global measures claimed that the global measure is more comprehensive (Scarpello & Campbell, 1983 and Highhouse & Becker, 1993). For this study, the researcher will use a global job satisfaction measure from Judge et al. (1998) based on Brayfield and Rothe (1951).

2.3. Theoretical literature review on employee retention

In the modern business environment, organizations encounter various challenges such as recruiting and retaining skilled workers. The factors that give firms a lasting edge over their rivals have evolved from financial resources to technological innovations, and now to human capital due to fierce competition.

Employee retention is a key concern for organizations due to the scarcity of qualified labor and the high turnover rate of employees Armstrong (2010). The performance and productivity of employees determine the success or failure of any organization. Employers and human resource managers strive to keep talented workers as the vital element of business success. Effective reward systems become one of the main strategies for retaining employees Okotoh (2015). The study was based on the premise that workers would remain loyal to their employer if they were given the rewards and benefits that matched their performance.

Organizations need to retain their gifted and high performing employees for long periods of time to benefit from their contributions. Employee turnover can have a significant impact on the organization's finances. Shepherd (2010) estimated that turnover costs range from 90 percent to 200 percent of an employee's annual salary. These costs include administrative, departure, screening, recruitment, and training expenses, (Allen et al., 2010) confirmed. Therefore, employee retention is a key challenge for organizational managers who face a shortage of skilled workers, economic growth, and high employee turnover (Samuel & Chipunza, 2013).

According to Beck and Walmsley (2012), the long-term well-being and prosperity of any organization relies on retaining key employees. Customer satisfaction, organizational performance in terms of higher sales, happy co-workers and subordinates, effective succession planning etc. are all influenced by the ability to keep the best employee in any organization Khan (2011). Denton (2010) argues that happy and satisfied employees are more committed to their work and strive to enhance their customer satisfaction in the organization. Employee retention is a process that aims to retain the employee in the organization for as long as possible or until the project is completed.

Das and Baruah (2013) define retention as the commitment to continue interactions or business relationships with a specific company. As Terera & Ngirande (201) posits managing and retaining talented workers is a key strategy for gaining a competitive advantage over other businesses. According to Tausif (2012), employee retention refers to the practices that employers use to keep employees in their workforce. Employee retention is not just an outcome, but a strategy that aims to achieve competitive advantage and align with the organizational goals. High-performance environments that retain employees have a strong focus on results. Therefore, it is important to explore the methods that can help retain key employees. Creating a positive work environment involves understanding the needs of employees from the entry level to the high-performing and committed level.

Holland et al. (2007) argue that human capital is a unique and valuable resource that gives an organization a competitive advantage. Therefore, organizations should pay attention to their employees, who are the most important asset they have. Employees can help the organization achieve its goals and gain a competitive edge in the market (Alam, 2012).

However, in the current business environment, employees are less loyal to their organizations. They face uncertainty and instability in their careers and jobs. The traditional contract of mutual trust and respect between employers and employees has been eroded (Sankar 2015).

As Gicho (2015) observes, many people today aspire to have a 'career portfolio' that showcases their diverse skills and experiences. This implies that workers are proactive in enhancing their employability, adapting to changing employer demands and pursuing their own professional development (Beck & Walmsley, 2012). Rather than being loyal to a single organization, they are loyal to their own career growth (Raz, 2017). Annaqbi (2011) argues that this reflects the breakdown of the traditional psychological contract between employers and employees, which no longer guarantees mutual trust and commitment.

2.3.1 Retention Strategies

Employee retention is the process of ensuring that employees are happy and loyal to their organization, and that they do not leave for other opportunities. Employee retention is vital for an organization's success, as it can result in higher efficiency, better performance, and lower turnover expenses. Some effective employee retention practices are providing competitive pay and benefits, creating opportunities for career advancement and learning, creating a positive work culture, and acknowledging and rewarding employee contributions (Ramos, 2019; Arunmozhi et al., 2018; Ababneh, et al., 2019; Witemeyer et al., 2013). As Rahman et al (2017) posits organizations use various human resource strategies and practices to keep their existing employees, which is known as employee retention. Employee retention is a strategic approach to gain a competitive advantage by having talented employees in the organization.

Employee turnover, which is the loss of qualified staff, is inevitable in any industry, but it has negative impacts on productivity, leadership, morale, and competitiveness (Kaye & Jordan, 2014). Therefore, employee retention is a critical challenge for organizational managers, especially in times of economic growth and high employee turnover (Samuel & Chipunza, 2013). Employee retention is a key concern for many organizations, as losing an employee means losing their culture, values, skills, and knowledge that could benefit the competitors. Therefore, it is often more desirable to retain the existing employees than to hire new ones. One of the main reasons why employers should value their existing staff is the high cost of hiring and training new workers. Retaining the current workforce not only saves money, but also contributes to the organization's growth and stability.

Therefore, employee retention is a crucial aspect of human resource management. Das (1996) identified six critical factors of employee retention: compensation, learning opportunities, benefits and protection, work autonomy, merit orientation, and rapid vertical growth. Cloutier et al., (2015) proposed four strategies for employee retention: effective communication, workforce diversity, hiring of skilled workers and training and development plan for employees. Studies have shown that retaining current employees is more cost-effective than recruiting new ones Sinha & Sinha, (2012).

A more formalized and planned system of practices that are linked with an overall vision, a set of values and a mission is what the term “strategy” means, in contrast to “culture” (Jackofsky, 1984). Many companies, especially larger ones with fully developed Human Resource departments, engage in elaborate planning exercises to develop a cohesive and unitary strategy to deal with employee retention or, more generally, human resources management which often includes retention as one of its objectives. They will implement specific interventions with explicit reference to an overall organizing principle. A strategic approach to Human Resource management is often recommended by experts in the field to ensure good retention of employees. However, this approach may not be feasible for smaller companies that lack the resources and the staff to implement it effectively. For example, some small companies may not have a dedicated Human Resource department or a specific Human Resource executive, which can limit their ability to address Human Resource issues strategically (Muchinsky, 1977).

According to Lockwood (2006), there is a link between "good" outcomes for workers, such as lower rates of layoffs, quits, accidents and complaints, and Human Resource policies that encourage employee involvement and intrinsic rewards. The most important factor for an employee's emotional attachment to the organization is often the availability of practices related to internal career growth. These practices include career plans, internal mobility, and realistic job previews during recruitment. A potential HR program should aim to keep employees loyal to the organization by addressing their needs and expectations. This means creating a work environment that fosters satisfaction, growth, recognition, and reward. Some of the key elements of such an environment are: Clear and frequent communication, which allows employees to share their opinions and concerns, to be informed about the organization's goals and challenges, and to feel valued and respected.

Employee participation, which involves giving employees a voice and a role in decision-making processes that affect them, as well as providing opportunities for collaboration and teamwork. Fair and competitive compensation and benefits, which reflect the market value of employees' skills and contributions. Performance management, which includes setting clear and realistic goals, providing regular and constructive feedback, recognizing achievements, and supporting professional development.

2.3.2. Factors affecting retention Strategies.

Armstrong (2009) argues that to retain employees, organizations need to understand what motivates them to stay or leave. He suggests that career advancement is a key factor for early-career employees (those who are 30 years old or younger). Employees in different stages of their careers have different needs and expectations from their work. Mid-career employees (age 31–50) value career development and work satisfaction, while late-career employees (over 50) prioritize security. Younger employees tend to switch jobs and employers more frequently than older ones, and part-time employees are less loyal than full-time ones. Other factors that influence retention include company reputation, recruitment and placement processes, leadership quality, learning opportunities, and performance recognition and rewards. Therefore, an effective retention strategy should consider the age of the employees, the internal environment of the company, and the reward-related factors such as salary, benefits, promotion, and recognition.

2.4 Empirical review

2.4.1 The effect of reward practice on employee retention

There are multiple studies investigating the relationship between reward practice and employee retention. Their results exhibited that there is a positive relationship between reward practice and employee retention.

According to Okotoh (2015), reward practice has a positive and significant impact on employee retention. He also suggested that the management should establish a policy for employee retention practice and reward management practice that includes a total reward system with benefits such as pension scheme, life insurance, sabbatical leave, health insurance, workers compensation programs, transportation benefit, flexible work plan, educational fees, employee assistance programs, relocation benefits and recreational programs.

He argued that when workers feel like they are a part of the company, this identification strengthens their commitment and retention. According to Charles K. (2012), employee retention is strongly influenced by rewards, and lack of rewards was a key factor for employee turnover. Reward practices that are robust and effective can enhance employee loyalty, while reward practices that are weak and ineffective can undermine employee loyalty. Willis (2001) argued that reward is a key factor in attracting and retaining talent in organizations. The main premise is that money affects employee behavior by influencing their attitudes (Parker & Wright, 2001). Oluwasegun, et al. (2023) confirmed that monetary rewards can increase employee retention more than growth and advancement opportunities in their study.

Htun W.T & Amiya B. (2022) proved that the reward systems (intrinsic and extrinsic) have a positive correlation with employee retention. Employees will stay at current working organizations when they perceive attractive reward systems.

An attractive reward system is a key factor in retaining employees who contribute to the company's objectives with their time and effort. Sutherland (2004) argues that reward is the fundamental element that reflects how much employees benefit from their work, and thus employers have the duty to design a rewarding package that can appeal to and keep valuable employees. Shoaib, et al. (2009), also confirm that it is essential for employers to understand the value employees assign to their reward systems and to develop strategies that ensure fair and adequate reward for their employees.

By the same token, A recent study by Richard (2020) found a strong link between employee reward practices and retention. This is consistent with previous research that showed a positive correlation between reward practice and employee retention in beverage processing firms (Chepkosgey, et al. 2019). The authors suggest that reward management practices can enhance employee motivation, satisfaction, and loyalty, which can reduce turnover and improve organizational performance.

2.4.2. The effect of reward practice on Job Satisfaction.

Numerous academics have long been curious to learn the aspects that affect employees' behavior and attitudes toward their jobs in a business. While scholars agree that reward practices influence job satisfaction, they do not agree on which aspects of rewards matter most for job satisfaction. Job satisfaction is usually defined as the positive emotional state that comes from evaluating one's job as fulfilling or helping to fulfill one's job values (Perez, 2008).

Khan (2011) found that Reward practice was significantly correlated to job satisfaction. Furthermore, Gerald and Dorothee (2004) conducted a study that showed a significant relationship between rewards and professionalism and job satisfaction. They argued that professionals' job satisfaction is partly determined by what they perceive from the reward systems.

Therefore, Organizational commitment depends on several factors, including how satisfied employees are with the reward system. To achieve this satisfaction, employees need to perceive their pay as fair and adequate for the work they perform. Moreover, they need to see their compensation, which consists of salary, incentives, and benefits, as competitive and attractive in the market, especially when compared to others who do similar work under similar conditions (Parker & Wright, 2001). Rewards play a crucial role in enhancing job satisfaction, as they address both the fundamental and the advanced needs of employees.

This is supported by (Armstrong,2010), who argues that rewards can motivate workers to achieve higher levels of goals and performance. According to the research findings of Haymanot (2019), there is a strong and positive relationship between reward and job satisfaction. The level of commitment of employees may depend on various factors, such as the nature and diversity of the job, the amount of responsibility involved in the job, the degree of autonomy granted to the job, the quality of social interactions at the workplace, the compensation and incentives, and the opportunities for career advancement and promotion in the organization (Riggio, 2009).He further concluded that job satisfaction was positively correlated to salary and benefits, and moderately correlated to promotion, recognition and working conditions.

Milne (2007) argued that the relationship between rewards and their outcomes is linked to the level of employee satisfaction with their organization. Amabile (1994) discovered that rewards are effective for employees who are happy with their jobs, and that rewards also increase work involvement. Zaini (2009) found a clear link between job satisfaction and reward satisfaction among employees in both public and private sectors. This implies that the level of satisfaction with the rewards offered by the organization influences the degree of satisfaction with the job itself.

Furthermore, Chew (2005) also reported that job satisfaction is influenced by both monetary compensation (such as salary, promotion, and bonus) and non-monetary compensation in both public and private sectors. These factors were among the most significant predictors of job satisfaction in his study.

The performance and commitment of employees in the banking sector depend on their job satisfaction, which is influenced by reward and motivation. These factors affect how employees feel about their work and how motivated they are to do it well. According to research, there is a significant correlation between reward and recognition, and between motivation and job satisfaction (Ali & Ahmed, 2009). According to Twum-Darko (2011), an effective reward system is a key factor for job satisfaction. The staff valued high salary, promotion, training, and recognition for work done as important rewards. The study suggested that enhancing the reward systems would boost staff job satisfaction.

In his study (Wegayehu, 2020) found out that both extrinsic and intrinsic reward variables influence employee job satisfaction. The existence of best reward practices the more employee job satisfaction and the higher the improvement of the organization's performance. One of the key factors that enhance job satisfaction among employees is the reward system (Azeri, 2011). The reward system meets employees' needs and strengthens the relationship between the employee and the organization. Moreover, employees feel appreciated when the organization compensates them fairly, acknowledges their contribution and through other aspects of the reward system, whether it is extrinsic reward or intrinsic reward (Al-shaibah & Hatboro, 2015).

A reward system that aligns with the personal needs of the employees can increase their job satisfaction. Job satisfaction is an important factor for organizations, as it can reduce turnover, improve productivity, and help achieve the organizational goals (Bustamam et al., 2014). However, designing and implementing a reward system that satisfies the employees is not an easy task, as there are many challenges and complexities involved. Therefore, organizations should invest a lot of effort to ensure that their reward system is effective and fair for their employees.

The attitude of employees towards their work and their organization can be strongly influenced by the rewards they receive from the organization. Intrinsic rewards, such as personal satisfaction and growth, tend to increase the emotional engagement and interest of employees in their work, while extrinsic rewards, such as pay and benefits, tend to enhance the loyalty and attachment of employees to the organization. The level of job satisfaction among employees depends largely on the rewards they receive from their organizations.

According to research findings, employees are more likely to enjoy their work when the rewards match their needs. Moreover, both intrinsic and extrinsic rewards play a significant role in determining job satisfaction. Therefore, offering suitable rewards can enhance the motivation and job satisfaction of employees. Rewards are powerful factors that influence job satisfaction (Bustamam et al., 2014).

2.4.3. The effect of job satisfaction on employee retention

A positive and significant relationship between job satisfaction and employee retention has been demonstrated by various studies. According to Richard (2020), job satisfaction is a significant factor that influences employee retention. Lee-Kelley et al. (2009) also supports this finding, stating that dissatisfaction with the job is a major cause of turnover intentions. The link between job satisfaction and employee retention has been explored in many research studies, which mostly agree that satisfied employees are more likely to stay with their organizations (Johnson, 2004, Perez, 2008, Sutherland, 2004). Job satisfaction reflects the extent to which employees' needs and expectations are met by their work environment and conditions.

A common premise in many studies is that job satisfaction is influenced by employee retention strategies; and for this reason, organizations that want to keep their employees should implement policies and practices that foster satisfaction at work (Ahmed et al., 2009, Ongori & Agolla, 2009, Somaya & Williamson, 2008). Rewarding employees for their performance and contribution is a vital component of employee retention, as it can enhance their motivation and loyalty.

Aamodt (2007) argues that employee satisfaction leads to organizational commitment, which in turn affects various aspects of employee behavior. Satisfied employees are more likely to show up for work, remain in the organization, be punctual, perform well and act in ways that benefit the organization. A recent study by Htun and Amiya (2022) revealed a significant and positive relationship between job satisfaction and employee retention.

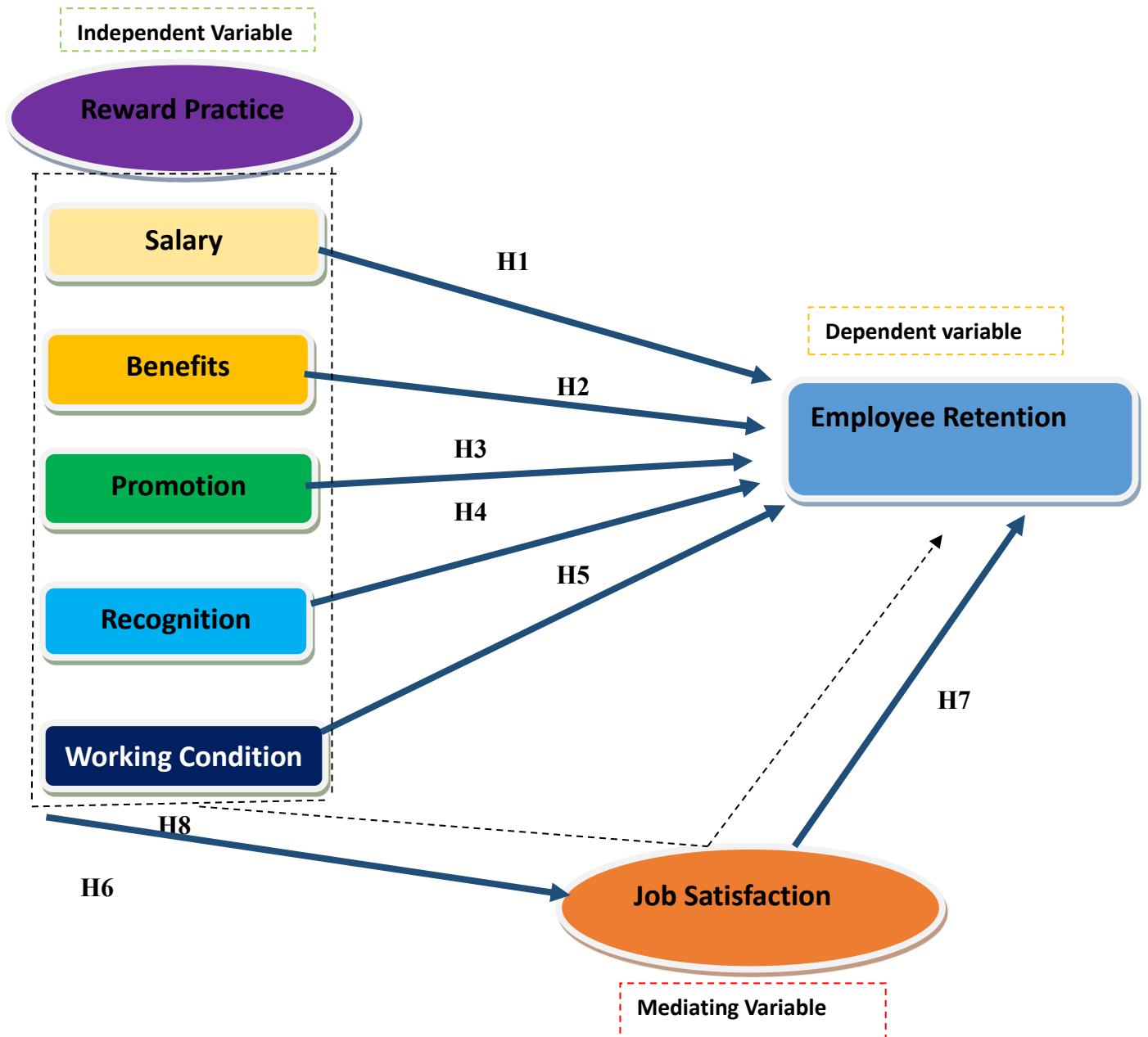
They also found that compensation (both monetary and non-monetary), job content, job promotion and personal development opportunities, supervisor support, and a supportive work environment were positively associated with employee satisfaction. These factors are likely to affect how employees feel about their jobs in the organization, according to Biason (2019).

2.5. Research Gap

The literature review reveals that the impact of reward practices on employee retention is well understood and explained. However, there is a lack of empirical evidence on how job satisfaction mediates or intervening the link between reward practices and employee retention in the Ethiopian private banking sector. Previous studies (Kimunge, 2014; Azeri, 2011, Lucy ,2015; Sharon, 2014, Gashaw, 2019, Martha, 2017 & Birhan,2021) were inadequate as they focused on other factors. Therefore, this study aims to fill this gap by conducting an empirical investigation on the mediating role of job satisfaction in the relationship between reward practices and employee retention in the private banking industry of Ethiopia. The findings, conclusion and recommendations of this study address this gap in literature.

2.6. Conceptual Framework of the study

Based on the extensive literature review presented in this chapter, this study proposes a conceptual framework as illustrated in Figure 2.1 below.



Source: Adapted from related literature review

2.7. Development of Hypothesis

2.7.1 Independent Variable

Salary

Sofie (2022) argues that higher pay is a key factor for retaining employees. According to a Harvard University study, warehouse workers who received a \$1 per hour raise stayed 2.8% longer in their jobs. Conversely, workers who lost \$1 per hour had a 28% higher turnover rate. The implication is clear: companies that do not offer competitive wages risk losing their workers to other employers. According to Anis et al. (2011), employees' motivation and satisfaction are mainly influenced by their salary. Employees who receive higher salaries tend to be more satisfied and perform better than those who receive lower salaries.

H1: Salary has no effect on employee retention.

Benefits

A fundamental assumption of the work relationship is that workers provide their labor in exchange for some kind of reward, and this reward is usually financial compensation. Compensation, benefits, and satisfaction are frequent variables in organizational research (Carragher et al., 2004; Gerhart & Rynes, 2003; Scarpello & Carragher, 2008). They have important relationships with organizational outcomes such as absenteeism, turnover intentions, perceived organizational attractiveness for job seekers, organizational citizenship behaviors, and job performance (Carragher et al., 2006; Gaiduk et al., 2009; Labatmediene et al., 2007; Sturman et al., 2003). Arokiasamy (2013) argues that benefits play a vital role in ensuring that the organization can recruit, retain, and motivate its employees to perform well and achieve its goals. Hence it can be hypothesized that:

H2: Benefit has no effect on employee retention.

Promotion

Many researchers have argued that promotion is a way of rewarding employees for their work performance and maintaining their motivation. However, some organizations may lose talented and effective employees who feel that there are no higher positions available for them to advance.

Cascio & Nambudiri (2010) state that employees who are promoted usually gain more responsibility and authority, along with higher pay, benefits, and privileges. The purpose of the promotion policy of the company should be to help management to select the best professional employee who is available within the organization. Mano-Negrin & zafrir (2004) argued that lack of opportunity for advancement in an organization can demotivate employees as this is strongly related with pay. Getie, et al., (2015) also found that promotion is essential that all key employees have a clear vision of their future role in the organization otherwise; he/she may choose to leave the organization for a better career elsewhere. Therefore, it can be hypothesized that:

H3: Promotion has no effect on employee retention.

Recognition

Positive and constructive feedback is a key factor for employee satisfaction and retention in an organization (Armstrong 2011). It shows that the company values its employees and recognizes their contributions. By providing feedback and acknowledgment on a well-performed task, the company can boost the employee's morale and motivation. Therefore, it can be hypothesized that:

H4: Recognition has no effect on employee retention.

Working Condition

According to a study by David & Joseph (2015), the work environment has a significant impact on employee retention and suggested that employers in the industry should resolve the existing issues related to pay to remain competitive.

A positive and healthy work environment is essential for retaining employees. Qureshi et al., (2013) conducted a study that showed that employees are less likely to leave their jobs if they work in a good and healthy setting. Qureshi et al., (2013) also discovered a significant relationship between working environment and turnover intention. Their results indicate that job stressor and workload increase employee turnover intentions, while workplace environment has a negative effect on them.

The nature of the workplace environment can affect the motivation level of employees positively or negatively. Employees can perform better in a good environment. The working outcomes and the working environment are directly related, the more favorable the environment, the better the outcome. Dole & Schroeder (2001) argued that a conducive working environment increases the motivation level, reduces turnover, and improves the morale of an employee. Carlopio & Gardner (1996) observed that motivation in the workplace is positively linked to job achievement, and indirectly related to turnover.

H5: Working conditions have no effect on employee retention.

2.7.2 Reward practice and job satisfaction

A study conducted by Haymanot (2019) concluded that all reward variables are positively and significantly related to job satisfaction. Likewise, Wangechi et al. (2018) confirmed in their study that there is a positive and statistically significant relationship between reward system and employee satisfaction. Furthermore, Serena et al. (2013) empirical work attested that there is a positive relationship between rewards and employees' performance and satisfaction in both pharmaceutical and insurance industries. Hence it can therefore be hypothesized that:

H6: Reward practice has no effect on job satisfaction.

2.7.3 Job satisfaction and employee retention

This chapter has presented a comprehensive review of the literature on the link between job satisfaction and employee retention. The evidence from various studies (Richard,2020; Perez, 2008, Sutherland, 2004; Htun & Amiya 2022; Ricardo, 2020) indicates that there is a strong and positive correlation between these two factors.

Mathieu et al. (2016) research finding concluded that there is a positive relationship between job satisfaction and organizational commitment, which in turn reduces the likelihood of employees leaving the organization. This implies that retaining employees requires ensuring their satisfaction with their work.

Generally, there is a statistically significant relationship between employee retention and job satisfaction, and more evidence showing that job satisfaction influences employee retention and is, therefore, an antecedent of retention (Ricardo, 2020).

H7: Job satisfaction has no effect on employee retention.

2.7.4 Mediating Variable

As stipulated above while formulating hypothesis number five, reward practice happens to significantly affect job satisfaction (Haymanot, 2019; Wangechi, et al.,2018; Serenaet al.,2013).

At the same time reward practice has significantly affected employee retention (Chepkosgey, et al. 2019; Norah, 2017; Richard, 2020; Kimunge, 2014; Azeri, 2011; Lucy 2015; Oyir, et al. 2015; Kwenin et al. 2013).

Yet again, as stated above, multiple research findings have shown that job satisfaction has a significant and unique effect on employee retention (Richard,2020; Perez, 2008, Sutherland, 2004; Htun & Amiya 2022; Ricardo, 2020). Based on the above arguments, we propose the following hypothesis:

H8: Job satisfaction does not significantly mediate the effect of reward practice on employee retention.

Chapter Three

Research Methodology

3.1. Introduction

This section explains the methods that were applied in this study. It includes the range of the research design, research approach, data type and source of data, data collection procedure and tools, sampling and sampling methods and data analysis methods along with a relevant justification for each approach. Therefore, this study investigates the link between the five aspects of reward practice, with construct of job satisfaction and employee retention.

3.2. Research Approach

A research approach is a systematic way of conducting research that involves a series of steps from broad assumptions to specific methods of data collection, analysis, and interpretation (Creswell, 2014). A research approach guides the researcher in choosing the appropriate design, methods, and techniques for their study.

According to Creswell (2014), research approaches are several sorts of inquiry within qualitative, quantitative, and mixed methods approaches that provide precise direction for procedures in a research study. Both experimental and nonexperimental (survey) designs are included in quantitative research design. Fellows & Liu (2015) explained how quantitative researchers examine links between the study variables using mathematical models, theories, or hypotheses. According to Fowler (2009), survey research analyzes a sample of a population to provide a quantitative or numerical account of the trends, attitudes, or opinions of that population.

Quantitative research has the advantages of being reliable, generalizable, and cost-effective, which enables researchers to draw conclusions that can be applied to a larger population than qualitative research, which is useful for exploratory research purposes where the research topic is unclear and poorly understood (Daniel, 2016).

Quantitative research involves collecting and analyzing data from surveys or interviews that can be generalized to a larger population. To achieve the objectives of this study, a quantitative research method was used to test the theoretical propositions based on the responses to the survey using statistical methods. This study used correlation and regression analysis to examine the relationship between variables and to test the research hypothesis. Therefore, the quantitative research approach found suitable for investigating the causal effects of reward practice on employee retention, and the mediating role of job satisfaction.

3.3. Research Design

Burns & Grove (2003) state that a research design is a blueprint that ensures the validity of the research outcomes by minimizing the influence of confounding variables. Creswell (2004) defines research designs as a plan and the procedures for conducting research that involve making general assumptions and selecting specific methods for collecting and analyzing data. In many cases, the quality of a study's design is often more important than its data analysis. If the data analysis is flawed, it can be corrected by re-examining the data, but if the study design is weak, the data may never be confidently interpreted (Albery and Munafo, 2008).

The researcher used an explanatory study design to examine the relationship between several variables of interest. This design is more suitable than descriptive research, which only describes the characteristics of a specific person or group and is more related to report writing, which is not appropriate for this level. It is also more suitable than exploratory research, which investigates a problem that is not well defined and does not provide any definitive conclusions. The purpose of this study is to gain a better understanding of the current issue and test some hypotheses. For this type of study, a researcher starts with a general idea and uses this research to identify gaps that can be the subject of further research. The research secondary sources of the data comprise the previous research papers, different published books, journals, websites, and archives.

3.4. Target Population

According to Blumberget al. (2014), the population of a study is the set of elements that meet the criteria for inclusion in the research. The population defines the scope and generalizability of the study results. A target population is a collection of groups, events or objects that share certain characteristics and are relevant for a specific research question.

The researcher aims to generalize the findings of their study to this population. The population of this study are employees of three selected private banks (Dashen, Lion and Bunna) in Ethiopia that were chosen by the researcher based on their service duration and years of experience, which they represent different generation of private banking evolution in Ethiopia as shown in table 3.1. The population of this study is 7,554 employees among the selected three banks which represent all Private banks located in Addis Ababa.

| | <i>No.</i> | <i>Private banks in Ethiopia</i> | <i>Year of Establishment</i> |
|--------------------------|------------|----------------------------------|------------------------------|
| <i>First generation</i> | 1 | Dashen bank | 1995 |
| | 2 | Awash international bank | 1995 |
| | 3 | Bank of Abyssinia | 1996 |
| | 4 | Wegagen bank | 1997 |
| | 5 | Hiberet bank | 1998 |
| | 6 | Nib International bank | 1999 |
| <i>second generation</i> | 7 | Lion international bank | 2006 |
| | 8 | Oromia international bank | 2008 |
| | 9 | Cooperative bank of Oromia | 2008 |
| | 10 | Zemen bank | 2009 |
| <i>Third generation</i> | 11 | Bunna International bank | 2009 |
| | 12 | Abay bank | 2010 |
| | 13 | Addis international bank | 2011 |
| | 14 | Berhan international bank | 2010 |
| | 15 | Dehub Global Bank | 2012 |
| | 16 | Enat bank | 2013 |
| <i>F o u</i> | 17 | Zamzam bank | 2021 |

| | | | |
|--|----|---------------|------|
| | 18 | Hijira bank | 2021 |
| | 19 | Siinqee bank | 2021 |
| | 20 | Shabelle bank | 2021 |
| | 21 | Amhara bank | 2021 |
| | 22 | Ahadu bank | 2022 |
| | 23 | Tseday bank | 2022 |
| | 24 | Tsehay bank | 2022 |
| | 25 | Gadaa bank Sc | 2023 |

(Source: Million A.,2022)

Besides, the researcher chose these three banks because they have similar features and challenges as other private banks in Ethiopia, such as their histories, workforces, systems and employee mobility and they have strong communalities to represent the other private banks in Addis Ababa. Dashen is a first-generation bank that has a reputation for excellence and customer satisfaction. Lion is a second-generation bank that adopts innovative and competitive strategies to meet customer needs. Bunna is a third-generation bank that strives to establish a strong market position with its hard work. The researcher excluded fourth generation banks due to their recent establishment and lack of stability in the market. Furthermore, the researcher's rationale for selecting these three banks as a study population is that they reflect the working system of the other private banks in the country. The study targets the employees of these three banks who are based in Addis Ababa.

Ethiopian private banks are the leading commercial entities in the country and plays a vital role for economic growth of the country. The Banks recognizes that its employees are the most important asset for achieving quality and productivity standards and promotes a culture of collaboration and dedication among them. The private banks aim to ensure that their employees are satisfied, competent and committed to the Bank's vision and mission. To do this, the private Banks needs to provide strong and effective incentives for its employees at various levels. The Bank needs to understand that only happy employees can deliver their best performance and result in customer satisfaction, while unhappy employees may look for other alternatives to meet their needs in their Bank.

Due to that reason, this research finds it important to target all Dashen, Lion and Bunna employees located in Addis Ababa, as a population. From the total employees of 7,554 (4941,1446 and 1167 respectively) permanent professionals located in Addis Ababa, the researcher narrowed down to a sample sized figure of **380** employees who are considered as the target population.

To gain the data from these employees the researcher applied convenience sampling to get different perspectives of how employees perceive the impact of reward and benefit in their stay at the bank. It also helps to identify the different approaches of these HR practices which are applied to different employees.

3.5. Sample Size and Sampling Techniques

According to Bambale (2014), a sample is a subset of the population that is chosen for the purpose of research. Gravetter (2010) defined sampling as the process of selecting a group of individuals who will provide the data from which inferences about those individuals can be made. The researcher should select a sample size that is adequate to provide enough information about the population and that can be easily analyzed, Kothari (2004). Mugenda and Mugenda (2008) also emphasized that the sample size should be large enough to represent the population of interest.

This study utilizes a convenience sampling approach, selecting participants from the bank's population who are easily available for research purposes. The researcher conveniently selected the respondents from the sample because their job characteristics do not vary significantly. The target population for the study (7554) consists of employees who have different years of experience in the bank. The researcher used a 95% confidence interval, which means how confident they are that the responses reflect the true opinions of the population. The researcher also used a 5% margin of error, which means how much variation in the responses can accept when making conclusions from the data. Hence, the sample size was determined by applying the below sample size calculator formulated by Yamane (1967).

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

Where: **n** =required sample size, **e** = error rate, which is 0.05, **N** = Target population

Based on the above information, the sample size (n) is calculated for the target population of 7554 and it is 380. Therefore, the study's sample size of 380 was considered to represent the population.

Table 3.2 Sample Size Determination

| Company | Population | Percentage | Sample Size |
|--------------------------|--------------|-------------|-------------|
| Dashen Bank | 4941 | 65.4% | 248 |
| Lion International Bank | 1167 | 15.5% | 59 |
| Bunna international Bank | 1446 | 19.1% | 73 |
| Total | 7,554 | 100% | 380 |

Source: Human resources department - Dashen, LIB and BIB

3.5.1 Sample Frame

Sampling frame is the actual set of units from which a sample has been drawn (Mugenda & Mugenda, 2008). In this study the sampling frame are all permanent staff of private banks located in Addis Ababa.

3.6. Variable of the study

- Independent Variable: Reward practice
- Dependent Variable: employee retention
- Mediating variable: Job satisfaction
- Demographic variable: Age, Gender, Education, Service Year and Marital Status

3.7. Model Specification

Numerous Single and Multiple Regression analyses were conducted to determine the intervening or mediating effect of Job Satisfaction on the relationships between Reward Practice and Employee Retention. For this purpose, the researcher established three regression models as illustrated below:

$$\text{Model 1: } Y = \gamma_0 + \gamma X + \varepsilon_1 \text{-----Equation 1 or}$$

$$Y = \gamma_0 + \gamma_1 X_1 + \gamma_2 X_2 + \gamma_3 X_3 + \gamma_4 X_4 + \varepsilon$$

$$\text{Model 2: } Y = \gamma'_0 + \gamma' X + \beta M + \varepsilon_2 \text{-----Equation 2}$$

$$\text{Model 3: } M = \alpha_0 + \alpha X + \varepsilon_3 \text{-----Equation 3}$$

Where: Y is Dependent variable = Employee Retention, X is predictor variable = Reward Practice, X1= Salary, X2= Benefits Packages, X3= Promotion, X4= Recognition & X5= Working Condition, M is the mediator = Job Satisfaction,

γ is the overall effect that establishes the zero-order correlation between X and Y (controlling M) in the 1st equation

γ' is direct effect that shows the Beta coefficient relating the independent variable (X) to the outcome variable (Y) adjusted for the effects of the mediator(M) in the 2nd equation

α = is the coefficient that explains the zero-order correlation between X and M (controlling Y), in the 3rd equation.

ϵ_1 , ϵ_2 and ϵ_3 are unexplained variability of equations 1, 2, and 3 respectively. While

γ_0 , γ'_0 and α_0 are the intercepts for equations 1, 2, and 3 respectively.

3.8. Procedure for Data Gathering

From the inception, the researcher has formally requested and received approval from the director of human resource management of the three banks (Dashen, Lion and Bunna) to conduct this study. A formal email with the research questionnaires has been sent, explaining the purpose and objectives of the study, providing clear instructions, and emphasizing the ethical considerations. The email also stated that participation in the study was voluntary, anonymous, and confidential.

3.9. Data Collection Instrument

The data for this study was acquired from two sources, primary and secondary. The primary data was collected from the research participants through a structured, self-administered questionnaire. Secondary data have been acquired from books, articles, journals, company websites, publications, and internal brochures.

Primary data was collected from the selected samples using structured questionnaire as a method for data collection. The questionnaire was developed from different sources which were found to be appropriate for the study. The researcher used a close ended questionnaire, and the questionnaire is arranged in 5-Point Likert Scale format. That is prepared in English language and distributed to targeted employees located at different branches of Dashen, Lion and Bunna Bank in Addis Ababa. For adopting English language questionnaires is based on the premise that a certain level of English proficiency is essential for working in the organization. The questionnaires were administered personally.

3.9.1. Questionnaires

A questionnaire is a useful method for gathering data because it allows the respondent to answer honestly without revealing their identity and it is also cheaper than conducting an interview (Cohen et al.,2007). Another advantage of a questionnaire is that it can reach many respondents in a very short time span (Johnson & Christensen, 2008). McMillan & Schumacher (2010) argued that a scaled item response format has the benefit of making it easy for the respondents to select the suitable answer. This research used standardized questionnaires to measure the variables of interest, which are reward practice, job satisfaction, and employee retention.

The Questionnaires is prepared in English and allows participants to share their opinions freely in response to the questions posed without any interference or guidance from the researcher. The questionnaire uses Likert five-point Rating Scale (1=Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree and 5=Strongly Agree) to measure the responses. For reward practice, reward practice Assessment Instrument (RPAI), for job satisfaction, overall job satisfaction Survey, and for employee retention, employee retention questionnaire (ERQ) will be used.

In developing the instrument, the measurement scales were selected from validated sources that were used in previous studies. Rewards practices were measured by using 25 items taken from the research of Teseena & Soeters (2006). Job satisfaction was measured by using five items adapted from the instrument of Judge et al. (1998) from the original work of Brayfield and Rothe (1951). Finally, employee retention was measured by using the five items adapted Imna & Hassan (2015). Hence, details of each standardized instrument are presented below.

3.9.1.1 Reward Practice Assessment Instrument

The tool used to assess reward practice in this study was based on the standardized questionnaire adopted from Teseena & Soeters (2006). The questionnaire consists of twenty-five questions, each covering one of the five components of reward practice: - Salary, Benefits, Promotion, Recognition and Working condition.

This instrument is a reliable and effective tool for assessing the key aspects of an organization's reward practice (Zakaria et al., 2011). The Reward practice Assessment Instrument is a notable measurement tool that has high validity and reliability (Apriyanti et al. 2021). It is also very convenient for practical operations. Compared with other measurements, the Reward Practice Assessment Instrument has clear advantages (Safiullah, A. B.,2014).

3.9.1.2 Job Satisfaction Instrument

Job satisfaction is a complex and subjective concept that varies from person to person and from context to context. Therefore, there is no single, universally accepted definition or theory of job satisfaction (Spector, 1997). In this study, a global measure of job satisfaction will be used, based on the five-item scale developed by Judge et al. (1998) from the original work of Brayfield & Rothe (1951). This measure captures the overall level of satisfaction with one's job, without focusing on specific aspects or dimensions. The responses were given on a Likert-type scale ranging from 1-strongly disagree to agree 5-strongly.

3.9.1.3 Employee Retention Instrument

The tool used to measure employee retention was based on the work of Imna & Hassan (2015). The questionnaire consisted of five items and a 5-point Likert scale ranging from 1-strongly disagree to agree 5-strongly. The scale measured the degree of employee retention.

3.10. Reliability and Validity Test of Instrument

The data analysis should be rigorous enough to demonstrate its importance and the analytical methods should be suitable. The quality and trustworthiness of the data were examined thoroughly. Quality and trustworthiness of scores on instruments, additional criteria for establishing knowledge claims, lead to relevant interpretations of data. The reward practice assessment instrument was validated and reliable according to various researchers and could be used as a standard questionnaire for studying reward practice in organizations.

Twum-Darko (2011) verified the reliability of the instrument by surveying 44 staff and management employees from NIB main branch in Accra about their reward practice in the organization. Cronbach alpha coefficients, a type of reliability statistic, were calculated for each aspect of reward. The coefficients were .81 for Salary, .84 for benefits, .86 for promotion, .82 for recognition and .89 for working conditions.

This shows that respondents tended to rate their organization's reward practice consistently across the different questions on the instrument (Singh, 2018). Moreover, Singh, 2018 cited evidence of the reliability of the reward practice assessment instrument from research conducted by (Safiullah,2014). Their study addresses 81 employees of different telecommunication companies. The results showed that salary reliability was .79, benefits .82, promotion .85, and recognition .84. working condition .80. These values exceeded the acceptable levels for reliability.

Furthermore, the reward practice assessment instrument, which measures five aspects of reward practice, was validated by Ong and Teh (2012). They conducted a study with 105 manufacturing companies in Malaysia to test the instrument. The instrument's validity was based on how well the organization's effectiveness matched its decision-making, structure, and strategy (Singh, 2018). The results were consistent with the values and characteristics that each reward component reflected. This showed strong evidence for concurrent validity.

Regarding job satisfaction, to ensure the five-item measure was reliable, Judge et al. (1998) distributed an independent sample of 222 respondents and the reliability of the five-item scale in this sample was .88. Additionally, with data from the current studies, this measure of overall satisfaction correlated on average .89 with a composite measure of the facets of the Job Descriptive Index (JDI). Ultimately, the employee retention instrument has a high reliability of .83, as shown by a meta-analysis (Zingheim et al.,2009). The validity and reliability of the instrument were also supported by Arunmozhi et al (2018), who obtained a Cronbach's alpha value of 0.87 for the instrument.

Table 3.3: Reliability analysis summary of Variables.

| Variables | Variables Components | | |
|---------------------------|-----------------------------|------------------------------|------------------------------------|
| Reward Practice | | Twum-Darko (2011) | Safiullah, A. B. (2014) |
| | | | |
| | Salary | .81 | .79 |
| | Benefits | .84 | .82 |
| | Promotion | .86 | .85 |
| | Recognition | .82 | .84 |
| | Working Condition | .89 | .80 |
| Job Satisfaction | Five-item scale | .88 | |
| Employee Retention | Five-item scale | .83 | |

The measurement instrument should accurately capture what it is designed to measure. This is the concept of validity, which indicates how trustworthy the findings are from the perspectives of the researcher, the participant, or the readers of a study Creswel (2003).

According to Kothari (2004), validity is the most important criterion and shows how well an instrument measures what it intends to measure. To ensure the quality of this research design, the content validity of the research instrument is verified against the study objectives. The content relevance, representativeness and relation to the research variables demonstrate that the research instruments are valid (Joppe 2000).

3.10.1. Pilot study

An additional test of the questionnaire was performed to evaluate its reliability and validity. This is a necessary step to further ensure the quality and accuracy of the data collection instruments. Dempsey (2003) defines a pilot study as a process of testing the data collection instruments in advance to avoid any problems that may compromise the validity and reliability of the data. The pilot study will help to identify and correct any errors in the data collection instruments and to ensure that the data collected is valid and reliable.

The questionnaires were tested on 38 participants to evaluate their validity and reliability, as well as the clarity, length, structure, and wording of the questions. Bryman and Bell (2015) define reliability as the extent to which a questionnaire can elicit consistent answers from different researchers and occasions. In this study, the researcher employed IBM SPSS Version 20 to perform a reliability analysis, calculating Cronbach's Alpha for each construct's items, as detailed in Table 3.3. As evidenced by Pallant (2013), reliability scores below 0.60 are considered inadequate, scores near 0.70 are acceptable, and scores exceeding 0.80 are seen as strong indicators of reliability.

Table 3.4: Reliability test

| | Variables Components | Cronbach's Alpha | No of items |
|---------------------------|-----------------------------|-------------------------|--------------------|
| Reward practice | Salary | .831 | 5 |
| | Benefits | .891 | 5 |
| | Promotions | .793 | 5 |
| | Recognition | .864 | 5 |
| | Working condition | .741 | 5 |
| Job Satisfaction | | .921 | 5 |
| Employee Retention | | .731 | 5 |

Source: Field Survey, SPSS output 2024

Table 3.3 reveals that the Cronbach's Alpha coefficients for Reward Practice, Job Satisfaction, and Employee Retention as 0.89, 0.92, and 0.73, respectively. These figures indicate that the reliability of the metrics applied in this research is both good and acceptable.

The concept of validity refers to how well an instrument captures the construct it is designed to measure (Saunders and Lewis, 2012). They also stated that an instrument must be reliable before it can be valid, meaning that it must be consistent and accurate in measuring what it claims to measure. To ensure the validity of the questionnaires, the researcher consulted other relevant sources that provided evidence and supported the findings obtained from the questionnaires, based on the research question and their own judgment (Saunders et al., 2009). Moreover, the survey has achieved 100% validity as every respondent has completed it.

3.11. Data Analysis Tools

The Statistical Package for the Social Sciences (SPSS) Version 20 from IBM were used for the data analysis. The data was summarized and presented using descriptive statistic kinds of such frequencies, percentages, means, and standard deviations. Additionally, tables were used to provide a clear image and make it simple to compare the information gathered from the survey. Furthermore, inferential statistics like correlation and regression analysis were performed. The relationship between the dependent variable and the independent variables, in this case employee retention and reward practice, was investigated using regression analysis. It was also utilized to assess the link between the independent variable and mediating variable, reward practice and work satisfaction. And finally, the mediating variable and independent variables (job satisfaction and employee retention).

This study followed the criteria suggested by (Baron and Kenny, 1986) to examine the mediating role of a mediator variable in the association between the independent and dependent variables. The process of testing mediation consists of four steps as follows: Step 1: Perform a simple regression analysis to assess the effect of reward practice (X) on employee retention (Y). Step 2: Perform another simple regression analysis to assess the effect of reward practice (X) on job satisfaction (M). Step 3: Perform a multiple regression analysis with X and M as predictors of Y and demonstrate that the mediator influences the outcome variable. Step 4: To confirm that M fully mediates the X-Y relationship, the effect of X (IV) on Y (DV) after controlling for M should be zero. The same regression equation will be used to estimate the effects in Steps 3 and 4.

If all four steps are met, then the data support the hypothesis that variable M fully mediates the X-Y relationship, and if only the first three steps are met but not Step 4, then partial mediation is suggested. Partial mediation implies that the direct effect is smaller than the zero-order correlation of X and Y.

3.12. Ethical Issues

Confidentiality and privacy are some of the most corner stone of field research activities to get relevant and appropriate data. The researcher assured the purpose of the research paper and confidentiality of any information gathered through questionnaire on the introductory part of the paper.

Before the study began, informed permission from every participant was sought. The purpose of the study was clearly explained to respondents, who have been informed that they can withdraw from the study at any moment. Participants have been enlightened about the data collection process. By forbidding the writing of the subjects' names and giving clear instructions, the privacy of the subjects was secured and guaranteed. Moreover, the data collected from the participants during the process are exclusively utilized for the research objectives and their privacy is protected.

Further, the researchers have informed the participants about the purpose of the study and ask for their consent before giving them the questionnaire. Ethical consideration of respect for others is significant throughout the research process (Cavan, 1977). The data analysis followed the standards of scientific quality, honesty, accuracy, and sensitivity. The researchers have also considered factors such as the age of the sample group, the sensitivity of the topic, and the potential controversies (Cohen et al., 2007).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

This research aims to investigate how job satisfaction influences the relationship between reward systems and employee retention in private banks of Ethiopia's. The current chapter presents the analysis and interpretation of data gathered from employees of private banks (Dashen, Lion and Bunna). Descriptive and inferential statistical methods were employed to analyze and interpret the collected data.

4.1. Response Rate

Mugenda and Mugenda (2003) suggest that a response rate above 70% is deemed exceptional for analyzing data and reporting results. In this study, the researcher distributed printed surveys to 380 targeted participants, of which 335 completed the questionnaires, equating to an 90% response rate. This figure not only exceeds the established standard but also reinforces the reliability and adequacy of the data collected for this research.

4.2. Demographic profile of respondents

In this section, a descriptive statistic in the form of frequency and percentage has been used to discuss the demographic profiles, such as age, gender, marital status, educational achievement, and service year in the private bank.

| Tabel 4.1. Descriptive Statistics | | | | | |
|--|-----------------|------------------|----------------|----------------------|---------------------------|
| Age of respondents | | | | | |
| | | Frequency | Percent | Valid percent | Cumulative percent |
| Valid | 18-25 | 106 | 31.6 | 31.6 | 31.6 |
| | 26-35 | 152 | 45.4 | 45.4 | 77.0 |
| | 36-45 | 62 | 18.5 | 18.5 | 95.5 |
| | Above 45 | 15 | 4.5 | 4.5 | 100.0 |
| | Total | 335 | 100.0 | 100.0 | |

| Gender of the respondents | | | | | |
|---|------------------------|------------------|----------------|----------------------|---------------------------|
| | | Frequency | Percent | Valid percent | Cumulative percent |
| Valid | Male | 193 | 57.6 | 57.6 | 57.6 |
| | Female | 142 | 42.4 | 42.4 | 100.0 |
| | Total | 335 | 100.0 | 100.0 | |
| Highest Educational Achievement of respondents | | | | | |
| | | Frequency | Percent | Valid percent | Cumulative percent |
| Valid | College Diploma | 17 | 5.1 | 5.1 | 5.1 |
| | BA Degree | 278 | 83.0 | 83.0 | 88.1 |
| | Second Degree | 40 | 11.9 | 11.9 | 100.0 |
| | Total | 335 | 100.0 | 100.0 | |
| Tenure/Work experience of respondents | | | | | |
| | | Frequency | Percent | Valid percent | Cumulative percent |
| Valid | 1-5 | 137 | 40.9 | 40.9 | 40.9 |
| | 6-10 | 108 | 32.2 | 32.2 | 73.1 |
| | 11-15 | 60 | 17.9 | 17.9 | 91.0 |
| | Above 15 | 30 | 9.0 | 9.0 | 100.0 |
| | Total | 335 | 100.0 | 100.0 | |
| Marital Status of respondents | | | | | |
| | | Frequency | Percent | Valid percent | Cumulative percent |
| Valid | Single | 179 | 53.4 | 53.4 | 53.4 |
| | Married | 156 | 46.6 | 46.6 | 100.0 |
| | Total | 335 | 100.0 | 100.0 | |

4.2.1. Age Group Descriptive Statistics

Table 4.1 illustrates that, of 335 participants, 152 individuals (45.4%) are within the 26-35 age bracket, representing the largest respondent group. The 18-25 age category accounts for 106 participants, making up 31.6% of responses. Those aged 36-45 years number 62, contributing to an 18.5% response rate.

Meanwhile, participants over 45 amounts to 15, or 4.5% of the total. This age-based analysis of respondents indicates that private banks are served by a diverse age demographic, providing credible insights for the study.

4.2.2. Gender Descriptive Statistics

Table 4.2 illustrates the gender distribution among the respondents, with males constituting 193 (57.6%) and females making up 142 (42.4%). It is evident from the data that there was a balanced representation of both genders in the survey population.

4.2.3. Educational Achievement Descriptive Statistics

Table 4.3 illustrates that the predominant educational qualification among respondents is a BA Degree, held by 278 (83%) participants. A further 40 respondents, representing 11.9%, possess a master's degree or higher. Meanwhile, diplomas are held by 17 (5.1%) of the participants. These statistics suggest a high level of professionalism among private bank employees in Ethiopia.

4.2.4. Work Experience Descriptive Statistics

According to Table 4.4, a significant 40.9% of the survey participants, which translates to 137 individuals, have been serving with private banks for a period of up to 5 years. A further 32.2%, or 108 respondents, have been with private banking for 6 to 10 years. A smaller segment, 17.9% representing 60 individuals, have served in this sector for 11 to 15 years. Lastly, a dedicated group of 30 respondents, making up 9%, have committed more than 15 years to working in private banks.

4.2.5. Marital Status Descriptive Statistics

Table 4.5 illustrates that, from a total of 335 participants, a majority of 179 (53%) are single, whereas a significant portion, representing 156 (47%), are married.

4.2.6. Descriptive Statistics of Variables

Analyzing the descriptive statistics of the variables will provide insights into the respondents' perceptions regarding reward practices, job satisfaction, and employee retention within private banking institutions. This analysis is crucial for understanding the factors that influence these perceptions and can guide improvements in these areas.

Table 4.6. Descriptive Statistics of variables

| | N | Mean | Std. Deviation | Skewness | | Kurtosis | |
|---------------------------|-----------|-----------|----------------|-----------|------------|-----------|------------|
| | Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Reward Practice | 335 | 3.2175 | .51245 | -.232 | .133 | .311 | .266 |
| Salary | 335 | 3.6025 | .85029 | -.803 | .133 | -.419 | .266 |
| Benefits | 335 | 3.4949 | .86083 | -.528 | .133 | -.700 | .266 |
| Promotion | 335 | 3.1622 | .67871 | -.116 | .133 | -.884 | .266 |
| Recognition | 335 | 2.9132 | .81273 | -.513 | .133 | -.322 | .266 |
| Working Condition | 335 | 2.6104 | .74328 | .855 | .133 | -.559 | .266 |
| Job Satisfaction | 335 | 3.7600 | .88295 | -.804 | .133 | .013 | .266 |
| Employee Retention | 335 | 3.0517 | .49229 | -.105 | .133 | .528 | .266 |
| Valid N (listwise) | 335 | | | | | | |

Source: SPSS output 2024

As illustrated in Table 4.7, the mean score of respondents on Reward Practice was 3.21 whereas the mean score of Job Satisfaction was 3.76, and the mean score for Employee Retention was 3.05. This predicts that private banks employees have a strong perception and give more value for job satisfaction. Again, as can be apparent from the table, the dominant reward practice of private banks is Salary with a mean score of 3.60 followed by Benefit with a mean score of 3.49. Promotion and Recognition followed in the pecking order with a mean score of 3.16 and 2.91 respectively.

Lastly, the mean score for Working conditions was 2.61. Salary dominated reward practice means the private banks exhibit competitive compensation packages which include a comprehensive focus on pays, allowances, and bonuses, encompassing all forms of incentives provided to employees. Similarly, benefits, which is the second dominant reward practice, in the studied private banks focuses on providing advantages or positive compensation to employees beyond their regular salaries to attract and retain talented employees, recognizing that competitive benefits can be just as crucial as direct financial remuneration. Analysis of the skewness and kurtosis metrics suggests that the variables conform to a normal distribution. According to Brown (2016), skewness and kurtosis figures that lie between ± 1.0 are indicative of normality. As demonstrated in Table 4.7, all the variables are within this range, thereby verifying the normal distribution of the data.

4.4 Correlation Analysis of the Variables

This analysis seeks to explore the nature and magnitude of the connections between the studied variables: Reward Practice as the Independent Variable, Job Satisfaction as the Mediating Variable, and Employee Retention as the Dependent Variable. Pearson's Correlation analysis was utilized to examine these relationships, and the findings are concisely presented in the subsequent table.

| Table 4.7 Correlation | | | | |
|------------------------------|----------------------------|------------------------|-------------------------|---------------------------|
| | | Reward Practice | Job Satisfaction | Employee Retention |
| Reward Practice | Pearson Correlation | 1 | .463** | .582** |
| | Sig. (2- tailed) | | .000 | .000 |
| | N | | 335 | 335 |
| Job Satisfaction | Pearson Correlation | | 1 | .631** |
| | Sig. (2- tailed) | | | .000 |
| | N | | | 335 |

| | | | | |
|--|----------------------------|--|--|----------|
| Employee Retention | Pearson Correlation | | | 1 |
| | Sig. (2- tailed) | | | |
| | N | | | |
| **. Correlation is significant at the 0.01 level (2-tailed) | | | | |

Source: SPSS output 2024

The Pearson correlation coefficient measures the strength of a linear relationship between two variables, ranging from +1 implying a perfect positive relationship to -1 implying a perfect negative relationship, with 0 indicating no correlation.

Arkkelin (2014) suggests that while there's no definitive rule for correlation strength, commonly a coefficient above 0.5 signifies a strong correlation, above 0.30 suggests a moderate one, and below 0.20 denotes a weak correlation. Even a weak correlation can be statistically significant, prompting researchers to carefully interpret the significance of their findings. As Table 4.9 demonstrates, Reward Practice and Job Satisfaction share a positive relationship in both direction and strength, evidenced by a moderate correlation coefficient of 0.463 and a significant p-value of 0.000. In a similar vein, the direction of relationship between Reward Practice and Employee Retention is positively correlated, with a strong coefficient of 0.582 and a significant p-value of 0.000.

Ultimately, a robust positive correlation exists between Job Satisfaction and Employee Retention, with a coefficient of 0.631 and a p-value of 0.000, emphasizing the strength of this relationship.

Table 4.8 Correlation between independent, mediating, and dependent variables

| | | Salary | Benefits | Promotion | Recognition | Working Conditions | Employee Retention |
|--------------------|---------------------|--------|----------|-----------|-------------|--------------------|--------------------|
| Salary | Pearson Correlation | 1 | | | | | .600** |
| | Sig. (2-tailed) | | | | | | .000 |
| | N | | | | | | 335 |
| Benefits | Pearson Correlation | | 1 | | | | .539** |
| | Sig. (2-tailed) | | | | | | .000 |
| | N | | | | | | 335 |
| Promotion | Pearson Correlation | | | 1 | | | .481** |
| | Sig. (2-tailed) | | | | | | .000 |
| | N | | | | | | 335 |
| Recognition | Pearson Correlation | | | | 1 | | .348** |
| | Sig. (2-tailed) | | | | | | .000 |
| | N | | | | | | 335 |
| Working Condition | Pearson Correlation | | | | | 1 | .255** |
| | Sig. (2-tailed) | | | | | | .001 |
| | N | | | | | | 335 |
| Employee Retention | Pearson Correlation | .600** | .539** | .481** | .348** | .255** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .001 | |
| | N | 335 | 335 | 335 | 335 | 335 | 335 |
| Job Satisfaction | Pearson Correlation | .787** | .561** | .345** | .226** | .126* | .631** |
| | Sig. (2-tailed) | .000 | .000 | .005 | .008 | .021 | .000 |
| | N | 335 | 335 | 335 | 335 | 335 | 335 |

Source: SPSS-output 2024

Table 4.10 clearly indicates a strong, positive, and significant correlation between salary and employee retention, with a correlation coefficient of 0.600 and a significance level of $p=0.000$. This finding rejects the initial hypothesis **H1**, which proposed salary has no effect on employee retention.

Likewise, the result showed a positive and significant correlation between benefits and employee retention, with a coefficient of 0.539 and a p-value of 0.000. This finding rejects hypothesis **H2**, affirming a substantial effect of benefits on the retention of employees.

A positive and statistically significant connection (0.481, $p = 0.000$) was found between employee retention and promotion. As a result, the findings rejected hypothesis **H3**, which proposed promotion has no effect on employee retention.

The correlation analysis discloses a robust and positive correlation (0.348, $p=0.000$) between employee retention and recognition, rejecting the **H4** Hypothesis that posits recognition has no effect on employee retention. These findings underscore the effect of recognition and employee retention. The correlation analysis revealed a weak positive and statistically significant correlation between working conditions and employee retention, with (0.255, $p=0.001$). The findings reject hypothesis **H5**, which states that working condition has no effect on employee retention. Overall, it is evident that reward practice has a strong effect on employee retention, rejecting hypothesis **H6**.

Furthermore, a strong and positive correlation has been shown between employee retention and job satisfaction (0.631, $p=0.000$). This in turn rejects hypothesis **H7**, which states that job satisfaction has no effect on employee retention.

The Pearson Correlation analysis showed that there is a strong effect of salary on job satisfaction (.787, $p=0.000$). Besides, a strong effect was observed between benefits and job satisfaction (.561, $p=0.000$).

Similarly, promotion and recognition exhibit strong effects on job satisfaction (.345, $p=0.005$) and (.226, 0.008), respectively. Conversely, the correlation between working conditions and job satisfaction was found to be moderate effect and statistically significant (.126, $p=0.021$) as compared to the other components of reward practice.

According to Arkkelin (2014) guidelines, it is evident that salary, benefits, and job satisfaction are strongly linked to employee retention. In contrast, promotion and recognition show a moderate link. Meanwhile, working conditions seem to have a lesser and significant effect on employee retention.

4.5 Diagnostic Tests of Linear Regression Model

Prior to conducting regression analysis for hypothesis testing, a preliminary examination was carried out. This initial step is crucial to ensure the validity and reliability of the analysis, providing a solid foundation for the research findings.

4.5.1 Normality Test of Residuals

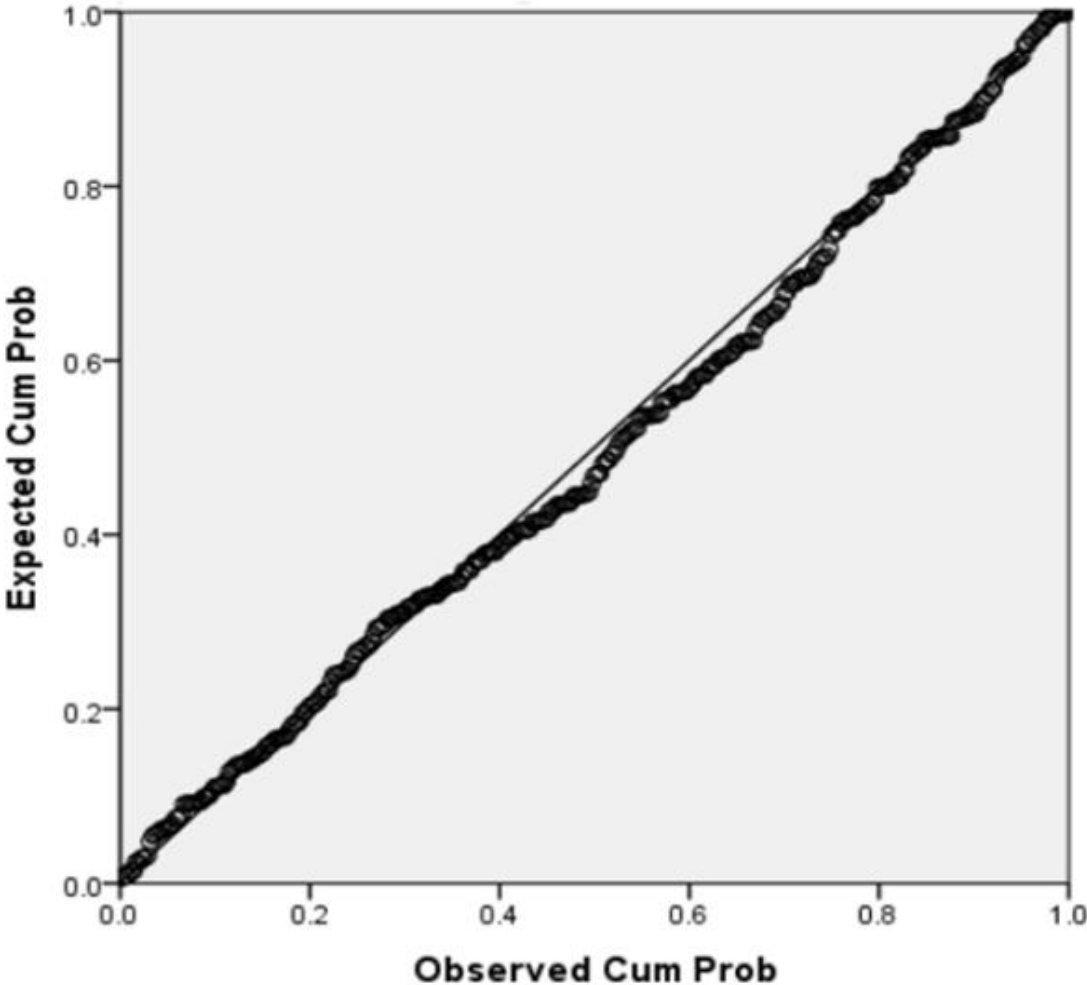
Assessing normality is a crucial step in statistical analysis, as it verifies whether the residuals or error terms follow a normal distribution. According to Brooks (2008), before proceeding with hypothesis testing, a researcher should first confirm the normality of these terms. This ensures the validity of the inferential statistics applied in the research.

To assess the assumption of normality, the study employed two standard tests: the Normal Probability Plot (NPP) and the Histogram for standardized residuals, as suggested by Gujarati (2004). The Normal P-P Plot is used to verify the normal distribution of data by assessing how closely the plot points align with the reference line.

As can be seen below, the proximity of the points to the line, without significant deviation, suggests that the data can be considered normally distributed.

Normal P-P Plot of Regression Standardized Residual

Dependent Variables: Employee Retention



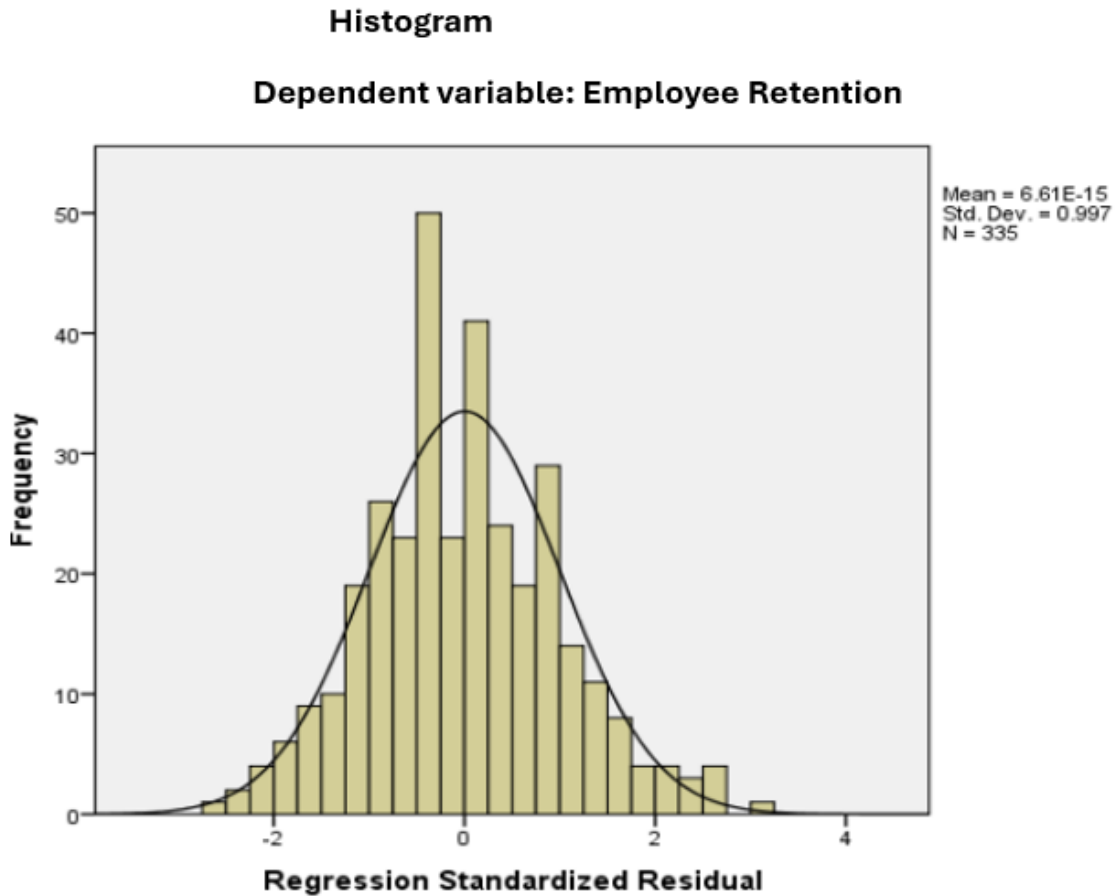


Figure 4.1 Normal P-P & histogram plot of regression of standardized residuals.

Source: SPSS output 2024

The histogram presented indicates that the standardized residuals are symmetrically distributed about the center, which is zero. The shape of the histogram is the characteristic bell curve, with most of the bars clustered around the central value. This suggests a normal distribution of the residuals, which is a desirable feature in many statistical analyses.

4.5.2 Test of Homoscedasticity

A fundamental premise of the Classical Linear Regression Model is that of homoscedasticity, which posits that the variance of error terms remains constant across all observations. When this variance is consistent, the condition is referred to as homoscedastic. On the other hand, heteroscedasticity occurs when variances are unequal and is viewed as an issue because it can undermine the validity of statistical tests of significance.

These tests presume that residuals are normally distributed, uncorrelated, and have a constant variance that is not influenced by the explanatory variables in the model. (Gujarati, 2004). To assess the presence of heteroscedasticity, it is recommended to graph the standardized residuals versus the standardized predicted values. Heteroscedasticity is indicated by a pattern where the points spread out in a fan shape to the left or right. In contrast, a tight clustering of points near the zero line would suggest homoscedasticity, confirming that the assumption has not been breached.

Figure 4.2 illustrates that the data points are closely clustered near to 0, indicating a strong central tendency. Additionally, the scatter plot reveals no apparent violations of homoscedasticity, suggesting that the data's variability is consistent across the range of values.

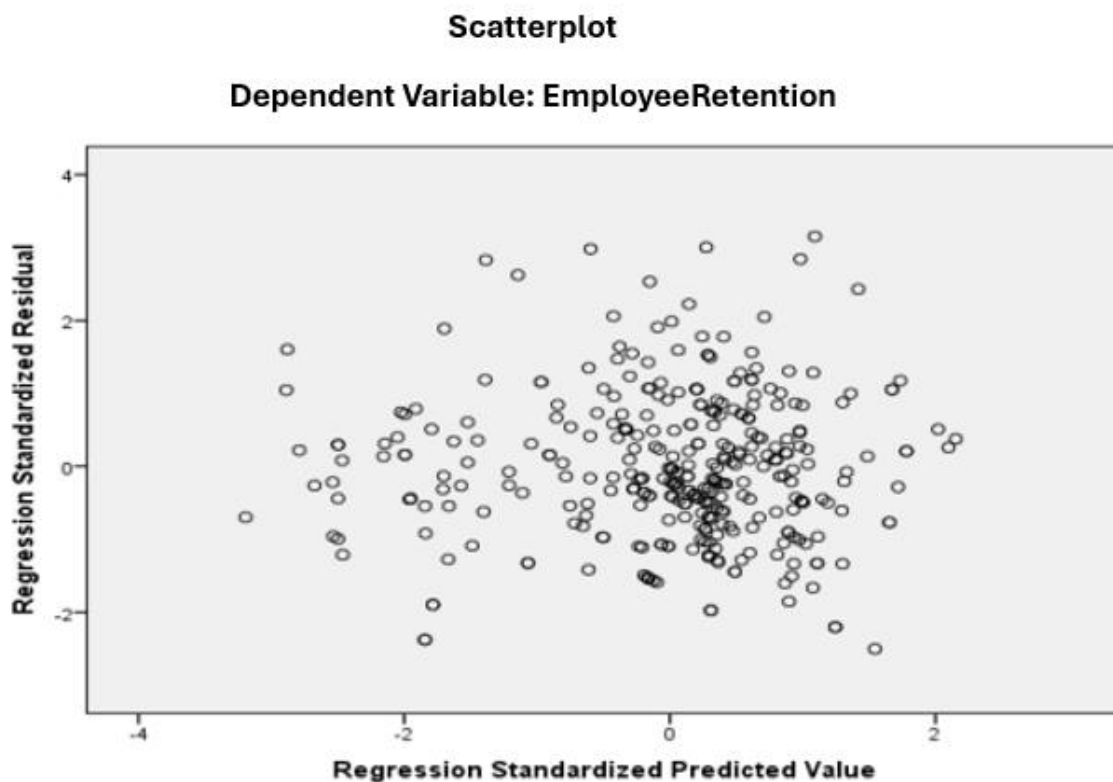


Figure 4.2 scatter plot of regression for standardized predicted value against the residual
Source: SPSS output 2024

4.5.3 Multicollinearity Test

Multicollinearity occurs when an independent variable is correlated with another independent variable, which can obscure the specific impact of each independent variable within a regression model (Brooks, 2008). The presence of multicollinearity can be assessed using SPSS by examining the Variance Inflation Factor (VIF) in the coefficient table. A VIF value between 1 and 10 typically indicates an absence of multicollinearity.

A Variance Inflation Factor (VIF) outside the range of 1 to 10 may indicate multicollinearity issues. Kennedy (2008) suggests that multicollinearity becomes a concern when the correlation coefficient exceeds 0.7, potentially affecting the estimations' reliability and efficiency. Nonetheless, Table 4.11 shows a VIF of 1.273, which falls within the acceptable threshold, implying no multicollinearity. Moreover, the Tolerance value in the coefficient table, another indicator of multicollinearity. With values between 0.1 and 1 considered appropriate, the table's tolerance value of 0.79 confirms this range is met, further supporting the conclusion of no multicollinearity.

| Table 4.9. Collinearity Diagnosis | | | | | | | | |
|--|-----------------------------|------------|--------------------------|------|--------|-------------------------|------|-------|
| Model | Unstandardized Coefficients | | Standardized Coefficient | t | Sig. | Collinearity Statistics | | |
| | B | Std. Error | Beta | | | Tolerance | VIF | |
| | 1 | (Constant) | 10.361 | | | | | 1.944 |
| | Reward Practice | .329 | .039 | .368 | 8.450 | .000 | .785 | 1.273 |
| | Job Satisfaction | .961 | .091 | .460 | 10.558 | .000 | .785 | 1.273 |
| a. Dependent Variable: Employee Retention | | | | | | | | |

Source: SPSS output 2024

4.5.4 Linearity Test

The linearity assumption in a simple bivariate model suggests that the relationship between the independent and dependent variables should be represented with a straight line. This means the model should be linear in its parameters, α and β , but not necessarily in the variables themselves. Brooks (2008) suggests that to test linearity, one can visually assess the data using scatter plots. For instance, in Figure 4.3, drawing an imaginary diagonal line from the bottom left to the top right reveals that the scatter plot's error terms align closely with a straight line, indicating the linearity assumption holds true. Thus, we can state that the linearity assumption was fulfilled.

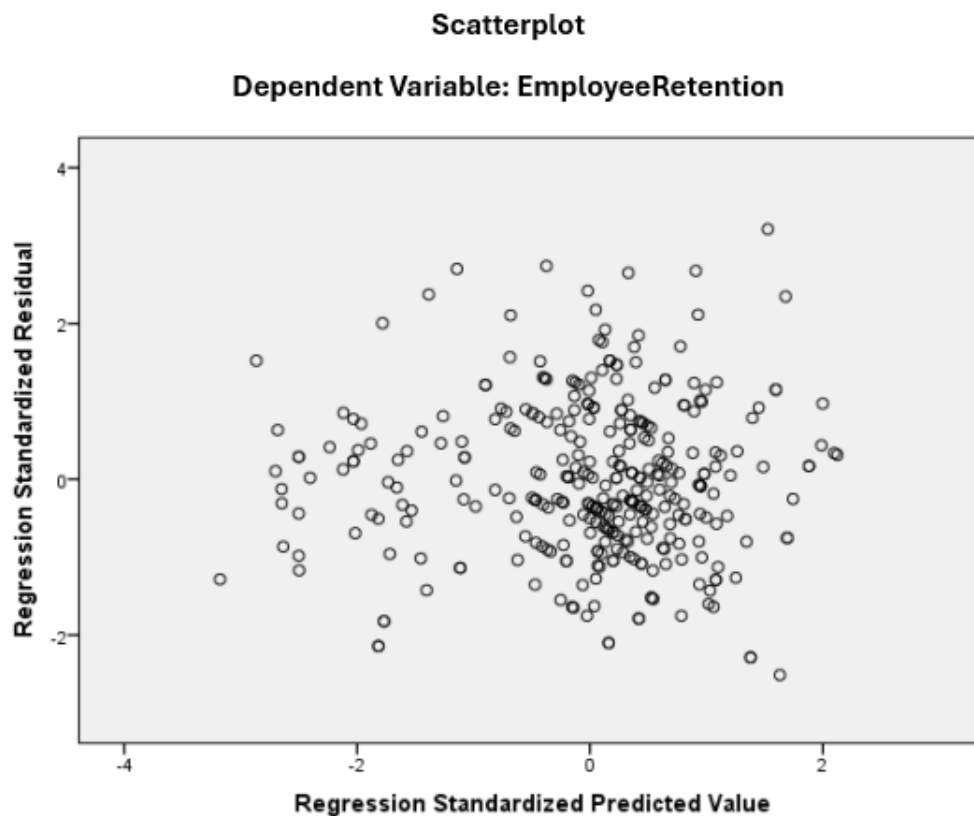


Figure 4.3 scatter plot for testing linearity

Source: SPSS output 2024

4.5.5 Test for autocorrelation

The fundamental premise in this assumption is the independence or lack of correlation among residuals. The Durbin-Watson statistic, which is part of the model summary, is key for identifying autocorrelation. It varies between 0 and 4, with a value close to 2 indicating no autocorrelation. On the other hand, a value close to 0 indicates positive autocorrelation, and a value close to 4 indicates negative autocorrelation (Saunders et al.,2009).

Table 4.10. Autocorrelation

| Model Summary ^b | | | | | |
|---|-------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .669 ^a | .448 | .444 | .36698 | 1.562 |
| a. Predictors: (Constant), Job Satisfaction, Reward Practice | | | | | |
| b. Dependent Variable: Employee Retention | | | | | |

Source: SPSS-output 2024

Based on the table above, it can be inferred that there is no autocorrelation, as indicated by the Durbin-Watson statistic of 1.6, which approaches the value of 2. This suggests that the residuals of the dataset are independent and there is no evident pattern in the time series data.

4.6 Regression Analysis and Hypothesis Testing

Linear and multiple regression analyses were utilized to examine the relationships among the predictor variable, the mediator, and the outcome variable, thereby testing the research hypothesis. These analyses shed light on how the predictor variables directly influence the outcome. The forthcoming analysis will scrutinize all the postulated hypotheses, assessing both the direct and the indirect influences of the regressor factors on the outcome variables.

4.6.1 Overall regression model fit.

Table 4.12 clearly demonstrates the predictive quality of the independent variables, as evidenced by the R value. In fact, a good degree of prediction is shown by an R value of 0.71 (71%).

As well, it was found that the model is statistically significant, as evidenced by the F-test result of 169.03. Once more, the adjusted R-square value indicated that the predictor factors were accountable for 50.2% of the variance in the outcome variable.

According to Cohen's (1988) recommendations, endogenous variables (outcome variables) should have R square values of 0.02 for weak, 0.13 for moderate, and 0.26 for significant. It follows that a model with an R square of 0.505 is likely significant and well-fitting. Dhakal (2018) states that the data indicates a poor model fit if there is a significant difference between the Adjusted R Square and R square results. As a result, the model is deemed to be fit because the validity of the model is confirmed by the small difference between the Adjusted R square of 0.502 and R square of 0.505.

| Table 4.11. Model Summary | | | | | | | | | |
|---|-------------------|----------|-------------------|----------------------------|------------------|----------|-----|-----|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistic | | | | |
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .710 ^a | .505 | .502 | 5.42258 | .505 | 169.030 | 2 | 332 | .000 |
| a. Predictors: (Constant), Reward Practice, Job Satisfaction | | | | | | | | | |
| ANOVA | | | | | | | | | |
| Model | Sum of Squares | df | Mean Square | F | Sig. | | | | |
| Regression | 36.232 | 2 | 18.116 | 134.519 | .000 | | | | |
| Residual | 44.711 | 332 | .135 | | | | | | |
| Total | 80.943 | 334 | | | | | | | |

Dependent Variable: Employee Retention

Predictors: (Constant), Reward Practice, Job Satisfaction

Source: SPSS output 2024

The ANOVA results presented in Table 4.11 indicate that the F-ratio confirms the overall regression model fits the data well. The analysis shows that the independent variables are statistically significant and predict the dependent variable effectively, as evidenced by an F-value of 134.52 with degrees of freedom (2, 332) and a p-value less than 0.05. Consequently, we can conclude that the regression model is a good fit for the data.

4.6.2 Mediation Analysis

A series of Simple and Multiple Regression analyses were conducted to assess the mediating role of job satisfaction in the relationship between reward practices and employee retention. The mediation analysis examines how the independent variable - regressor (X) indirectly influences the dependent variable- outcome (Y) via the mediator - intervening variable (M). This research adheres to the Baron & Kenny (1986) framework for evaluating the impact of a mediator on the predictor-outcome relationship. According to Baron and Kenny, there are four stages to explore in mediation analysis:

Step 1: There should be a significant relationship between the predictor variable (X) and the outcome variable (Y). This is typically assessed through a simple regression analysis, where (X) serves as the predictor for (Y).

Model 1: $Y = \gamma_0 + \gamma X + \epsilon_1$ -----**Equation 1**

Step 2: The relationship between the predictor variable (X) and the proposed intervening variable (M) should be significant. This significant link is crucial for validating the hypothesized influence of the predictor on the outcome through the mediator.

Model 3: $M = \alpha_0 + \alpha X + \epsilon_3$ -----**Equation 3**

Step 3: The proposed mediating variable (M) shows a significant connection to the dependent variable (Y), particularly when considering both the independent variable (X) and the mediating variable (M) as predictors of the dependent outcome (Y).

Model 2: $Y = \gamma'_0 + \gamma' X + \beta M + \epsilon_2$ -----**Equation 2**

Step 4: Once the prerequisites of steps 1 through 3 are met, we proceed to assess mediation. In this phase, both the predictor and the mediator are considered as independent variables or predictors, while the dependent variable is treated as the outcome.

A zero unstandardized coefficient implies that the mediator M fully accounts for the relationship between X and Y. Conversely, When the mediator variable's effect is considered and the association between the predictor and outcome variables is found to be weaker, partial mediation is present. That means if the strength of relationship between predictor and outcome variables is reduced after controlling for the effect of the mediator variable, that indicates the existence of partial mediation.

4.6.2.1 Results of Simple Linear Regressions

To investigate how reward practice explains employee retention (step 1), as well as how reward practice explains job satisfaction (step 2), a simple linear regression analysis was conducted. This statistical method allowed for a clear understanding of how rewards can influence an employee's decision to stay with a company and their level of job satisfaction.

Step.1: Simple Regression Analysis between Reward Practice and Employee Retention

| <i>Table 4.12 Results of Simple Regression Analysis between reward practice and employee retention</i> | | | | | | |
|--|------------|-----------------------------|------------|---------------------------|---------|-------------------|
| ANOVA ^a | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 5948.295 | 1 | 5948.295 | 161.513 | .000 ^b |
| | Residual | 12263.914 | 333 | 36.829 | | |
| | Total | 18212.209 | 334 | | | |
| a. Dependent Variable: Employee Retention | | | | | | |
| b. Predictors: (Constant), Reward Practice | | | | | | |
| Coefficients ^a | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| | (Constant) | 15.195 | 2.180 | | 6.969 | .000 |

| 1 | Reward Practice | .520 | .040 | .582 | 13.044 | .000 | |
|---|-------------------|----------|-------------------|----------------------------|-------------------|----------|---------------|
| a. Dependent Variable: Employee Retention | | | | | | | |
| Model Summary | | | | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | |
| | | | | | R Square Change | F Change | Sig. F Change |
| 1 | .582 ^a | .338 | .336 | 6.25768 | .338 | 170.152 | .000 |
| a. Predictors: (Constant), Reward Practice | | | | | | | |

Source: SPSS output 2024

Table 4.12's ANOVA table confirms the model's suitability, evidenced by an F-statistic of 161.513 and a p-value of 0.000, indicating a statistically significant fit at the 5% significance level. The coefficients table provides crucial insights for predicting employee retention based on reward practices and confirms the statistical significance of reward practices in the model. Accordingly, the result equation Model 1 is:

$$Y = 15.195 + .582X \text{ ---- Equation 1}$$

A standardized Beta-value of 0.582 suggests that for every unit increase in Reward practice, there is a corresponding increase of 0.582 units in employee retention. This relationship is statistically significant at the 5% significance level. The Model Summary table above clearly demonstrates that the correlation coefficient (R) for the relationship between reward practice and employee retention is 0.582. This figure, representing a simple correlation, suggests a substantial positive correlation, as evidenced by the 58.2%, denoting a high degree of correlation. The R square and adjusted R square values for the model stand at 0.338 and 0.336, respectively, indicating that reward practices account for 33.6% of the variance in employee retention. This substantial relationship supports the model's initial hypothesis, demonstrating a significant correlation between reward practice and employee retention. Therefore, this fulfills the assumption in step 1.

Step 2: Simple Regression Analysis between Reward Practice and Job Satisfaction

| <i>Table 4.13 Results of Simple Regression Analysis between reward practice and job satisfaction</i> | | | | | | | |
|--|-------------------|-----------------------------|-------------------|----------------------------|-------------------|-------------------|---------------|
| ANOVA ^a | | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. | |
| 1 | Regression | 968.891 | 1 | 968.891 | 90.965 | .000 ^b | |
| | Residual | 3546.859 | 333 | 10.651 | | | |
| | Total | 4515.750 | 334 | | | | |
| a. Dependent Variable: Job Satisfaction | | | | | | | |
| b. Predictors: (Constant), Reward Practice | | | | | | | |
| Coefficients ^a | | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
| | | B | Std. Error | Beta | | | |
| 1 | (Constant) | 5.029 | 1.137 | | 4.422 | .000 | |
| | Reward Practice | .198 | .021 | .463 | 9.538 | .000 | |
| a. Dependent Variable: Job Satisfaction | | | | | | | |
| Model Summary | | | | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | |
| | | | | | R Square Change | F Change | Sig. F Change |
| 1 | .463 ^a | .215 | .212 | 3.26362 | .215 | 90.965 | .000 |
| a. Predictors: (Constant), Reward Practice | | | | | | | |

Source: SPSS output 202

The ANOVA result, which is displayed in Table 4.14 above, illustrates the model's general fitness. The model is a good fit for the data at the 5% significance level, as shown by the F stat of 90.965 and the p-value of 0.000.

The coefficient table provides crucial data for predicting job satisfaction based on reward practice and assessing the statistical significance of reward practice contribution to the model. Therefore, the equation for Model 3 can be articulated as follows:

$$M = 5.029 + 0.463X \text{----- Equation 3}$$

The standardized Beta-value of 0.463 indicates that one unit increase in reward practice change accounts for 0.463 unit increase in job satisfaction and the relationship is significant at a 5% level of significance.

The Model Summary table reveals that the correlation coefficient (R) for the relationship between Reward practice and job satisfaction is 0.463, which translates to a 46.3% simple correlation. This suggests a reasonably high degree of correlation, indicating a significant association between the two variables.

The R square and adjusted R square values for the model stand at 0.215 and 0.212, respectively. An R square of 0.212 suggests that reward practices explain or predict 21.2% of the variability in job satisfaction. Consequently, it is evident that a significant correlation exists between reward practices as the predictor variable and job satisfaction as the mediator variable. Therefore, this fulfills the assumption in step 2.

Step 3: Multiple Regression Analysis.

4.6.2.2 Multiple Regressions

Table 4.15 illustrates the ANOVA results, confirming the model's adequacy. With F stat 169.030 and p-value 0.000, the model is statistically significant at the 5% level, indicating a good fit to the data.

The analysis revealed that the standardized beta coefficients for the regressors—Reward Practice and Job Satisfaction—are 0.329 and 0.961, respectively. Meanwhile, the P-value stands at 0.000, and the constant is notably 10.361, also with a P-value of 0.000. This illustrates how employee retention is predicted by reward practices and job satisfaction. Job satisfaction and reward practices also statistically and significantly contribute to the model. These statistics are crucial in understanding the significance and impact of each variable in the regression analysis.

As a result, we can hypothesize Model 2 as follows:

$$Y=10.361 + 0.368X + 0.460M \text{ -----Equation 2.}$$

Where:

Y=Employee Retention

X =Reward Practice

M=Job Satisfaction

The results indicate a robust statistical significance at the 5% significance level, emphasizing the model's substantial explanatory capability.

Table 4.14 Result for Multiple Regressions

ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1 | Regression | 9940.460 | 2 | 4970.230 | 169.030 | .000 ^b |
| | Residual | 9762.258 | 332 | 29.404 | | |
| | Total | 19702.718 | 334 | | | |

a. Dependent Variable: Employee Retention

b. Predictors: (Constant), Job Satisfaction, Reward Practice

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|-------|------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 10.361 | 1.944 | | 5.329 | .000 | | |
| | Reward Practice | .329 | .039 | .368 | 8.450 | .000 | .785 | 1.273 |
| | Job Satisfaction | .961 | .091 | .460 | 10.558 | .000 | .785 | 1.273 |

a. Dependent Variable: Employee Retention

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|-----|---------------|
| | | | | | R Square Change | Df1 | |
| 1 | .710 ^a | .505 | .502 | 5.42258 | .505 | 2 | 1.466 |

a. Predictors: (Constant), Job Satisfaction, Reward Practice

b. Dependent Variable: Employee Retention

Source: SPSS-output 2024

The Model Summary table above reveals a robust relationship between the outcome and predictor variables, as indicated by an R-value of 0.710, signifying a 71% correlation. Furthermore, the model's adjusted R-square value of 0.502 suggests that reward practices and job satisfaction account for 50.2% of the variation in employee retention. This underscores a substantial relationship between dependent variable (Employee Retention) and predictor variables (Reward Practice and Job Satisfaction). Furthermore, when the independent variable (Reward Practice) is controlled, multiple regression analysis of the model shows a significant relationship between the mediator variable (Job Satisfaction) and the dependent variable (Employee Retention). As a result, **step 3's** premise is satisfied.

Step 4 tests for Mediation

After fulfilling the first three assumptions outlined by Baron & Kenny (1986), the subsequent step is to test for mediation. The fourth assumption at step 4 states that a mediation effect is present only if the relationship between the independent and dependent variables becomes weak or less significant when the effect of the mediator variable is considered or controlled.

The three models are summarized as follows:

Model 1 : $Y=15.195+.582X$

Model 2 : $Y=10.361 + 0.368X + 0.460M$

Model 3: $M=5.029+0.463X$

In the discussed models, the direct effect (path $\gamma' = 0.368$ in Model 2) is significantly non-zero and smaller than the total effect (path $\gamma = 0.582$ in Model 1). Baron and Kenny (1986) research suggest that employing standardized coefficients is advantageous for elucidating mediation analyses. The path analysis depicted in Figure 4.4 illustrates the interactions among the predictor, mediator, and outcome variables.

Path α , with a value of 0.463, signifies the connection between the mediator and predictor variables. Path β indicates the mediator's effect on the outcome variables, with a value of 0.460. The influence of the independent variable on the outcome variable is denoted by Path γ' , valued at 0.368, which diminishes when the mediator is taken into consideration.

This reduction suggests that job satisfaction serves as a partial mediator in the relationship between reward practices and employee retention. According to Baron & Kenny (1968), partial mediation is identified when the mediator lessens the predictor's impact on the outcome.

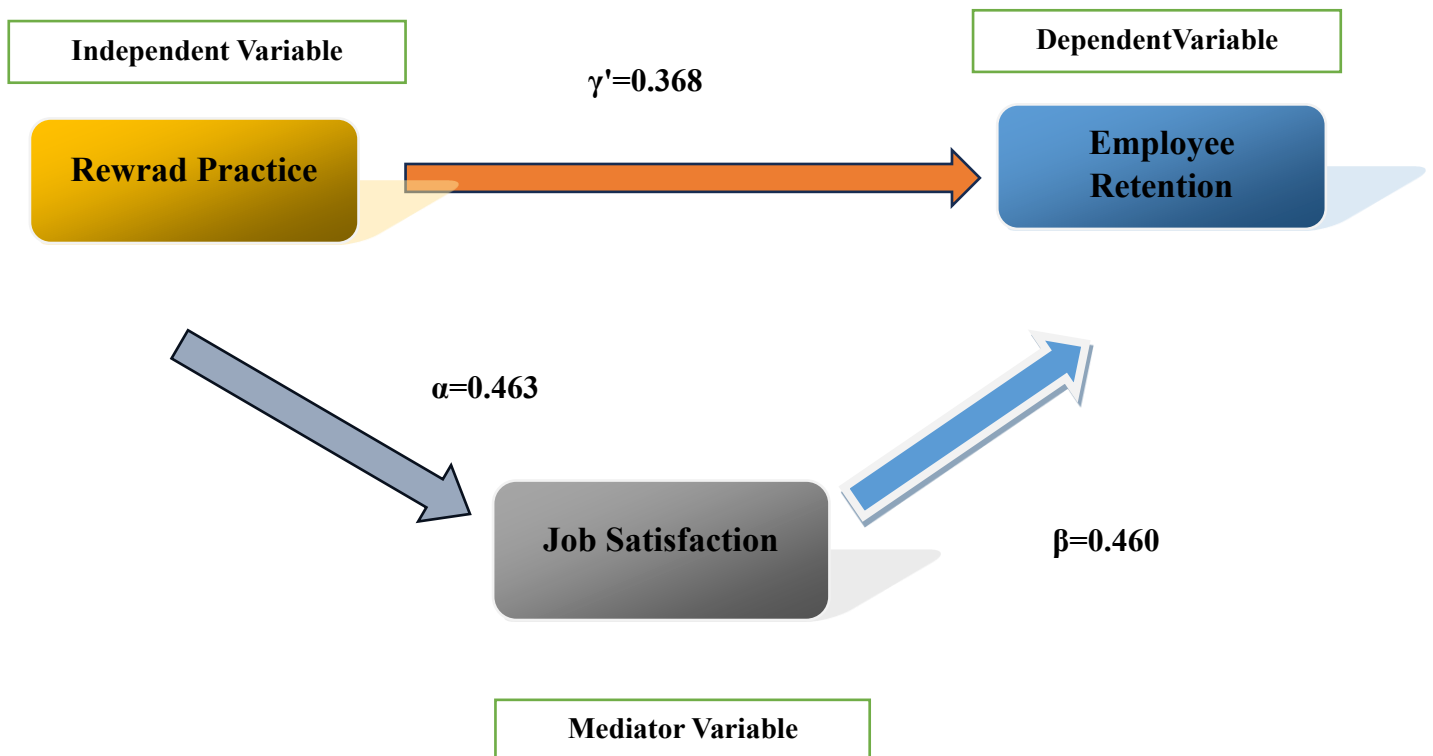


Figure 4.4: Path Analysis

Source: SPSS output 2024

4.6.3 Hypothesis test results of the research

The summary of the regression analysis model, as depicted in Table 4.17, indicates that the reward practices comprising Salary, Benefits, Promotion, Recognition, and Working Condition account for a significant portion of the variation in employee retention.

Specifically, the R-squared value of 0.492 suggests that reward practices explain 49.2% of the variability in employee retention, highlighting the impact of each unit change in the reward practice.

Table 4.15 Regression Analyses between components of Reward practice and Employees Retention

| Model Summary | | | | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|-------------------|----------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | |
| | | | | | R Square Change | F Change | Sig. F Change |
| 1 | .702 ^a | .492 | .486 | 5.50541 | .492 | 80.012 | .000 |

a. Predictors: (Constant), Salary, Benefits, Promotion, Recognition, and Working Condition

| Coefficients ^a | | | | | | | | |
|---------------------------|--------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 13.936 | 1.984 | | 7.024 | .000 | | |
| | Salary | .924 | .070 | .528 | 13.120 | .000 | .951 | 1.051 |
| | Benefits | .713 | .069 | .374 | 9.249 | .000 | .824 | 1.121 |
| | Promotion | .561 | .089 | .281 | 6.323 | .000 | .780 | 1.282 |
| | Recognition | .347 | .107 | .159 | 3.243 | .001 | .643 | 1.555 |
| | Working Conditions | .252 | .077 | .130 | 2.674 | .001 | .774 | 1.292 |

a. Dependent Variable: Employee Retention

Source: SPSS-output 2024

We can postulate the Model 1 as follows:

$$Y = 13.936 + 0.924X_1 + 0.713X_2 + 0.561X_3 + 0.347X_4 + 0.252X_5$$

Where Y = Employee Retention

X₁=Salary, X₂=Benefits, X₃=Promotion, X₄ = Recognition & X₅ = Working Condition

The analysis of the model's regression coefficients indicates that salary is the predominant factor in predicting or explaining employee retention, with a coefficient of 0.924 and a significance level below 0.05. Thus, since it has effect on employee retention, hypothesis **H1** is rejected. Similarly, the beta coefficient for Benefits, at 0.713 with a significance level below 0.05, also supports a positive and significant relationship. Therefore, as it has substantial effect, hypothesis **H2** is rejected.

Furthermore, the beta coefficient for Promotion, which is significant in explaining Employee Retention, stands at (0.561, $p < 0.05$). Likewise, the regression coefficient for Recognition also shows a positive and significant impact (0.347, $p < 0.05$), suggesting that both Promotion and Recognition are important factors in retaining employees. Since both effects employee retention, hypothesis **H3&H4** are rejected. Finally, Working Condition with a beta coefficient and p-value (0.252, $p < 0.05$) has a moderate effect. Hence hypothesis **H5** is rejected.

Table 4.16 Regression Analyses between components of Reward practice and Job Satisfaction

| Model Summary | | | | |
|---|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .787 ^a | .619 | .614 | 2.28328 |
| a. Predictors: (Constant), Salary, Benefits, Promotion, Recognition, and Working Condition | | | | |

| Coefficients ^a | | | | | | |
|---------------------------|------------|-----------------------------|------------|---------------------------|--------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.319 | .823 | | 4.034 | .000 |
| | Salary | .657 | .029 | .783 | 22.475 | .000 |
| | Benefits | .510 | .034 | .602 | 15.596 | .000 |
| | Promotion | .398 | .054 | .413 | 7.921 | .000 |

| | | | | | | |
|--|---------------------------|-------------|-------------|-------------|--------------|-------------|
| | Recognition | .341 | .044 | .321 | 5.172 | .000 |
| | Working Conditions | .291 | .032 | .213 | 3.333 | .001 |
| a. Dependent Variable: Job Satisfaction | | | | | | |

Source: SPSS-output 2024

Table 4.16's regression coefficient analysis indicates that Salary significantly predicts job satisfaction, as evidenced by a coefficient value of (0.65, p=0.000). Likewise, Benefits stand out as the most contributing variable in predicting job satisfaction, with a coefficient value of (0.51, p=0.000).

Moreover, the regression coefficients indicate that both Promotion (0.39, p=0.000) and Recognition (0.34, p=0.000) have a positive and significant relationship to job satisfaction. Conversely, the working condition is associated with positive and significant effect on job satisfaction, as evidenced by its regression coefficient (0.291, p=0.001). These findings align with Duchon's (2007) research, which indicates that Salary and Benefits significantly enhance job satisfaction, in contrast, Promotion and Recognition contribute to a moderate increase, while Working condition shows a relatively less yet notable effect. Therefore, hypothesis H6 is rejected.

Table 4.17 Regression Analyses between job satisfaction and employee retention

| Coefficients^a | | | | | | |
|--|-------------------------|------------------------------------|-------------------|----------------------------------|---------------|-------------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.878 | .098 | | 19.208 | .000 |
| | Job Satisfaction | .312 | .025 | .560 | 12.336 | .000 |
| a. Dependent Variable: Employee Retention | | | | | | |

Source: SPSS-output 2024

From Table 4.17's regression coefficient analysis, it is evident that the regression coefficient for job satisfaction is significant (0.312, p=.000), indicating a predictive relationship with employee retention. This observation is consistent with the findings of Ricardo S. (2020), reinforcing the notion that job satisfaction is a crucial factor in retaining employees.

Furthermore, this rejects the hypothesis **H7**, which posits job satisfaction has no effect on employee retention.

Table 4.18 Summary tested Hypothesis

| | Developed Hypothesis | B | t | Sig. | Test Result |
|-----------|--|----------|----------|-------------|--------------------|
| H1 | Salary has no effect on employee retention. | .924 | 13.120 | .000 | Rejected |
| H2 | Benefit has no effect on employee retention | .713 | 9.249 | .000 | Rejected |
| H3 | Promotion has no effect on employee retention. | .561 | 6.323 | .000 | Rejected |
| H4 | Recognition has no effect on employee retention | .347 | 3.243 | .001 | Rejected |
| H5 | Working conditions has no effect on employee retention. | .252 | 2.674 | .001 | Rejected |
| H6 | Reward practice has no effect on job satisfaction | .198 | 9.538 | .000 | Rejected |
| H7 | Job satisfaction has no effect on employee retention. | .312 | 12.336 | .000 | Rejected |
| H8 | Job satisfaction does not significantly mediate the effect of reward practice on employee retention. | .961 | 10.558 | .000 | Rejected |

4.7 Finding and Discussion

This study aimed to explore how Job Satisfaction serves as a mediator in the relationship between five facets of Reward practice (namely Salary, Benefits, Promotion, Recognition, and Working Conditions) and Employee Retention. The research applied the mediation analysis method developed by Baron and Kenny in 1986 to explore the role of Job Satisfaction as a potential mediator in this relationship.

The study's Descriptive Statistics revealed that employees of private banks in Addis Ababa place a high value on job satisfaction, perceiving it as important. As can be apparent from the analysis, the dominant aspect of reward practice that is prevalent in private banks is salary with a mean score of 3.60 followed by Benefits with a mean score of 3.49. Promotion and Recognition are followed the pecking order also important, with a mean score of 3.16 and 2.91, respectively. In contrast, working conditions followed the pecking order with a mid-low mean score of 2.61. Salary dominated reward practice means the private banks exhibit competitive compensation packages which include a comprehensive focus on pays, allowances, and bonuses, encompassing all forms of incentives provided to employees. Similarly, benefits, which is the second dominant reward practice, in the studied private banks focuses on providing advantages or positive compensation to employees beyond their regular salaries to attract and retain talented employees, recognizing that competitive benefits can be just as crucial as direct financial remuneration.

A regression analysis on how reward practices affect employee retention showed that reward practices account for 70.2% of the variance in retention rates. The analysis identified salary as the most influential reward practice, that is found to have the greatest regression coefficient, closely followed by benefits. These two factors significantly impact the effective retention of employees, which is characterized by their sense of belongingness to the company. Employees who are well-retained tend to align their identity with the company's ethos. This symbiotic relationship can lead to a more harmonious work environment and a deeper commitment to the organization's goals. As employees feel more connected to the company, their sense of belonging and loyalty tends to increase, benefiting both the individual and the organization.

According to Michael, B, (2016), effective retention is influenced by competitive pay, extensive benefits, work-life balance, transparent management, team cohesion, fairness, personal growth, regular feedback, engagement, and reliability.

The regression analysis indicates that reward practice on Job Satisfaction demonstrated that 78.7% of the variation in job satisfaction is predicted by reward practice. Notably, salary and benefits emerge as the most significant reward factors affecting job satisfaction. Meanwhile, promotion and recognition are moderately significant factors influencing job satisfaction. Conversely, the correlation between working conditions and overall job satisfaction is relatively lower, yet still remarkable. This suggests that a well-rounded salary and benefits, encompassing both financial incentives like wages, compensations, commissions, and bonuses, as well as non-financial benefits such as health insurance, retirement schemes, and vacation days, is predictive of job satisfaction levels among employees in the studied private banking sectors.

The study finding revealed that the effect of Salary on employee retention is positive and significant. Hence, the study rejects hypothesis 1 (**H1**) that states salary has no effect employee retention. The result is therefore in tandem with the findings of (Anis et al., 2011, Trevor et al., 1997, Azasu, 2009, Iqbal et al., 2017, Michael, 2016).

The result of the study further attested that the effect of benefits on employee retention is positive and significant. Hence, this rejects hypothesis 2 (**H2**) that states benefits have no effect on employee retention and agrees with the previous study of Iqbal et al., (2017) confirmed that retention is very high in salary and benefits reward variables compared to promotion, recognition and working condition.

The correlation analysis showed that there is a positive and significant relationship between Promotion and employee retention. This disagrees with hypothesis 3 (**H3**) and supports a previous finding of O'Connor et al. (2019). The correlation analysis showed that recognition influences employee retention. This disagrees with hypothesis 4 (**H4**) and supports a previous finding of Khan (2011).

The research results indicate that the effect of working conditions on employee retention is positive and significant, which the finding rejects hypothesis 5 (**H5**) of the study. This suggests that factors other than working conditions such as competitive salaries, work-life balance, and career progression opportunities play a more critical role in influencing an employee's decision to stay with an organization.

The finding supports Msengeti & Obwogi (2015) claims that employee retention is more influenced by factors such as salary, benefits, promotions, and recognition, rather than working conditions alone. This indicates that while the work environment is important, other aspects are considered more significant when it comes to retaining staff.

The correlation analysis revealed that reward practices have effects on job satisfaction. The findings of the study reject hypothesis 6 (**H6**), which claims that reward practices have no effect on job satisfaction. The results align with prior research conducted by Galanou, E., et al. (2010), Arokiasamy and Abdullah (2013), Danish, & Usman (2010). and Akafo and Boateng (2015).

The analysis demonstrated job satisfaction has a strong and positive effect on employee retention (0.631, $p=0.000$). This evidence disagrees with Hypothesis 7 (**H 7**), which posits job satisfaction has no effect on employee retention. Moreover, this result is consistent with the pivotal research of Khan et al. (2016), Wright and Bonett (2007), Ricardo (2020), Terera and Ngirande (2014), and Ankita & Kanchan (2016), further cementing its validity.

Regarding the mediation effect of job satisfaction between reward practices and employee retention, the findings indicated that job satisfaction plays a partially mediating role on the effect of reward practice on employee retention. Thus, this rejects Hypothesis 8 (**H8**), which claims that job satisfaction doesn't mediate the effect of reward practice on employee retention.

CHAPTER FIVE

SUMMARY, CONCLUSION, RECOMMENDATION AND FUTURE RESEARCH AREA

5.1. Summary

This chapter provides a concise summary and conclusion that aligns with the findings of the study, offering recommendations for the management of private banks and other relevant parties. Furthermore, the comprehensive results of the research will identify potential avenues for future investigation.

The study was conducted by distributing 380 survey questionnaires in hard copy, out of which 335 were completed and returned. This represents a 90% response rate, providing a solid basis for analysis. Of the respondents, 57.6% were male and 42.4% were female. The reliability of the questionnaires on reward practices, job satisfaction, and employee retention was evaluated, with Cronbach alpha coefficients of 0.892, 0.921, and 0.731 respectively, indicating a satisfactory level of reliability for the study's measures.

The gathered data was analyzed with IBM's SPSS Software, version 20, for Social Science statistics. Hypotheses were tested using regression analysis, preceded by correlation analysis and key diagnostic tests to check normality, linearity, multicollinearity, and homoscedasticity. Preliminary test outcomes indicated no significant breaches of these assumptions.

The results of the hypothesis testing indicated that salary has a positive and significant impact on employee retention. Similarly, benefits also demonstrated a positive and significant impact on retaining employees. Furthermore, promotion and recognition positively and significantly correlate with employee retention, which unaligned with hypotheses H1, H2, H3, and H4. Conversely, working conditions were found to have a positive and significant influence on employee retention, which rejects hypothesis H5. Furthermore, the influence of reward practices on job satisfaction and the subsequent impact of job satisfaction on employee retention were both positive and significant, thus nullifying hypotheses H6 and H7 respectively.

In terms of job satisfaction intervening or mediating role in the effect of reward practices on employee retention, the results showed that job satisfaction had a partial mediating role in this effect relationship. Thus, the outcome is inconsistent with H8.

5.2. Conclusion

The study rigorously assessed the influence of reward practice primarily salary, benefits, promotions, recognition, and work condition, on employee retention. Additionally, it explored how job satisfaction mediates the relationship between these reward practices and employee retention in Addis Ababa private banking sector. The study's findings led to several conclusions, which were drawn in line with the research objectives.

- ❖ As can be apparent from the analysis, the predominant reward practice that is prevalent in private banks is Salary with a mean score of 3.60 and closely followed by benefits with mean score of 3.49. Promotion and recognition followed in the pecking order with a mean score of 3.16 and 2.91 respectively. Conversely, Working condition less dominant with mean score of 2.61. Salary dominated reward practice means the private banks exhibit competitive compensation packages which include a comprehensive focus on pays, allowances, and bonuses, encompassing all forms of incentives provided to employees. Similarly, benefits, which is the second dominant reward practice, in the studied private banks focuses on providing advantages or positive compensation to employees beyond their regular salaries to attract and retain talented employees, recognizing that competitive benefits can be just as crucial as direct financial remuneration. Salary and benefits are the most principal factors in predicting or explaining employee retention, with high regression coefficients (0.924, $p=0.000$) and (0.713, $p=0.000$). Following these, promotion and recognition also play a substantial role, though less than salary and benefits, in predicting employee retention, as indicated by their coefficients (.561, $p=0.000$) and (0.347, $p=0.001$). Working conditions have mid-low impact on employee retention within private banks, evidenced by a smaller, yet statistically significant, regression coefficient (.252, $p=0.01$).

- ❖ Among the five reward practices, salary and benefits are found to have a significant coefficient and is the primary predictor of job satisfaction and has the highest regression coefficient in predicting employee retention. This claim presupposes that employees will be happy and opt to retain when they perceive their salary and benefits as equitable and just, it enhances their organizational commitment and identification. This, in turn, can lead to increased job satisfaction, lower turnover rates, and a more harmonious workplace environment. For organizations, understanding the impact of salary and benefits on employee attachment is crucial for developing effective compensation strategies that support both employee well-being and organizational objectives. Therefore, when salary and benefits are emphasized by private banks, it can be expected that employee job satisfaction and their commitment to stay will increase.
- ❖ The study's findings indicate a positive and significant correlation between reward practices and employee retention. It suggests that enhancing reward practices within an organization leads to an increase in employee retention rates. Essentially, when companies improve their reward systems, they are likely to see a boost in their employees' commitment and longevity.
- ❖ The study's findings confirmed that the effect of the reward practice on employee job satisfaction is positive and significant. It was observed that employees in private banks place high importance on job satisfaction and perceive it strongly. The data suggests that enhancements in reward practices are likely to lead to heightened levels of employee satisfaction.
- ❖ The results of the study indicated that the effect of job satisfaction on employee retention is positive and significant. This indicates that it is apparent that employee satisfaction will lead to their retention to the organization.
- ❖ The study's findings established that the relationship between reward practice, job satisfaction and employee retention is positive and significant. This indicates that when there is favorable reward in the organization it leads to job satisfaction and ultimately employee retention.
- ❖ The result of the study confirmed that job satisfaction partially mediates the relationship between reward practice and employee retention. This proved that job satisfaction has an indirect or intervening effect in the relationship between reward practice and employee retention.

5.3. Recommendations

The conclusion of the study highlights that the employees of the studied private bank in Addis Ababa have indicated that next to salary and benefits, promotion, recognition and working conditions are prevalent within the banking industry. It emerges that while a competitive pay and benefits package is fundamental to employee satisfaction and loyalty, elements like recognition, advancement opportunities, and work environment are also influential in augmenting these sentiments. Therefore, it is imperative for private banking institutions to enhance their reward systems to elevate employee satisfaction and fortify loyalty.

The study indicates a clear, positive link between reward practice, job satisfaction and employee retention. It suggests that concerned private bank management could employ various methods, strategies, and policies to maintain their workforce by actively assessing and responding to employee needs. Consequently, the study leads to the proposition of several recommendations based on its findings and analysis.

- A company should maintain a competitive salary structure, ensuring timely and justifiable salary increases that reflect an employee's performance and contributions. This should be balanced with the organization's financial health and aligned with the prevailing economic conditions of the country. Moreover, equitable and impartial assessment methods are essential to determine salary adjustments for the workforce.
- Design a career advancement program aimed at boosting employee satisfaction and loyalty by implementing diverse incentive strategies. Conduct evaluations to identify any training necessities within each department, and then craft a tailored program that addresses these priorities, ensuring it is delivered by capable individuals from within the department. Moreover, enhance the employee incentive framework to empower managers to acknowledge and reward outstanding contributions. Lastly, revamp the performance evaluation process to include feedback from employees on their manager's performance.
- Launch a proactive employee feedback mechanism to consistently evaluate employee sentiments and viewpoints. Establish dedicated teams to tackle the concerns identified through the feedback. Moreover, promote broad-based involvement in all stages of strategic planning by improving the employee suggestion program, taking cues from successful models implemented in other organizations.

- As indicated by the findings above, job satisfaction plays a crucial role in mediating the relationship between reward practice and employee retention. It suggests that private banks should prioritize enhancing their employees' job satisfaction levels through improved salary and benefits schemes. Such initiatives in the private banking sector are essential to ensure employees remain committed to their bank.

5.4 Future Research Areas

- ✓ The study's scope could be enhanced by incorporating moderating variables. Subsequent research may explore the use of various intervening variables that align with the reward practices prevalent in the area. This approach can provide a more nuanced understanding of the relationship between reward systems and their outcomes.
- ✓ This research utilized a comprehensive job satisfaction survey consisting of five items, originally employed by Judge et al. (1998) and derived from Brayfield and Rothe (1951). While this study did not incorporate facet-based job satisfaction measures alongside this universal type of question, subsequent research could benefit from integrating both the approaches.
- ✓ The present research was conducted through a cross-sectional study. Future researchers could consider employing a longitudinal approach, observing employee perceptions over various time points. This method may yield more robust findings and reveal potential variations from the results of this study.
- ✓ In this study, the mediation analysis followed the Barron and Kenny (1986) approach. Nonetheless, the results shall be validated using other methods such as Structural Equation Modeling (SEM).
- ✓ The scope of this study was confined to private banks within Addis Ababa, utilizing a modest sample size. To enhance the representativeness and applicability of the results, future research could expand the sample size and include participants from various regions across Ethiopia. This broader approach would provide a more comprehensive understanding of the banking sector throughout the country.

- ✓ To enhance the robustness of the study's outcomes, a multi-case approach can be recommended. This method will allow for a more comprehensive examination of the findings by incorporating multiple instances that reflect different scenarios or variables. Such an approach not only solidifies the results but also broadens the scope and applicability of the research.

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APPENDIX

APPENDIX I

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

RESEARCH PROJECT QUESTIONNAIRE FOR FULFILLMENT OF MBA IN MANAGEMENT

Dear Respondent:

My name is Hiwot Shifa, and I am pursuing an MBA in Management at Addis Ababa University. This research is part of the requirements for obtaining my Master of Business Administration degree and aims to examine how reward practices and job satisfaction affect employee retention in three private Ethiopian banks: Dashen, Lion and Bunna. This study aims to identify the main factors of reward practice and job satisfaction that influence the retention of employees in private banks. It will also assess how well the banks perform on these factors. The findings will help the banks' management to design and implement effective retention strategies based on the needs and preferences of their employees.

This questionnaire is for academic purposes only and your answers will be treated with utmost confidentiality. The quality and the validity of the results depend largely on your truthful and sincere responses. I appreciate your precious time and cooperation!

Note:

- To indicate your agreement with each statement, please check the box with a "√" symbol.
- You do not have to provide your name or any other personal information.

Part I: Demographic Information

1. Age: 18-25 26-35 36-45 Above 45

2. Gender: Male Female

3. Marital Status: Single Married Divorced Widow

4. Highest Educational Achievement:

- College Diploma Bachelor's degree Second Degree (MA, MSc., MBA)
 Other _____

5. For how long have you been in the organization?

- 1-5 6-10 11-15 Above 15

Part II: Reward Practice

1. How would you rate the following reward practices currently provided by the company?

| | Very poor | Poor | Average | Good | Very good |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Salary | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Benefits | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Promotion | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| recognition | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| working condition | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

2. For each statement below, please mark a "√" in the column that best reflects your level agreement in the table below. If you have any questions, please feel free to ask.

| No | Item | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|----|--|-------------------|----------|---------|-------|----------------|
| | | 1 | 2 | 3 | 4 | 5 |
| | Salary | | | | | |
| A | The bank's salary scale is attractive compared with its competitors. | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| B | My salary is enough to satisfy my needs. | | | | | |
| C | Salary adjustment is made according to the current market | | | | | |
| D | My salary is internally comparable to that of my colleague with similar expertise and responsibilities. | | | | | |
| | Benefits | | | | | |
| A | Benefit packages are attractive compare with others company in the industry | | | | | |
| B | The bank's medical coverage and bonus policy is good as compared its competitors. | | | | | |
| C | I am rewarded enough compared with other employees' work for competitors. | | | | | |
| D | I am satisfied with long term benefit and insurance policies of the company | | | | | |
| | Promotion | | | | | |
| A | Promotion is carried out fairly & transparently in the company | | | | | |
| B | Employees have equal opportunity for their carrier advancement as those employees who works for competitors. | | | | | |
| C | Company's promotion practices strongly consider the level of my performance | | | | | |
| D | I am motivated with the bank promotion policy & procedures | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| | Recognition | | | | | |
| A | I am fairly recognized for my good performance. | | | | | |
| B | My work is appreciated and valued by others. | | | | | |
| C | The company follows appropriate and timely procedures for acknowledging contributions. | | | | | |
| D | Employee recognition is accompanied with some rewards | | | | | |
| | Working conditions | | | | | |
| A | I have a comfortable and efficient work environment. | | | | | |
| B | I have a fair and manageable workload. | | | | | |
| C | I have smooth and positive work relationship with managers & co-workers. | | | | | |
| D | The workspaces are designed and arranged to facilitate the tasks efficiently. | | | | | |

Source: Teseena & Soeters (2006)

Part III. Job Satisfaction

The following questions are about employees' job satisfaction. Kindly indicate the degree of your agreement/disagreement by putting '√' mark on the number that best describes your view.

| No | Item | Strongly Disagree | Disagree | Neither Agree nor Disagree | Agree | Strongly Agree |
|----|--|-------------------|----------|----------------------------|-------|----------------|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | At this very moment, I am enthusiastic about my work | | | | | |
| 2 | Right now, I feel fairly satisfied with my present Job | | | | | |
| 3 | At present, each minute at work seems like it will never end R* | | | | | |
| 4 | At this moment, I am finding real enjoyment in my work | | | | | |
| 5 | I consider my job rather unpleasant R* | | | | | |

R*Indicates reverse scored.

Source: Judge et al. (1998) adapted from Brayfield and Rothe (1951)

Part IV: Employee Retention

The next questions are about employees' retention to the organization. Kindly indicate the degree of your agreement/disagreement by putting '√' mark on the number that best describes your view.

| No | Item | Strongly Disagree | Disagree | Neither Agree nor Disagree | Agree | Strongly Agree |
|----|--|-------------------|----------|----------------------------|-------|----------------|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | I am very satisfied with my organization and intend to stay with the organization because the pay is attractive. | | | | | |
| 2 | I am very happy and comfortable with my organization because its benefits packages are alluring and meet my expectations. | | | | | |
| 3 | I have no intension to leave the organization soon because the existing promotion system is effective, and I believe I have a chance to advance. | | | | | |
| 4 | I will not leave this organization because it motivates me to receive recognition for my success. | | | | | |
| 5 | I am very committed to this organization, and I think I will never leave this organization because there are safe and secure working environments. | | | | | |

Source: Imna & Hassan (2015)

APPENDIX II

Regression output of components of Reward practice and Employee Retention

Model Summary

| Model | R | R Square | Adjusted Square | R | Std. Error of the Estimate |
|-------|-------------------|----------|-----------------|---|----------------------------|
| 1 | .702 ^a | 0.492 | 0.486 | | 5.50541 |

a. Predictors: (Constant), Salary, Benefits, Promotion, Recognition and working condition

ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 9700.561 | 4 | 2425.14 | 80.012 | .000 ^b |
| | Residual | 10002.157 | 330 | 30.31 | | |
| | Total | 19702.718 | 334 | | | |

a. Dependant Variable: EmployeeRetention

b. Predictors: (Constant), Salary, Benefits, Promotion, Recognition and working condition

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 13.936 | 1.984 | | 7.024 | .000 |
| | Salary | .924 | .070 | .528 | 13.120 | .000 |
| | Benefits | .713 | .069 | .374 | 9.249 | .000 |
| | Promotion | .561 | .089 | .281 | 6.323 | .000 |
| | Recognition | .347 | .107 | .159 | 3.243 | .001 |
| | Working condition | .252 | .077 | .130 | 2.674 | .001 |

a. Dependant Variable: EmployeeRetention

Regression output of components of Reward Practice and Job Satisfaction

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistic | | | | |
|-------|-------------------|----------|-------------------|----------------------------|------------------|----------|-----|-----|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .781 ^a | 0.611 | 0.606 | 0.55421 | 0.611 | 129.435 | 4 | 330 | 0.000 |

a. Predictors: (Constant), Salary, Benefits, Promotion, Recognition and working condition

ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1 | Regression | 159.024 | 4 | 39.756 | 129.435 | .000 ^b |
| | Residual | 101.36 | 330 | 0.307 | | |
| | Total | 260.384 | 334 | | | |

a. Dependant Variable: JobSatsfaction

b. Predictors: (Constant), Salary, Benefits, Promotion, Recognition and working condition

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.319 | .823 | | 4.034 | .000 |
| | Salary | .657 | .029 | .783 | 22.475 | .000 |
| | Benefits | .510 | .034 | .602 | 15.596 | .000 |
| | Promotion | .398 | .054 | .413 | 7.921 | .000 |
| | Recognition | .341 | .044 | .321 | 5.172 | .000 |
| | Working condition | .291 | .032 | .213 | 3.333 | .001 |

a. Dependant Variable: JobSatsfaction

Regression output of Job Satisfaction and Employee Retention

| Coefficients^a | | | | | | | | |
|---------------------------------|-----------------|-----------------------------|------------|---------------------------|--------|------|---------------------------------|-------------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B | |
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound |
| 1 | (Constant) | 1.878 | 0.098 | | 19.208 | 0 | 1.685 | 2.07 |
| | JobSatisfaction | 0.312 | 0.025 | 0.56 | 12.336 | 0 | 0.262 | 0.362 |

a. Dependent Variable: EmployeeRetention