Employee Demographic Characteristics and Their Effects on Turnover and Retention in MSMEs

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Abstract

Employee retention is one of the challenging issues faced by corporate leaders in any industry as the performance of any business unit depends on its employees. The ability to retain talented and committed employees contributes significantly to the success of the business. As employees are important, so is employee retention an important factor for all companies, especially the small businesses. In Micro, Small and Medium Enterprises, the skills of employees are the key human capital for efficient operations of the business. Therefore, the need for designing effective retention strategies arises. If the talent of the employees is retained and rewarded, the problem of turnover can be minimized. This study makes an attempt to analyze the various employee demographic characteristics and their effects on turnover and retention in MSMEs. The objectives of the study are to investigate the major factors that affect employee retention in MSMEs, to examine the relationships between the demographic variables and retention of employees and to identify the negative effects of voluntary turnover of key employees on MSMEs. Descriptive research approach has been followed and data was collected from 120 MSMEs randomly selected from the cotton textile, agro, jute and leather based sectors in Kancheepuram District through a structured questionnaire. To examine the hypotheses of the study, regression and chi-square analyzes were employed for analyzing the study variables. The findings reveal that retention factors are strongly associated to different demographic characteristics. Further, voluntary turnover of key employees have a number of adverse consequences for MSMEs, including, lowered productivity and profitability. It is therefore concluded that increasing job satisfaction, providing good working environment and career development opportunities, increasing recognition and rewards are some of the strategies that can help minimize the turnover rate.

Keywords: MSMEs, Demographic Characteristics, Employee Retention, Employee Turnover.
JEL Classification: C 19, G13, G 14
1. Introduction

The Micro, Small and Medium Enterprise sector in India has consistently registered higher growth rate as compared to other industrial sectors. This sector is noted for its employment potential at low capital cost and the labour intensity is estimated to be higher than the larger enterprises. However, the sector is faced with employee retention challenges, as they are always competing for the best talent employees (Porter 2001).

Employee retention is an important factor for all companies, especially the small businesses in the course of their operations, since attracting, training, retaining and motivating employees are the critical success determinants for today’s organization. Essentially, more organizations are now realizing that retention is a strategic issue and represents a competitive advantage (Walker 2001).

Employee retention levels depend, in part on the people who are hired, why they are hired, and how they are managed (Dibble, 1999, Herman, 1999; Kaye and Jordan-Evans, 1999). A successful MSME also depends on its team of committed and productive employees working with it.

The skill of an employee is therefore the key human capital to operate the business efficiently and has to be retained for the development of the organization. Moreover, when skilled employees leave a company, they can take a lot of know-how with them, and thus the company is at risk of losing confidential information to competitors (Frank et al. 2004; Walker 2001). Easton and Goodale (2002) reveal that a host of direct and indirect costs arise from the wake of each employee who voluntarily leaves an organization. The turnover of talented employees constitutes the loss of a valued employee and costs such as recruitment, training and general administration are incurred that subsequently hinder MSMEs growth and success. Also, according to Dess and Shaw (2001), turnover results can have direct and indirect, tangible and intangible costs and a loss of social capital, which may impact organizational success.

1.1 Meaning of MSMEs

The Micro, Small and Medium Enterprises Development (MSMED) Act which was enacted in 2006 by Government of India defines MSMEs as follows:

<table>
<thead>
<tr>
<th>Table 1: Classification of MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Manufacturing Enterprises- Investment in Plant and Machinery</strong></td>
</tr>
<tr>
<td>DESCRIPTION</td>
</tr>
<tr>
<td>Micro Enterprises</td>
</tr>
<tr>
<td>Small Enterprises</td>
</tr>
<tr>
<td>Medium Enterprises</td>
</tr>
</tbody>
</table>

| **B) Service Enterprises- Investment in Equipment** |
| DESCRIPTION | INR |

www.globalbizresearch.org
Micro Enterprises | up to INR 10 lakhs
---|---
Small Enterprises | above INR 10 lakhs and up to INR 2 crores
Medium Enterprises | above INR 2 crores and up to INR 5 crores

Source: Ministry of MSME

(A) Manufacturing Enterprises are those Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

1. A Micro Enterprise -- is an Enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
2. A Small Enterprise -- is an Enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and
3. A Medium Enterprise -- is an Enterprise where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crore.

(B) Service Enterprises are those Enterprises engaged in providing or rendering of services and whose investment in equipment as specified below;

1. A Micro Enterprise -- is an Enterprise where the investment in equipment does not exceed Rs. 10 lakh;
2. A Small Enterprise -- is an Enterprise where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2 crore; and
3. A Medium Enterprise -- is an Enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

MSMEs face difficulties in retaining employees for a number of reasons. The present study builds on existing research on employee turnover and retention and therefore, makes an attempt to analyze the various employee demographic characteristics and their effects on turnover and retention in MSMEs. Given the phenomenal growth of the Indian MSME sector over the years, it is important for the owners/managers to understand, predict and control employee turnover.

2. Literature Review

(A) Retention/Turnover Factors

Employee turnover as defined by Reggio (2003) refers to the movement of employees out of an organization. Turnover of employees has both short and long-run negative effects for the organization. This affects teamwork, raises costs, reduces productivity, and results in lost knowledge. According to Holzer and Wissoker (2001), turnover appears to reflect significant work place problems, rather than opportunities for advancement into better jobs. Management should therefore recognize the need for employee retention practices.

Numerous studies have indicated that micro, small and medium enterprises have been a pivotal instrument of economic growth and development in both developed and developing economies. However, labour turnover has had a greater impact on the survival of these MSMEs. A study by Booth and Hamer (2007) found that labour turnover is related to a variety of
environmental factors and organizational factors such as company culture and values, supervisory style, fair pay, corporate value, giving support to each other, trust and respect between employees, manageable workload, development and career building satisfaction and degree of job satisfaction.

Employee turnover affects both workers and firms. Workers experience disruption, the need to learn new job-specific skills and find different career prospects (Chow et al. (1999), Tran and Perloff (2002), Roy (2002), Theodossiou (2002), Gautier et al. (2002), Taplin et al. (2003), Clark (2004) and Leuven (2005)). Firms, on the other hand, lose job-specific skills, suffer disruption in production and incur the costs of hiring and training new workers. Incoming workers, however, may be better educated, more skilled and have greater initiative and enthusiasm than those who leave. This has affected survival not only for small firms but large one as well. Turnover is a symptom of ineffective retention management, therefore, the first step for all MSMEs is to understand that effective human resource management must reach beyond merely attracting quality staff and discover what motivates employees’ overtime. This is important for any retention programme.

From the review of previous studies, it is found that human resource management play pivotal role in employee’s retention. Human resource management practices in compensation and rewards, job security, training and developments, supervisor support culture, work environment and organization justice can help to reduce absenteeism, employee retention and better quality work. Moreover, other studies suggest several factors which enhance and play pivotal role in employee retention. Shore and Griffeth (2003) in their study explored that turnover intentions represented a reliable indicator of actual turnover and were heavily influenced by job satisfaction. Reggio (2003) also concluded from literature review that it is important that organizations strive to keep employees satisfied. Other studies by Allen and Griffeth (2001), Allen et al. (2003), and Chiu and Francesco (2003) have shown that job satisfaction is a strong predictor of turnover intentions. Finally, Greenberg and Baron (2003) concluded that naturally, as working people, we all want to be satisfied with our jobs.

According to Cappelli (2000), career opportunities, work environment, work life balance, Organizational justice, and existing leave policy and organization image are the factors which have direct impact on retention. In a study by Walker (2001), he identified seven factors that can enhance employee retention, these are: (i) compensation and appreciation of the performed work, (ii) provision of challenging work, (iii) chances to be promoted and to learn, (iv) invitational atmosphere within the organization, (v) positive relations with colleagues, (vi) a healthy balance between the professional and personal life, and (vii) good communications.

Some studies have indicated that a set of workplace norms and practices might be taken as inviting employee engagement. Hytter (2007) found that the personal premises of loyalty, trust,
commitment, and identification and attachment with the organization have a direct influence on employee retention. Workplace factors such as rewards, leadership style, career opportunities, the training and development of skills, physical working conditions, and the balance between professional and personal life have an indirect influence (Hytter 2007).

Based on these studies, six human resource management practices were selected as some of the major factors that affect employee retention and turnover which are:

- Supervisor support
- Employee communication
- Compensation, recognition and rewards
- Work environment
- Career development opportunities

These practices are all important, when dealing with employee retention in MSMEs.

(B) Demographic Factors

The reviews of literature of demographic factor variables that have been found to have stable relationship with retention and turnover intentions are age, gender, tenure, education and income levels. These have influenced employee retention and turnover overtime. Demographic factors have been chosen because they have an influence on employee retention strategies. Several studies in which demographic factors have been employed to investigate job satisfaction and job attitudes have shown that they are strong predictors of turnover intentions (Furnham et al. 2009; Kavanaugh et al. 2006; Ng and Sorensen 2008; Schroder 2008).

The most studied and the most consistent in its relationship to turnover is the employee’s age. This was revealed in a study by Ahuja et al (2007) on the IT industry in India. They found that age had a modest but significant effect on turnover intention. There are different perceptions of job satisfaction and motivation across the age spectrum. In their separate studies on retention of healthcare professionals, they found younger nurses had lower levels of job satisfaction while the older age group of 40 and above had higher levels of job satisfaction (Griffeth et al. 2000; Kavanaugh et al. 2006; Wilson et al. 2008). A meta-analysis by Borman and Dowling (2008) in their study on teacher attrition and retention, they indicated that those who are 51 years of age or older are nearly 2.5 times more likely to quit teaching than teachers who are 50 or younger.

With respect to years of service, Ng and Sorensen (2008) reported that employees with higher tenure may have familiarity with their work role and have reached a higher level of career attainment than those employees with lower tenure. On the other hand, a further study conducted by Kavanaugh et al. (2006) revealed that nurses with different levels of tenure are not motivated to remain with an organization by the same incentives. Moreover, in a study by
Crawley (2005) on the military, he reported that women with five to eight years of service are most likely to leave.

A descriptive statistics reported by Luekens et al. (2004) suggests most clearly that retained employees are more likely to be male than female. In a related study, Ingersoll (2001) found males were slightly more likely than females to stay.

Aside age and gender, level of education or qualification is found to be positively associated with turnover suggesting that the more educated employees are, the more likely they are to quit.

With marital status, Crawly (2005) in his study found that for single officers without children, 58 percent of men and 53 percent of women said they intended to remain in uniform. This concludes that married employees have higher intention to leave due to family commitment than unmarried employees.

Higher income levels are significant for employees to be retained. A large number of studies have examined the relationship between pay and retention and have found a consistent association between larger teacher salaries and lower rates of attrition (Kelly, 2004; Stockard and Lehman, 2004; Johnson and Birkeland, 2003; Ingersoll, 2001).

The demographic characteristics chosen for the study based on the literature review are:

- Gender
- Age
- Marital status
- Qualification
- Income
- Years of service

It could be seen that these have the most impact on retention and turnover of employees, hence the need to be included for this study.

3. Methodology

As the aim of this descriptive study was threefold, therefore, a systematic and organized methodology was obtained for the research study. The descriptive research design and the simple random sampling method were used to collate data from a total of 120 respondents selected from the cotton textile, agro, jute and leather based sectors in Kancheepuram District. The primary data were collected through open-ended and closed questionnaire surveys. Regression analysis and chi-square test were also employed for the analyses. In analyzing the relationship between the demographic variables and the retention factors, the following hypotheses were constructed to explore the relative impact of the independent variables on the dependent variable. The research hypotheses are as follows;
H1: Gender of employees has a strong association with retention.  
H2: Age of employees has a strong association with retention.  
H3: Qualification of employees has a strong association with retention.  
H4: Income of employees has a strong association with retention.  
H5: Years of service of employees has a strong association with retention.  

Regression analysis has been used to measure the impact of dependent variable on the independent variables. The multiple regression model for the analysis used is as follows:  
\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 \ldots \ldots \ldots \ldots (1) \]

Where, Y is retention (dependent variable)  
\( \alpha \) is Y incepts  
\( \beta_1-5 \) are the regression coefficients  
X1 is Gender  
X2 is Age  
X3 is Qualification  
X4 is Income  
X5 is Years of service  
Y (retention) = \( \beta_1 \)Gender + \( \beta_2 \)Age, \( \beta_3 \)Qualification + \( \beta_4 \)Income + \( \beta_5 \)Years of service \ldots (2)

The independent and dependent variables were further tested using Chi-square test with the confidence level of 95% and the significance level of 5% respectively.

3.1 Research Questions

This study seeks to investigate the major factors that affect employee retention in MSMEs, to examine the relationships between the demographic variables and retention of employees and lastly, to identify the negative effects of voluntary turnover of key employees on MSMEs. In this regard, the study addresses the following research questions:

1. What major factors most affect the decisions of employees to be retained in MSMEs?
2. What is the relationship between the employee demographic characteristics (gender, age, marital status, qualification, income, and years of service) and employee retention?
3. What are the challenges faced by MSMEs as a result of employee turnover?

3.2 Modeling Volatility

In this study, the employee commitment model proposed by Veldman (2003) which explains the relationship of various factors that affect the propensity of an employee to stay or leave an organization is considered. This model is given in Figure 1 below:
The model describes the various retention/turnover dimensions (Employer of Choice, Organizational climate and culture, Job Satisfaction, and Employee Well-being) and their impact on the individual’s decision to stay/leave the company. According to Veldman’s employee commitment model, an individual employee in the first instance has certain aspect regarding his/her organization as an Employer of Choice which influence his/her decision whether to join and/or continue within the company. The propensity to stay or to leave is further affected by Organizational climate and culture, Job Satisfaction, and Employee Well-being. Organizational climate and culture reflects how the individual engages with the macro work setting. Job Satisfaction indicates the micro (or immediate) work setting engagement of the employee. Employee Wellbeing is found between Organizational climate and Job Satisfaction. This positioning indicates the positive and/or negative responses of the employee to his/her total work setting. The decision to stay or leave according to Veldman’s employee commitment model is further determined by the individual's ability to pursue and find alternative employment opportunity and the prevailing market situation facing the individual (such as a favorable or unfavorable supply/demand for labor or the dominant economic climate).

Based on the Veldman’s employee commitment model, a basic retention/turnover model is developed for this study. This a modification made to Veldman’s employee commitment model. This gives a clearer and more lucid pictorial framework of both the employee demographic characteristics and some of the major factors resulting in employee retention and turnover. This model is shown in Figure 2:
The above figure clearly illustrates the employee demographic characteristics as gender, age, education, marital status and years of service along with some of the major factors that affect employee retention and turnover which are supervisor support, employee communication, compensation, recognition and rewards, work environment, career development opportunities and finally resulting in either retention or turnover. Employee retention and turnover are influenced by numerous contextual and demographic variables which are features of the work context as well as the demographics of the job holder.

3.3 Data

MSMEs’ employees were the main respondents of this study because the aim was to analyze the various employee demographic characteristics and their effects on retention in MSMEs and how owners/managers could understand, predict and control employee turnover. The data collected for the study centered on what retains and causes turnover of employees in MSMEs. A total of 120 respondents were included in this study. Both primary and secondary data were collected. The sample size of 120 was believed to be a fair representation of the population because most of the previous related studies on MSMEs used a sample ranging from 60-500. For example, in a study by Sanda et al (2011) on “managerial competence and non-performance of small firms in a developing economy”, 72 questionnaires were administered on MSME executives.

The primary data were collected through questionnaires. The questionnaire had three sections; Section A sought background information of the respondents while section B explored the challenges of employee retention. Section C entailed questions on employee retention strategies. As the foundation of this research is based on the responses, the questionnaires were distributed among the employees who were selected to participate in the study. Accordingly, the small businesses selected for the sample employed less than 40 employees. Equal importance was given to all four types of MSMEs in the collection of data by selecting 30
respondents from each as sample. In addition, the research used secondary data sources such as publications, journals and books from management and human resources magazines and online services. Descriptive and inferential statistical analyses were performed using SPSS version 17. The data collection period was from September, 2013 to November 2013.

4. Results and Discussion

Descriptive Data Analysis

<table>
<thead>
<tr>
<th>Demographic Factors</th>
<th>Labels</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender</td>
<td>a. Male</td>
<td>66</td>
<td>55.0</td>
</tr>
<tr>
<td></td>
<td>b. Female</td>
<td>54</td>
<td>45.0</td>
</tr>
<tr>
<td>2. Age</td>
<td>a. 18-25 years</td>
<td>15</td>
<td>12.5</td>
</tr>
<tr>
<td></td>
<td>b. 26-33 years</td>
<td>35</td>
<td>29.2</td>
</tr>
<tr>
<td></td>
<td>c. 34-41 years</td>
<td>30</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td>d. 42-49 years</td>
<td>26</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>e. 50 years and above</td>
<td>14</td>
<td>11.7</td>
</tr>
<tr>
<td>3. Qualification</td>
<td>a. Graduate</td>
<td>22</td>
<td>18.3</td>
</tr>
<tr>
<td></td>
<td>b. Post Graduate</td>
<td>16</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td>c. Professional</td>
<td>44</td>
<td>36.7</td>
</tr>
<tr>
<td></td>
<td>d. Others</td>
<td>38</td>
<td>31.7</td>
</tr>
<tr>
<td>4. Income</td>
<td>a. Below Rs. 10,000</td>
<td>19</td>
<td>15.8</td>
</tr>
<tr>
<td></td>
<td>b. Rs.10,000 - 19,000</td>
<td>20</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>c. Rs.20,000 - 29,000</td>
<td>36</td>
<td>30.0</td>
</tr>
<tr>
<td></td>
<td>d. Rs.30,000 - 39,000</td>
<td>19</td>
<td>15.8</td>
</tr>
<tr>
<td></td>
<td>e. Above Rs.40,000</td>
<td>26</td>
<td>21.7</td>
</tr>
<tr>
<td>5. Years of service</td>
<td>a. Below 1 year</td>
<td>32</td>
<td>26.7</td>
</tr>
<tr>
<td></td>
<td>b. 1 – 4 years</td>
<td>41</td>
<td>34.2</td>
</tr>
<tr>
<td></td>
<td>c. 5 – 8 years</td>
<td>36</td>
<td>30.0</td>
</tr>
<tr>
<td></td>
<td>d. 8 years and above</td>
<td>11</td>
<td>9.2</td>
</tr>
</tbody>
</table>

Source: Field data

The table above shows the profile of the employees included in this study. The demographic analysis shows that greater part of the respondents in this survey were males. 66 (55%) of 120 of the study respondents were males while the remaining 54 (45%) were females. The Age profile of the respondents is unevenly distributed. The majority, being 35 (29.2%) respondents out of the entire sample size of 120 fall within the age range of 26-33 years. The respondents’ qualification showed that 44 (36.7%) of them are Professionals, 38 (31.7%) had other forms of educational training, 22 (18.3%) are graduates, and lastly, 16 (13.3%) are post graduates holders. It is identified from the above table that majority of the employees, 36 (30%) earn between Rs.20,000 - 29,000.

Finally, it was very necessary to ascertain the years of service within the employees’ categories. Majority of the employee respondents, 41 (34.2%) have been with their firms between 1 – 4 years whilst 36 (30%) of them have spent 5 – 8 years working for their respective firms. 32 (26.7) of the respondents have been with their firms for less than 1 year and only 11 (9.2%) have spent 8 years and above. This means most employees in MSMEs quit for other
opportunities outside their firms as the years pass by. It also signifies a higher rate of employment by firms yearly to solve the turnover problem.

A) What major factors most affect the decisions of employees to be retained in MSMEs?

To know the major factors most affect the decisions of employees to be retained in MSMEs, the study respondents were asked to provide those factors which according to their knowledge would be helpful for retention. Their responses are shown in table 3 and figure 3 below:

Table 3: Major factors that affect employee retention in MSMEs

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
</tr>
<tr>
<td>Supervisor Support</td>
<td>11</td>
</tr>
<tr>
<td>Employee Communication</td>
<td>18</td>
</tr>
<tr>
<td>Compensation</td>
<td>21</td>
</tr>
<tr>
<td>Recognition and Rewards</td>
<td>24</td>
</tr>
<tr>
<td>Work Environment</td>
<td>23</td>
</tr>
<tr>
<td>Career Development Opportunities</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
</tr>
</tbody>
</table>

Source: Field data

The above table and figure show 24 employees representing 20% reported that recognition and rewards are the major factors which would lead to retention, followed by 23(19.2%) indicating work environment and career development opportunities. 21 employees representing 17.5% also indicated that compensation is the major retention factor. Moreover, 18 out of the total 120 employees representing 15% opted for employee communication. Lastly, 11(9.2%) employees would be retained in their organization due to supervisor support.

The findings indicate that employees would be retained overtime if such factors are available and practiced in their organizations. Therefore, managers of MSMEs can adopt these as strategies to help minimize the turnover rates.
B) What is the relationship between the employee demographic characteristics and employee retention?

Table 4: Model Summary of demographic characteristics on employee retention

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.978&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.957</td>
<td>.955</td>
<td>.33939</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Years of service, Qualification, Gender, Age, Income

ANOVA<sup>b</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>290.194</td>
<td>5</td>
<td>58.039</td>
<td>503.875</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>13.131</td>
<td>114</td>
<td>.115</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>303.325</td>
<td>119</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Years of service, Qualification, Gender, Age, Income
<sup>b</sup> Dependent Variable: Major factors that affect employee retention in MSMEs

Coefficients<sup>c</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.120</td>
</tr>
<tr>
<td></td>
<td>Gender</td>
<td>.131</td>
</tr>
<tr>
<td></td>
<td>Age</td>
<td>.493</td>
</tr>
<tr>
<td></td>
<td>Qualification</td>
<td>.181</td>
</tr>
<tr>
<td></td>
<td>Income</td>
<td>.391</td>
</tr>
<tr>
<td></td>
<td>Years of service</td>
<td>.269</td>
</tr>
</tbody>
</table>

<sup>c</sup> Dependent Variable: Major factors that affect employee retention in MSMEs

The Regression coefficient ‘R’ = 0.978 or 97.8% which means that correlation between dependent variable and independent variables is positive. The coefficient of determination ‘R²’ = 0.957 indicating that 95.7% of variation in dependent variable is explained by independent variables. The F-test value of 503.875 is significant because the significance level is = .000 which is less than 0.05.

Hence, null hypotheses will be rejected and alternative hypotheses will be accepted that retention is positively associated with gender, age, marital status, qualification, income, and years of service of employees. This also implies that the correlation between dependent variable and independent variables is statistical significant and the regression model is valid.

According to the table, the regression coefficients for;
• Gender of employees (β1) = .041 or 4.1% which implies that one percent increase in gender of employees increase 4.1% of retention level if other variables are kept controlled. The T-test value 1.141 and significant at .256 which is more than the 0.05. The relationship is positive and statistically insignificant but the regression model is valid.

• Age of employees (β2) = 0.376 or 37.6% which implies that one percent increase in age of employees increase 37.6% of retention level if other variables are kept controlled. The T-test value is 6.123 and significant at .000 level which is less than the 0.05. The relationship is significant and the regression model is valid.

• Qualification of employees (β3) = 0.122 or 12.2% which implies that one percent increase in qualification of employees increase 12.2% of retention level if other variables are kept controlled. The T-test value is 3.590 and significant at .000 level which is less than the 0.05. The relationship is significant and the regression model is valid.

• Income of employees (β4) = .331 or 33.1% which implies that one percent increase in income of employees increase 33.1% of retention level if other variables are kept controlled. The T-test value is 4.399 and significant at .000 level which is less than the 0.05. The relationship is significant and the regression model is valid.

• Years of service of employees (β5) = .159 or 15.9% which implies that one percent increase in years of service of employees increase 15.9% of retention level if other variables are kept controlled. The T-test value is 2.733 and significant at .007 level which is less than the 0.05. The relationship is significant and the regression model is valid.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Chi-Square Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Gender of employees has a strong association with retention</td>
<td>98.451</td>
<td>5</td>
<td>.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Age of employees has a strong association with retention</td>
<td>333.996</td>
<td>20</td>
<td>.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3: Qualification of employees has a strong association with retention</td>
<td>209.356</td>
<td>15</td>
<td>.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H4: Income of employees has a strong association with retention</td>
<td>340.276</td>
<td>20</td>
<td>.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H5: Years of service of employees has a strong association with retention</td>
<td>255.093</td>
<td>15</td>
<td>.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

According to the above table, the results of Chi-square tests for all the hypotheses are in significant level. Thus all null hypotheses are rejected and alternative hypotheses are accepted.
at 5% significant level. The results depict an association between the various demographic factors and retention, thus, they have positive relationships.

- **H1**: Gender of employees has a strong association with retention
  Since chi-square value of 98.451 is greater than 0.05 significant level. The hypothesis is therefore accepted.

- **H2**: Age of employees has a strong association with retention
  Since chi-square value of 333.996 is greater than 0.05 significant. The hypothesis is therefore accepted.

- **H3**: Qualification of employees has a strong association with retention
  Since chi-square value of 209.356 is greater than 0.05 significant level. The hypothesis is therefore accepted.

- **H4**: Income of employees has a strong association with retention
  Since chi-square value of 340.276 is greater than 0.05 significant level. The hypothesis is therefore accepted.

- **H5**: Years of service of employees has a strong association with retention
  Since chi-square value of 255.093 is greater than 0.05 significant level. The hypothesis is therefore accepted.

B) What are the challenges faced by MSMEs as a result of employee turnover?

The study respondents were asked to select some effects of employee turnover from the evidence of literature and the following are their responses shown in table 6 and figure 4 below:

<table>
<thead>
<tr>
<th>Table 6: Challenges faced by MSMEs due to employee retention</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Valid Higher cost of production</td>
</tr>
<tr>
<td>Increased cost of recruitment and training</td>
</tr>
<tr>
<td>Demoralization of organizational members</td>
</tr>
<tr>
<td>Decreased production</td>
</tr>
<tr>
<td>Problem of cooperation and coordination between old and new employees</td>
</tr>
<tr>
<td>Lower profitability</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Figure 4: Challenges faced by MSMEs due to employee turnover
Source: Field data

From Table 4 and Figure 4 above, the challenges faced by MSMEs as a result of employee turnover are depicted. It is observed that increased cost of recruitment and training is the most challenging issue being faced by MSMEs. This recorded 30.83% of the responses, followed by demoralization of organizational members scoring 17.5%. Both higher cost of production and decreased production had equal responses with 15% each. Lower profitability recorded 12.5% and lastly, the problem of cooperation and coordination between old and new employees had the least responses of 9.17%.

Findings from the responses above reveal that turnover results in many different problems. High employee turnover rate is financially costly to the business because time is needed to be spent in employing and training new employees. It can be minimized through considering different preventive measures by the management. These may include increasing job satisfaction, providing good working environment and career development opportunities, increasing recognition and rewards.

5. Conclusions and Recommendations

This study sought to identify the various employee demographic characteristics and their effects on turnover and retention in MSMEs. Regression analysis and chi-square test revealed a positive association between the dependent and the independent variables.

Thus, retention factors are strongly associated to different demographic characteristics of gender, age, marital status, qualification, income, and years of service. Further, voluntary turnover of key employees have a number of adverse consequences for MSMEs, including, lowered productivity and profitability.

The review of the literature identified that Human Resource practices are the most important and valuable means that influence employee retention in any organization. These are considered as the key factors in managing Human Resource in MSMEs. MSMEs have a significant contribution to the economic growth of a country and therefore needs better retention strategies to increase retention rates of employees, improve their productivity and profitability margins. It is therefore concluded that increasing job satisfaction, providing good working environment and career development opportunities, increasing recognition and rewards and improving communications are some of the strategies that can help minimize the turnover rate.

The study makes recommendations based on the findings of the employee retention survey. The following are some of the recommendations for the management of MSMEs;

- This study suggests that retention could be enhanced with strategies or interventions. MSMEs therefore, need to improve their Human Resource practices as it has the potential to retain their employees’ overtime.
• Turnover rate should be continuously monitored and given much importance in strategy formulation of MSMEs because turnover of talented employees constitutes the loss of a valued employee and costs such as recruitment, training and general administration are incurred that subsequently hinder MSMEs growth and success

• MSMEs should recognize the importance of employees because its success also depends on its team of committed and productive employees working with it.

It is also recommended that further research should be conducted at different areas since this study is limited to MSMEs at Kancheepuram District in order to determine whether these factors affecting retention of employees would also be applicable to those areas.

References


