St. Mary's University

School of Graduate Studies

Department of Business Administration

The Effect of Employee Turnover Rate on the Financial Performance of Organizations: The Case of Hibret Bank S.C.

By

Michael Shimeles

July, 2023

Addis Ababa

Ethiopia

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Approved by Board of Examiners

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Declaration

I, the undersigned, hereby declare that the thesis titled "The Effect of Employee Turnover Rate on the Financial Performance of Organizations: The Case of Hibret Bank S.C.." is my original work prepared under the guidance of my advisor Dr. Nibretu Kebede. All information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

______________________ ______________________

Name **Signature**

Certification

This is to certify that Ato Michael Shimeles has properly completed his thesis work entitled “The Effect of Employee Turnover Rate on the Financial Performance of Organizations: The Case of Hibret Bank S.C.” under my supervision. In my opinion, his project work is appropriate to be submitted as a partial fulfillment requirement for the award of Degree in Masters of Business Administration

Thesis Advisor

____

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LIST OF ACRONYMS

HBSC -	Hibret Bank Share Company
HRMS -	Human Resource Management System
SPSS -	Statistical Package for the Social Sciences

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ABSTRACT

This study investigates the relationship between employee turnover and financial performance at Hibret Bank, a leading commercial bank in Ethiopia. The study uses a mixed-methods approach, including a Pearson correlation analysis of turnover rates and gross profit, and thematic analysis of semi-structured interviews with the HR manager, finance manager, and branch manager. The results of the Pearson correlation analysis suggest a moderately negative relationship between employee turnover rate and financial performance, although the lack of statistical significance at the conventional level of 0.05 suggests that this relationship may not be strong enough to draw definitive conclusions. However, the thematic analysis of the interviews revealed several key themes related to employee turnover and its impact on organizational performance, including increased recruitment and training costs, loss of institutional knowledge, decreased productivity, and negative impact on team morale. The managers also discussed various strategies for mitigating the negative effects of employee turnover, including offering competitive compensation and benefits, providing opportunities for professional development and advancement, fostering a positive work environment, investing in training and onboarding for new employees, and tracking employee turnover rates. Based on these findings, we recommend that Hibret Bank take steps to manage employee turnover effectively and maintain financial performance, including conducting a detailed analysis of turnover data, developing targeted retention strategies, measuring financial metrics, and evaluating changes that decrease turnover. Future research could expand on these findings by including more variables, using a larger sample size, and using different research methods.

Key words: Employee Turnover, Financial Performance, Turnover Rate, Hibret Bank

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Employees are the lifeblood of any organization (Pandita & Ray, 2018; Radenovic et al., 2016). They are necessary for the continued success and functioning of any organization. They are responsible for ensuring that the company or organization is providing the necessary product or service. According to (Holtom et al., 2008) employee turnover refers to the situation where an employee leaves their position at an organization. This can be due to their own choice, which is referred to as voluntary turnover, or due to the choice of their employer, which is referred to as involuntary turnover. Turnover happens at every organization around the world (Alemu, 2021). Any organization, whether public or private, will inevitably have to deal with the exit of some employees. This however is not always a bad thing (Hancock et al., 2021). When discussing what kind of effect turnover can have on the performance of companies, we need to understand the type of turnover that has occurred as well as the context of the departure (Allen et al., 2010). Additionally, we need to understand how organizations measure their performance.

Different organizations measure their success in different ways. For instance, in some countries, when looking at governmental agencies, their success will often be measured by a set of objectives that they will need to accomplish that has been set for them by the legislative branch (Cavalluzzo & Ittner, 2004). Likewise private companies' financial success will often be measured by their profit margins for a given year and their non-financial success will be measured by the satisfaction level of their customers (Ismail, 2007). Having this in mind, when looking at how private companies measure their success, we find that different companies define success and high performance by looking at different things. A systematic literature review of 213 studies published in reputed journals over a period of only three years (2006-09) revealed 207 different measures used for assessing performance (Richard et al., 2009). Since organizational performance has a broad definition, we would have to consider different perspectives in order to come up with a solid definition of exactly what would constitute great or poor performance (Taouab & Issor, 2019). For the purpose of this study, we can consider three primary dimensions that serve as the basis of our measurement for good or bad performance. These are: -

1. Financial Performance
2. Operational Performance
3. Marketing Performance

Each of the above three dimensions can tell us a great deal about the organization. When looking at the financial aspect it can show us how well they manage their resources (Carton, 2004) with regards to budget allocation and handling, how much their revenue has grown or shrunk, how they structure their capital, what their return on investment is, how high their share price is, and so on.

Looking at the operational performance will allow us to understand the KPI's (Key Performance Indicators) of the organization (Wu, 2012). This can illustrate how well their day-to-day operations are going, if the set objectives for both their day to day as well as their long-term goals are being met, how good they are at meeting goals and deadlines, how well they are at managing their overhead costs, how good are they at maintaining and expanding their supply and distribution channels, etc.

The marketing performance is also a good indicator of how well the company is doing with regards to customer satisfaction, how well they understand their target demographic, if they are communicating their product or service accurately, etc... This dimension is very useful in understanding the company's brand, identity, and what sets them apart from the competition (Wu, 2012).

Private companies around the world use these three dimensions to indicate to their customers and potential investors how well they are doing overall (Sridharan et al., 2007). Investors will look at the market share that companies have gained within a specific time period, how much revenue they were able to generate, how soon they were able to have a return on their investment (ROI), how well recognized their brand is and other factors to determine whether to invest in them or not (Kanter & Brinkerhoff, 1981). Customers likewise need to be able to understand what type of service or product they provide, how trusted their brand is, if they listen to and take into consideration the comments and suggestions brought by them, how competitive their prices are, what the quality of their service or product is, etc.…

Having this in mind, we can see that companies rely very heavily on their employees to be able to achieve and maintain a high level of performance. If that is the case, then turnover is most likely going to have some sort of impact on the performance of the company.

Financial institutions play an important role in the development and growth of a country's economy, particularly in developing countries like Ethiopia (Teshome et al., 2018). They are the major lenders for individuals and firms who wish to undertake a business venture. Banks are one of the major financial institutions found here in Ethiopia. The primary function of banks is to collect deposits from those with money, be it individuals or organizations, and then lend them out to others (Gobat, 2023). This facilitates commerce. Commerce in turn facilitates the development of different businesses and helps grow the economy. If one of the major factors for the health and growth of developing economies like Ethiopia are financial institutions like banks, then it is important to study the factors that affect their performance.

1.2. Statement of the Problem

Employee turnover is not a new concept. Studying the factors behind turnover and what effect it can have on organizations as a whole has been an area of interest for many management scholars and practitioners (Allen et al., 2010). Many studies have been done, both in this country (Abdurezak, 2015; Jiru & Tadesse, 2019; Adugnaw, 2021; Emiru & Haile, 2021; Gebreyohannes, 2020), and around the world (Hancock et al., 2021; Holtom et al., 2008; Allen et al., 2010; (Pandita & Ray, 2018) with regards to turnover.

Similarly, the topic of organizational performance has also been of great interest to researchers for many years. Many researchers have studied and tried to come up with their own definition of organizational performance and how to measure it (Richard et al., 2009). Researchers like (Kanter & Brinkerhoff, 1981) have suggested that the measures for organizational performance depend on who is asking the questions and why they need to measure performance. Looking at the different dimensions of performance is necessary to understand what we want to measure.

Some have looked at the effect that turnover can have on the operational performance of an organization (Mohr et al., 2012). Others have studied the effect that turnover of top management can have on the organization's performance (Dahya et al., 2002), while others have investigated how organizational performance is affected by the corporate culture that exists within it (Lee & Yu, 2004). All of this to say that organizational performance has been studied from many different angles. This is not to say that there is nothing left to investigate. The researcher has found a knowledge gap with regards to how turnover, more specifically the rate of turnover, can affect the financial performance of an organization, in this case banks in developing countries. Understanding the relationship between the turnover rate and the financial performance of private banks, specifically Hibret, will be useful for many reasons. This is an area of study that the researcher believes has not received much attention and is worth investigating.

1.3. Research Questions

1. What has been the rate of employee turnover at Hibret Bank over the past ten years?
2. What has the financial performance of Hibret Bank been for the past ten years?
3. What is the relationship between the turnover rate at Hibret Bank and its financial performance?
4. Is the relationship similar to the findings of other studies?

1.4. Objectives of the Study

1.4.1. General Objective

The main objective of this study is to identify the effect of employee turnover rate on the financial performance of organizations, specifically Hibret Bank S.C.

1.4.2. Specific Objectives

1. To describe the rate of turnover at Hibret Bank for the past ten years
2. To describe the financial performance of Hibret Bank for the past ten years
3. To explain the relationship between the turnover rate at Hibret Bank and their financial performance.
4. To compare the findings of this research with the findings of other researches.

1.5. Scope of the study

This study focuses on the relationship between employee turnover and financial performance at Hibret Bank. The study uses a mixed-methods approach, including a Pearson correlation analysis of turnover rates and gross profit, and thematic analysis of semi-structured interviews with the HR manager, finance manager, and branch manager. The study is limited to a sample of three managers at Hibret Bank, which may limit the generalizability of the findings to other organizations or departments within the bank. The study also focuses on the impact of turnover on financial performance, and does not examine other potential effects of turnover, such as its impact on customer satisfaction or employee morale. The study is further limited by the use of self-reported data from the interviews, which may be subject to bias or inaccuracies.

1.6. Limitation of the study

Due to Hibret Bank's refusal to share the contact information for their ex-employees, the researcher was unable to include them within this study. Most of their personal information, including their exit interviews were off limits. For this reason, the researcher was unable to distribute questionnaires among them or even conduct an interview. While this study has the data for the total number of turnovers that has occurred for each year that the researcher has selected, it does not include the response from the ex-employees.

1.7. Significance of the study

The significance of this study lies in its potential to shed light on a crucial issue faced by many organizations. Employee turnover is a widely recognized challenge that not only impacts the smooth functioning of businesses but also has financial implications.

Understanding the relationship between employee turnover and financial performance holds great importance for several reasons. Firstly, high turnover rates can lead to increased recruitment and training costs, which can significantly strain an organization's financial resources (Hayward et al., 2016). By exploring this correlation, this research has the potential to provide valuable insights into cost-saving strategies for organizations, enabling them to allocate resources more effectively.

Moreover, employee turnover can have a detrimental effect on overall productivity and operational efficiency. When experienced and knowledgeable employees leave, organizations may face disruptions in workflow, decreased morale, and a loss of institutional knowledge. These factors can hinder performance and potentially result in financial losses for the organization. This study could help identify specific areas where turnover impacts financial performance, allowing organizations to implement targeted interventions or policies to mitigate such negative consequences.

Furthermore, employee turnover may affect customer satisfaction and loyalty. Research indicates that turnover can impact service quality and customer experience, potentially leading to a decline in customer retention and revenue generation (Dwomoh & Korankye, 2012). By investigating the relationship between employee turnover and financial performance, this study could contribute to strategies that improve customer satisfaction, ultimately enhancing an organization's financial outcomes.

Lastly, findings from this research can provide decision-makers with evidence-based insights into the importance of employee retention and the value of investing strategies to reduce turnover. Organizations that prioritize employee engagement, job satisfaction, and career development are likely to benefit from improved financial performance in the long run. This study can highlight the rewards of implementing employee retention practices, promoting a more stable and prosperous organizational environment.

1.8. Organization of the Paper

The paper will have five chapters. The first chapter will consist of the introduction, background of the study, the general and specific objectives of the study, the significance of the study, as well as the scope and limitation of the study. The second chapter will be a review of related literature. The third chapter will discuss the research methodology. It will look at how the study will be designed, conducted, the instruments that will be used, the research approach taken, population size, sample size, data collection methods, etc. The fourth chapter will take the data that was collected and analyze and interpret the results. The fifth chapter will be the conclusion to the whole study that was conducted. It will provide a brief summary and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

The literature review section of this thesis paper is structured in two main parts. The first part provides a theoretical framework for the existing body of knowledge on employee turnover rate and organizational performance, including definitions of key terms and concepts that will be used throughout the thesis. This section provides a comprehensive overview of the current state of knowledge on turnover and organizational performance, and is used to develop a theoretical foundation for the research.

The second part of the literature review focuses on the empirical framework of the thesis, which is used to build a conceptual framework for the research. This section provides a critical evaluation and synthesis of previous research in the field, with a focus on empirical studies that have investigated turnover rate and organizational performance, as well as the relationship between the two from different dimensions. By analyzing and synthesizing the existing empirical research, this section helps to identify gaps and inconsistencies in the literature, and develop a conceptual framework that has guided the research.

Overall, the literature review section is a crucial component of this thesis paper, as it provides a foundation for the research. By developing a theoretical framework for the existing body of knowledge and an empirical framework for the research, this section helps to establish the significance and contribution of the study to the field.

2.1. Theoretical Framework

A theoretical framework is a set of concepts, assumptions, and ideas that form the basis of a research or study. It provides a way to organize and structure the research by highlighting the key variables, relationships, and hypotheses that will be investigated. The purpose of including a theoretical framework in this paper is to provide a conceptual basis for the research and to guide the development of the research hypotheses and methodology.

2.1.1. Definition of Terms

This section provides the definition of the different terms that are used throughout the study. It has been gathered from the different literature that has been written about each specific topic.

2.1.2. Employee Turnover

According to (Abassi & Hollman, 2000) employee turnover can be defined as the movement of workers around the labor market, between firms, jobs, positions and the state of employment and unemployment. Some like (Hollenbeck et al., 2015; Kinicki & Kreitner, 2004) define turnover as the process by which an employee leaves an organization and needs to be replaced. We can simplify this definition and say that employee turnover refers to the exit of employees from their position at any given organization.

2.1.3. Turnover Rate

Employee turnover rate refers to the proportion of employees who leave an organization over a given period of time, usually expressed as a percentage of the total workforce (Price, 1977). Employee turnover rate is a measure of the number or percentage of employees who leave an organization over a specified period of time, typically a year. The employee turnover rate can be calculated in a number of ways, but the most common method is to divide the number of employees who left the organization during the period by the average number of employees during the period and multiply the result by one hundred to get a percentage.

2.1.4. Voluntary Turnover

Many scholars define voluntary turnover as the situation in which an employee chooses to leave their position at an organization. This can be due to finding better opportunities elsewhere, being dissatisfied with their work, not getting along with their co-workers, poor working conditions, retiring, the salary and compensation package offered by the organization not being adequate, the role itself, not having a healthy work life balance, etc. (Al-Suraihi et al., 2021; Malthrach et al., 2010). Whatever the reason, we define voluntary turnover as the exit of employees from the organization they are working for, willingly and by their own choice rather than the choice of their employer (Hausknecht & Trevor, 2011).

2.1.5. Involuntary Turnover

Involuntary turnover refers to the departure of employees from an organization due to circumstances beyond their control, such as layoffs or firing (Shaw et al., 1998). Poor performance of either the employees or the company can be the cause of this. When employees perform poorly or not up to the standard expected of them, their employers might let them go. Similarly, when the company is performing lower than expected and is not turning a profit, they might have to cease operations and let their employees go. In either case the decision to leave is not up to the employee but rather the employer.

2.1.6. Functional Turnover

Functional turnover refers to the departure of employees who are not contributing to the organization's goals or who are not meeting the performance standards of their job, regardless of whether the departure is voluntary or involuntary. In this sense, functional turnover is considered positive for the organization because it allows the replacement of low-performing employees with more skilled and productive ones, ultimately improving the overall performance of the organization (Dalton et al., 1981).

2.1.7. Dysfunctional Turnover

Dysfunctional turnover refers to the departure of employees who are high performers or those who contribute significantly to the organization's goals. In this sense, dysfunctional turnover is considered negative for the organization because it results in the loss of valuable human capital, which can have a detrimental effect on the organization's performance and long-term success (Dalton et al., 1981; Dalton & Todor, 1979; Hausknecht & Trevor, 2011).

2.1.8. Skilled Turnover

Skilled turnover refers to the departure of employees who possess specialized skills, knowledge, and experience that are valuable to the organization. In this sense, skilled turnover is considered negative for the organization because it results in the loss of valuable human capital, which can have a detrimental effect on the organization's performance and long-term success (Pan, 2017). Another definition of skilled turnover is that it refers to the departure of employees who possess skills that are in high demand in the labor market and can easily find employment elsewhere. In this sense, skilled turnover may be driven by external factors beyond the control of the organization.

2.1.9. Unskilled Turnover

Unskilled turnover refers to the departure of employees who do not possess specialized skills, knowledge, or experience that are critical to the organization's success. In this sense, unskilled turnover is considered less negative for the organization because it may not result in the loss of valuable human capital and may provide an opportunity to replace low-performing employees with more productive ones. Another definition of unskilled turnover is that it refers to the departure of employees who are easily replaceable and do not require specialized skills or knowledge to perform their jobs (Hesford et al., 2016). In this sense, unskilled turnover may be driven by factors such as low job satisfaction, poor working conditions, or inadequate compensation.

2.1.10. Organizational Performance

Organizational performance refers to the extent to which an organization achieves its goals and objectives. It can be measured by various dimensions, such as financial performance, operational performance, marketing performance, and overall productivity (Sangwa & Sangwan, 2018; Santos & Brito, 2012).

2.1.10.1. Financial Performance

Financial performance is a critical dimension of organizational performance that focuses on the ability of an organization to generate profits, manage costs, and achieve financial stability (Singh et al., 2016). It is an essential factor for the survival and growth of an organization as it indicates its ability to generate revenue and sustain its operations in the long term (Richard et al., 2009).

Financial performance can be measured using various financial indicators, such as revenue, profit margin, return on investment (ROI), earnings per share (EPS), and cash flow (Jaleha & Machuki, 2018). These indicators provide insights into the financial health of the organization and can be used to evaluate its performance over time, compare it to industry benchmarks, and identify areas for improvement (Wu, 2012).

Revenue is the total amount of money earned by the organization through its operations. It is a key indicator of the organization's ability to generate income and grow its business. Profit margin is the ratio of profit to revenue and indicates the organization's efficiency in managing costs and generating profits (Kwak & Ibbs, 2000).

Return on investment (ROI) measures the organization's profitability relative to its investment in assets. It is a crucial indicator of the organization's ability to generate returns for its investors and shareholders. Earnings per share (EPS) is the portion of the organization's profit that is allocated to each outstanding share of its common stock and is a key metric for investors evaluating the financial performance of the organization (Lal et al., 2020).

Cash flow measures the amount of cash generated or used by the organization in a given period. It is a critical indicator of the organization's ability to meet its financial obligations and maintain liquidity (Almeida et al., 2004).

Overall, financial performance is an essential dimension of organizational performance that provides insights into the financial health of the organization. By measuring and evaluating financial indicators, organizations can identify areas for improvement, make strategic decisions, and ensure long-term financial stability and growth (Kaplan & Norton, 1992)

2.2. Empirical Framework

The relationship between employee turnover and organizational performance has been the subject of numerous studies, and the findings have been mixed (An, 2019). Some studies have found a negative relationship between turnover and performance (Waldman et al., 2004; Kacmar et al., 2006; Mohr et al., 2012), indicating that high turnover rates can have a detrimental effect on organizational performance. Other studies have found a non-linear relationship between turnover and performance (Meier & Hicklin, 2008; Abelson & Baysinger, 1984), or even a positive one (Kurdi & Alshurideh, 2020), suggesting that turnover can have some benefits for organizations (Hancock et al., 2013).

One consistent finding across the literature is that the relationship between turnover and performance is complex and multifaceted and depends on several factors, such as the type of organization, the industry, and the level of turnover (Hancock et al., 2021; An, 2019). For example, some studies have found that turnover can be beneficial for organizations in industries where innovation and creativity are highly valued, such as the tech industry. In contrast, turnover can be detrimental to organizations in industries where employee experience and customer loyalty are critical, such as the hospitality industry (Hausknecht et al., 2009).

Another factor that has been found to influence the relationship between turnover and performance is the level of turnover. High turnover rates are more likely to have a negative impact on organizational performance than low turnover rates (Mosher & Kingsley, 1936). However, some studies have found that low turnover rates can also be detrimental to organizational performance, as they can lead to a lack of diversity of thought and ideas.

In summary, the findings on the relationship between employee turnover and organizational performance have been mixed, and the relationship is complex and depends on several factors. While some studies have found a negative relationship between turnover and performance, others have found no significant relationship (Cappelli & Neumark, 2001; Guest et al., 2003) or even a positive one (Allen et al., 2010). The nuances of each finding, underscore the importance of considering contextual factors when examining the relationship between turnover and performance.

While these have been a summary of the relationship between turnover and overall financial performance of different companies, the impact of turnover rate on annual gross profits of a company is context-dependent and varies across different industries, company sizes, and other factors (Hausknecht et al., 2009). However, in general, high turnover rates can have a negative impact on annual gross profits (Hancock et al., 2021).

One reason for this is that high turnover rates can lead to increased costs associated with recruitment, training, and onboarding of new employees, which can reduce profitability (Pitts et al., 2011; Meier & Hicklin, 2008). Additionally, high turnover rates can lead to a decrease in productivity, as new employees may take time to get up to speed and be fully productive, leading to a reduction in output and revenue (Hausknecht & Trevor, 2011).

Furthermore, high turnover rates can have a negative impact on customer satisfaction, which can lead to a decline in sales and revenue. This is particularly true for industries where customer service is a critical factor, such as the hospitality industry (Hausknecht et al., 2009).

However, it is important to note that the impact of turnover rate on annual gross profits may vary depending on the industry and the type of job. For example, in industries where labor costs are high, such as the service sector, high turnover rates may help to control labor costs and improve profitability. Additionally, some jobs may have a lower impact on revenue and profits, and turnover in those positions may have less impact on overall financial performance.

Overall, while the relationship between turnover rate and annual gross profits of a company may vary depending on the industry and other factors, high turnover rates can have a negative impact on profitability due to increased costs, reduced productivity, and decreased customer satisfaction.

2.3. Conceptual Framework

Based on the existing literature, we can understand the relationship between the rate of turnover of an organization and its subsequent financial performance to be significant and negative. From this understanding the researcher has constructed a figure to show this relationship.

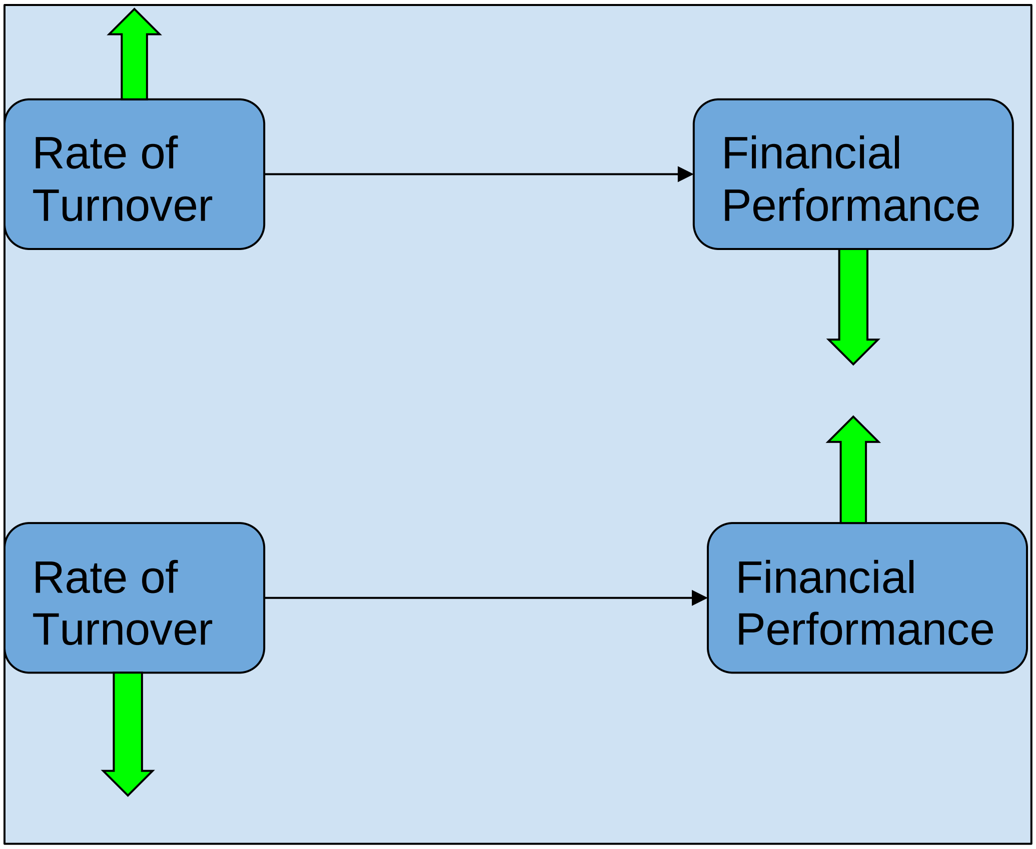

Figure 1 Model depicting the relationship between the rate of turnover and financial performance of any given organization.

Source: Compiled by the researcher based on the study done by Hausknecht & Trevor (2011), Hausknecht et al. (2009), Meier & Hicklin (2008), Waldman et al. (2004)

2.4. Research Hypothesis

H1: There is a negative relationship between the rate of turnover and the financial performance of an organization.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Organizational Background

Hibret Bank also known as United Bank S.C. is one of the first private banks of Ethiopia. It was established as a Share Company on September 10th, 1998 G.C. in accordance with the Commercial Code of Ethiopia 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. Its vision is to be the preferred financial service provider of innovative solutions across Africa (Hibret Bank, 2021).

Their aspirations include: -

1. Becoming one of the top five private banks in East Africa,
2. To be the market leader through investment in impactful transformation, innovation and digitization,
3. To be the employer of choice in the financial industry
4. Creating and retaining a competitive and fulfilled work-force by driving a culture of continuous learning and development,
5. To be at the forefront of strategic partnership as a trusted partner with key players across the entire value chain etc.

Today, Hibret Bank has more than 400 branches and sub-branches (still expanding), 4706 plus employees out of which 41.8% are women (Hibret Bank, 2021). Hibret Bank S.C. has its 37-storey Headquarters named “Hibir Tower” at the center of the country’s financial district, located around Sengatera, in front of Addis Ababa School of Commerce.

Hibret Bank offers a wide range of conventional and Shariah-compliant bank accounts and credit facilities to individuals, businesses, and Ethiopians living abroad (Itimi, 2022). It also has correspondent account relationships with seven banks including Commerzbank, CitiBank and Standard Chartered. It also has bilateral exchange arrangements with more than 230 banks in the U.S., Europe, Middle East, Asia and Africa. It has also partnered with 20 other companies like Ethiotelecom, Ethiopian Airlines, Moenco, Hilton Addis Ababa, ECX, Bayer etc. Hibret Bank is invested in Ethiopia's social and economic growth. The bank donated over Birr 22 million ($416,000) to local charity organizations and projects like the 'Dine for Ethiopia Project' (initiated by the Prime Minister's office) and the Ethiopia Cancer Association.

Samrawit Getamessay is the current chairperson of the bank (Itimi, 2022).

Hibret Bank S.C. was awarded the prestigious ISO/IEC 27001 certification, making it the first Bank in Ethiopia to achieve such an award. The Bank was given this award in recognition of its stringent information security management and its compliance with the highest international standards. ISO 27001 is the highest globally accepted benchmark, developed specifically for Information Security Management Systems, requiring that an organization adopt and implement a systematic approach to ensure its sensitive corporate information is kept safe and secure (Hibret Bank, 2021).

3.2. Research Design

Research design refers to the framework or blueprint of the methods of research used and techniques employed by the researcher in order to carry out the study. The type of design chosen allows the researcher to fit it in with the subject that is being explored.

A well thought out research design can help in meeting the research objectives. Research design lays out the intended data collection method and tools that will be used, the sampling technique, the methods by which the collected data will be analyzed. It is essential to carry out the research.

The research design for this thesis paper is a correlational study, as it investigates the relationship between employee turnover rate and the financial performance of Hibret Bank. Specifically, it examines how changes in employee turnover rate are associated with changes in the bank's financial performance. Additionally, this research also includes a census study design to allow for a more comprehensive view of the population of interest being studied and a case study design, as indicated in the title, which would allow for an in-depth examination of the relationship between employee turnover rate and financial performance in a specific organization (Hibret Bank).

A census study design is a research methodology in which data is collected from every member of a defined population of interest. In other words, a census study involves collecting data on every individual or unit in the population, rather than selecting a sample. The purpose of a census study is to provide a comprehensive and accurate picture of the population of interest.

Census studies are most useful when the population size is relatively small or when it is feasible to collect data on the entire population. The advantages of using a census study design include increased precision and generalizability of findings, reduced potential for sampling bias or other errors, and the ability to examine relationships between variables at a more granular level than would be possible with a sample.

In research, census study designs are commonly used in fields such as demography, epidemiology, and social sciences. Census studies can provide valuable insights into the characteristics of a population, its health status, and the factors that contribute to various outcomes of interest.

A case study is a research design that involves the in-depth examination of a particular phenomenon or individual case. In a case study, the researcher focuses on a specific organization, group, event, or individual and collects detailed, qualitative data through various methods such as interviews, observation, and document analysis. The goal is to gain a deep understanding of the case being studied and to generate insights and hypotheses that can be tested in future research.

3.3. Research Approach

This study uses a mixed research approach, which combines quantitative and qualitative data collection and analysis methods. This approach allows for a more comprehensive understanding of the research topic and enables triangulation of the findings.

Quantitative data was collected from financial reports and human resources records to investigate the relationship between employee turnover rate and the financial performance of Hibret Bank. Qualitative data was collected through semi-structured interviews with current employees to gather additional insights into the impact that turnover has had on the bank's finances.

Statistical analysis was used to analyze the quantitative data, while thematic analysis was used to analyze the qualitative data. The findings from both methods are compared and contrasted to identify any discrepancies or convergence in the results. Additionally, they were also compared to the findings of other similar studies to find similarities or differences.

3.4. Population of the study

The researcher has decided to use a census study design in this correlational and case study examining the relationship between employee turnover rate and the financial performance of Hibret Bank. This is because the population of interest consists of all employees who have worked at and left the bank between the years 2012 and 2022, and data is available on all individuals in the population. By using a census study design, the researcher can ensure that the analysis accurately captures the relationship between these variables and provides a comprehensive picture of the population.

3.5. Data Collection

The primary data for this study was collected through semi-structured interviews with three managers at Hibret Bank. The interviews were conducted in person and lasted approximately 30-45 minutes each. The participants were selected using purposive sampling, based on their job roles and their experience with the bank. The interviews were audio-recorded with the participants' consent and transcribed for analysis.

In addition to the interviews, secondary data was collected from the bank's annual financial reports and human resources records. The annual financial reports provided information on the bank's financial performance, while the human resources records provided information on the number of employees who left the bank each year.

3.6. Data Analysis

The collected data was analyzed using the Statistical Package for the Social Sciences (SPSS) software. SPSS is a computer software program that is specifically designed for statistical analysis in social science research. It is a widely used tool for analyzing large datasets and can help researchers gain insights into human behavior, organizational roles and influences, and other societal indicators in a scientific manner. By providing a range of analytic capabilities, SPSS can help researchers to identify patterns and trends in their data, and draw meaningful conclusions that can inform their research questions and hypotheses (Hazarika, 2019). The SPSS software was used to conduct a correlational analysis to determine the relationship between employee turnover rate and the financial performance of the bank. Additionally, descriptive statistics were generated to summarize the data and provide insights into the patterns and trends observed.

The correlational analysis was used to determine the strength and direction of the relationship between employee turnover rate and financial performance of the bank. The results of the analysis were interpreted and reported in the subsequent section of this paper.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

4.1. Introduction

This chapter presents the results of the data analysis conducted to investigate the relationship between employee turnover rate and financial performance, as well as the factors that may contribute to this relationship. The data collected for this study includes employee turnover rates and gross profit data for the past ten years from Hibret Bank, as well as qualitative data obtained through interviews with select employees.

The data analysis in this chapter is organized into three sections. The first section presents the descriptive statistics of the employee turnover rate and gross profit data, including measures of central tendency and dispersion. The second section examines the correlation between employee turnover rate and financial performance using Pearson's correlation coefficient. The third section presents the qualitative data obtained through interviews with select employees, providing insight into the factors that may contribute to the observed relationship between employee turnover rate and financial performance. The descriptive statistics also highlight some interesting trends in the data, such as a steady decrease in employee turnover rate over the past ten years and a slight increase in gross profit over the same period.

4.2. Descriptive Analysis

This section presents the descriptive analysis of the secondary data collected from Hibret Bank's Human Resource Management System (HRMS) and annual reports. The HRMS data includes demographic characteristics of all the employees who have left the bank, including their gender, educational level, and job level, which were compiled and computed using SPSS. The turnover data presents the total number of employees who have left during each year, as well as the total number of employees overall. Dividing the number of employees who left within a given year by the total number of employees gives us the turnover rate. The annual report data contains information on the bank's annual gross profit.

Table 1 Demographic Characteristics of Ex-Employees from 2012-2022

No.	**Demographics**		**Frequency**	**Percentage**
1.	Gender	Male	1,162	73.9%
		Female	410	26.1%
		Total	**1,572**	**100%**
2.	Educational Level	High School and below	453	28.81%
		Diploma	121	7.69%
		First Degree	885	56.29%
		Second-degree	113	7.18%
		Total	**1,572**	**100%**
3.	Job Level	Low	1,192	75.82%
		Medium	6	0.38%
		High	374	23.79%
		Total	**1,572**	**100%**

Source: Gathered from Hibret Bank’s own Human Resource Management System, and computed using SPSS 2020.

The demographic analysis reveals that a total of 1,572 employees left the bank during the past ten years, with a higher proportion of male employees 73.9% than female employees 26.1% leaving the bank. The majority of the employees who left had a Bachelor's degree 56.29% or a High School education and below 28.81%, while a smaller percentage had a Diploma 7.69% or Master's Degree 7.18%. In terms of job level, the majority of employees who left were in the lower-level jobs at 75.82%.

Table 2 Turnover rate at Hibret Bank from 2012-2022

Year	**Number of Employees who left (a)**	**Total Number of Employees (b)**	**Turnover rate (a)/(b)*100**
2012/2013	150	2,100	7.14%
2013/2014	187	2,424	7.71%
2014/2015	127	2,921	4.34%
2015/2016	144	3,213	4.48%
2016/2017	152	3,431	4.43%
2017/2018	110	3,726	2.95%
2018/2019	104	4,064	2.55%
2019/2020	165	4,433	3.72%
2020/2021	184	4,706	3.90%
2021/2022	249	4,971	5.00%

Source: Taken from Hibret Bank's HRMS (Human Resource Management System) from 2012-2022.

The employee turnover rate is an important metric that measures the percentage of employees who leave a company in a given period. In this study, the researcher analyzed the turnover rate at Hibret Bank over the past ten years, from 2012/2013 to 2021/2022. The results show that the turnover rate at Hibret Bank varied over the past ten years, with the highest rate observed in 2013/2014 (7.71%) and the lowest rate observed in 2018/2019 (2.55%).

These findings suggest that Hibret Bank experienced a relatively high turnover rate in the early years of the study period, with a gradual decrease in turnover rate in the later years. However, it is important to note that the turnover rate for 2021/2022 is still relatively high compared to the previous two years.

Table 3 Annual Gross Profit of Hibret Bank from 2012-2022

Year	Gross Profit (in thousands of ETB)
2012/2013	406,496
2013/2014	374,162
2014/2015	361,023
2015/2016	428,540
2016/2017	488,690
2017/2018	706,976
2018/2019	979,944
2019/2020	1,312,333
2020/2021	1,438,110
2021/2022	1,879,140

Source: Taken from the annually published report by Hibret Bank from 2012-2022

The annual gross profit is an important financial metric that measures the total revenue generated by a company after deducting all operating expenses before tax.

In the case of a bank, the primary source of revenue comes from interest earned on loans and other financial instruments, as well as from fees charged for services such as account maintenance, transaction processing, and other banking services.

In this study, the researcher analyzed the gross profit at Hibret Bank over the past ten years, from 2012/2013 to 2021/2022. The results show that the gross profit at Hibret Bank varied over the past ten years, with the highest net income or profit observed in 2021/2022 (1.87 billion ETB) and the lowest net income or profit observed in 2014/2015 (361 million ETB).

These findings suggest that Hibret Bank experienced fluctuations in net income or profit over the past ten years, with a general trend of increasing gross profit over time. The gross profit for 2021/2022 is the highest in the study period, indicating a strong financial performance.

4.3. Pearson Correlation Analysis

Pearson correlation is a statistical technique used to measure the strength and direction of the linear relationship between two continuous variables. The Pearson correlation coefficient, denoted by r, ranges from -1 to 1. A correlation coefficient of -1 indicates a perfect negative correlation, where an increase in one variable is associated with a decrease in the other variable. A correlation coefficient of 0 indicates no correlation, where there is no relationship between the two variables. A correlation coefficient of 1 indicates a perfect positive correlation, where an increase in one variable is associated with an increase in the other variable.

Pearson correlation is commonly used in social science research to examine the relationship between two variables.

Table 4 Statistical Description of Turnover Rate and Annual Gross Profit

Year	Turnover Rate (in percentage)	Annual Gross Profit (in thousands of ETB)
2012/2013	7.14%	406,496
2013/2014	7.71%	374,162
2014/2015	4.34%	361,023
2015/2016	4.48%	428,540
2016/2017	4.43%	488,690
2017/2018	2.95%	706,976
2018/2019	2.55%	979,944
2019/2020	3.72%	1,312,333
2020/2021	3.90%	1,438,110
2021/2022	5.00%	1,879,140

Source: Compiled by the researcher from the results of both turnover rate that was calculated as well as the published annual report of Hibret Bank from 2012-2022

The two selected variables to be measured in this correlational analysis are the turnover rate and the annual gross profit of the bank starting from the year 2012 and ending in the year 2022. The turnover rate of each year has been listed out in the table above, the same for the annual gross profit. The data from both were inputted into the SPSS Software and a correlational analysis was conducted.

In this study, the researcher conducted a Pearson correlation analysis to examine the relationship between employee turnover rate and gross profit of the bank. The correlation coefficient was calculated to be -0.349, indicating a negative correlation between the two variables. This means that as the employee turnover rate increases, the gross profit of the bank tends to decrease. The two-tailed significance value was 0.323, which indicates that the relationship between the two variables is not statistically significant at the 0.05 level. While a negative correlation was observed, the lack of statistical significance suggests that the relationship between employee turnover and financial performance may not be strong enough to draw meaningful conclusions.

It is important to note that correlation does not necessarily imply causation, and there may be other factors that are influencing financial performance apart from employee turnover.

4.4. Interview Questions for Hibret Employees

The researcher conducted interviews and three employees of Hibret Bank to assess the impact of employee turnover rate on the financial performance of the bank. The interviews were conducted in a semi-structured format, allowing for open-ended questions and follow-up probes to explore the employees' perspectives and experiences. The interviews were recorded, transcribed, and thematically analyzed to identify key themes and patterns in the employees' responses. In this section, the responses that were given during the interviews are presented.

4.4.1. Interview with a Human Resource Manager at Hibret Bank

Q1: What has been the trend of employee turnover at Hibret Bank over the past ten years?

The trend of employee turnover at Hibret Bank has been improving over the past ten years. While we experienced high turnover rates in the past, we have taken proactive steps to address the underlying causes of turnover and improve our retention strategies. We have implemented various initiatives such as career development programs, flexible work arrangements, and employee recognition programs to improve employee engagement and satisfaction. These initiatives have been successful in reducing our turnover rate and retaining our top talent.

Q2: What strategies does the bank use to address turnover?

As I mentioned earlier, we have implemented various initiatives such as career development programs, flexible work arrangements, and employee recognition programs to improve employee engagement and satisfaction. In addition, we conduct exit interviews with employees who have decided to leave the bank to gain insights into their reasons for leaving and identify areas for improvement in our retention strategies. Based on the feedback we receive; we make changes to our policies and practices to address any issues that may be contributing to turnover.

Q3: How effective have these strategies been in reducing turnover and retaining employees?

The strategies I mentioned earlier have been effective in curbing the turnover rate and its negative consequences. The bank has seen a significant improvement in its turnover rates over the past few years, which we attribute to the effectiveness of our retention strategies. The data shows that employee satisfaction and engagement have improved as a result of these initiatives, which has led to increased productivity and better customer service.

Q4: Has the bank experienced any negative impacts as a result of employees leaving?

Yes, we have. Turnover leads to costs associated with recruiting, hiring, and training new employees, as well as a loss of productivity and a disruption in operations.

Q5: Does the bank continuously monitor their rate of turnover and assess what effects it has had?

We continuously monitor all things that have to do with the bank's operation, not just turnover, but yes, that is one of the things we monitor very closely. And so far, we have seen a promising trend with regards to turnover. Turnover has been decreasing steadily for the past five years, except perhaps the last year, and overall productivity and operational performance have been smooth for that period.

4.4.2 Interview with a Finance Manager at Hibret Bank

Q1: How do you quantify the costs associated with employee turnover and its impact on the bank's financial performance?

We typically quantify the costs associated with employee turnover on our finances by looking at a range of direct and indirect costs.

Direct costs we consider are recruitment costs, such as advertising and job postings, hiring costs, such as background checks, training costs, such as orientation and on-the-job training, severance or termination costs.

Indirect costs we look at are lost productivity during the transition period, reduced customer satisfaction due to turnover-related service disruptions, reduced employee morale and engagement.

We use various methods to calculate the total cost of employee turnover, such as:

1. Total cost per employee: This involves adding up all the direct and indirect costs associated with turnover for each employee who leaves the bank.
2. Total cost as a percentage of salary: This involves calculating the total cost of turnover as a percentage of the employee's annual salary.
3. Total cost as a percentage of revenue: This involves calculating the total cost of turnover as a percentage of the bank's revenue.

Q2: What metrics do you use to track the financial impact of employee turnover, and how do you analyze these metrics?

At Hibret Bank, we use a range of metrics to track the financial impact of employee turnover. These metrics may include:

1. **Turnover rate:** This is the percentage of employees who leave the bank over a specified period. We track this metric to understand the overall trend in turnover and identify areas for improvement.

2. **Cost per hire:** This metric tracks the total cost of recruiting, hiring, and onboarding a new employee. We use this metric to understand the direct costs associated with turnover and identify ways to reduce these costs.

3. **Time to productivity:** This metric measures the time it takes for a new employee to become fully productive in their role. We use this metric to understand the indirect costs associated with turnover, such as lost productivity during the transition period.

4. **Customer satisfaction scores:** We track customer satisfaction scores to understand the impact of turnover on our customers' experiences and identify areas for improvement.

5. **Employee engagement scores:** We use employee engagement surveys to understand the impact of turnover on employee morale and engagement and identify areas for improvement.

To analyze these metrics, we use a variety of techniques, such as trend analysis, benchmarking against industry standards, and correlation analysis to identify relationships between turnover and other financial metrics. We also conduct regular reviews of our retention strategies to evaluate their effectiveness and make adjustments as needed.

Q3: How does the bank account for the costs associated with turnover?

As I mentioned earlier, we track the direct and indirect costs that are incurred as a result of employee turnover. Additionally, we conduct regular cost-benefit analyses of our retention strategies to evaluate their effectiveness and determine the return on investment (ROI) of these initiatives. We compare the costs of implementing retention strategies against the financial benefits of reducing turnover, such as lower recruiting and training costs and increased productivity and customer satisfaction.

Overall, accounting for the costs associated with turnover is an important aspect of our financial management strategy. By monitoring and analyzing the direct and indirect costs of turnover, we can make informed decisions about retention strategies and investments in employee engagement and satisfaction that support our financial goals and objectives.

Q4: What effects has the bank experienced as a result of employee turnover, be it positive or negative?

On the negative side, as I mentioned earlier, turnover can lead to increased costs that deal with hiring, training, and so forth. It can also lead to a temporary loss of productivity and reduced customer satisfaction. These negative effects can impact the bank's financial performance, particularly in times where the turnover rate is high or in critical roles.

However, there have also been some positive effects of turnover. For example, it has allowed us to bring in new talent with fresh skills and perspectives. It also created opportunities for career advancement and professional development for existing employees.

Q5: What strategies does the bank use to mitigate the financial impact of turnover?

We use a range of strategies to mitigate the financial impact of turnover. These include:

1. **Retention programs:** We have implemented various retention programs to improve employee engagement and satisfaction and reduce turnover rates. These programs may

include recognition and incentive programs, career development opportunities, and flexible work arrangements.

2. **Succession planning:** We have a robust succession planning process in place to identify and develop key employees who have the potential to fill critical roles in the future. This helps ensure continuity in our operations and reduces the financial impact of turnover in key positions.

3. **Knowledge management:** We have implemented knowledge management systems and processes to capture and retain critical knowledge and expertise, particularly in specialized or technical roles. This helps ensure that critical knowledge is not lost when employees leave the bank.

4. **Employee feedback mechanisms:** We regularly solicit feedback from our employees through surveys and other mechanisms to understand their perspectives and experiences and identify areas for improvement. This helps us address issues that may be contributing to turnover and improve employee engagement and satisfaction.

5. **Data analysis:** We regularly analyze data on turnover rates, recruitment and training costs, and other metrics to understand the financial impact of turnover on our operations and identify areas for improvement.

Overall, these strategies help us mitigate the financial impact of turnover and support our financial goals and objectives. By investing in our employees and building a positive work environment, we can reduce turnover rates and improve our financial performance over the long term.

4.4.3. Interview with a Branch Manager at Hibret Bank

Q1: How does employee turnover affect the day-to-day operations of the bank?

I can tell you that employee turnover can have varying impacts on our day-to-day operations, depending on the level of the departing employee. When high-level employees, such as managers or specialized staff, leave the bank, it can create a significant skills and knowledge gap that can be challenging to fill. This can lead to reduced productivity and increased stress on other employees who may have to take on additional responsibilities or train new hires. It may also require significant time and resources to find the right replacement, and even then, it can take some time for the new employee to get up to speed.

On the other hand, when lower-level employees, such as tellers or customer service representatives, leave the bank, they are generally easier to replace and do not cause major disruptions to the operations. While any turnover can impact morale and create a sense of instability, we have processes in place to quickly find and onboard new hires for these positions.

To mitigate the negative effects of turnover, we strive to create a positive work environment and offer competitive compensation and benefits to retain our employees.

We also track employee turnover rates and take steps to address any issues that may be contributing to high turnover. Ultimately, our goal is to maintain a stable and talented workforce that can provide the best possible service to our customers.

Q2: What challenges does high turnover present for managing a branch?

I would say that it presents several challenges that can impact the overall performance of the branch.

Firstly, high turnover can result in a loss of institutional knowledge and experience, which can be difficult to replace. When employees leave, they take with them their knowledge of the bank's systems, processes, and customers. This can lead to a skills and knowledge gap that can be challenging to fill, particularly if the employee held a specialized role or had been with the bank for a long time.

Another challenge of high turnover is the cost of recruitment and training. When we need to replace employees frequently, it can be expensive to advertise job openings, interview candidates, and onboard new hires. Additionally, it takes time for new employees to become fully trained and integrated into the branch's operations, which can impact productivity and customer service in the short term.

Q3: How does the bank address the impact of turnover on branch performance?

I can tell you that we take the impact of employee turnover on branch performance very seriously. To address this challenge, we have several strategies in place.

One of our key strategies is to focus on employee retention. We recognize that it can be costly and disruptive to replace employees who leave, particularly those who hold critical roles or possess specialized skills or knowledge. To mitigate this impact, we offer our employees competitive compensation packages, including salaries, bonuses, and benefits such as medical insurance and retirement plans. We also provide opportunities for professional development and advancement, so that our employees feel valued and challenged in their roles.

Another strategy we use to address the impact of turnover is to invest in training and onboarding for new employees. When we do need to replace employees, we work hard to ensure that the new hires are fully trained and integrated into the branch's operations as quickly as possible. This can help to minimize any disruptions to branch performance and ensure that our customers continue to receive the high level of service they expect from us.

Finally, we track employee turnover rates closely and take steps to address any underlying issues that may be contributing to high turnover. This could include addressing workplace culture issues, improving communication with employees, or offering additional support or resources to help our employees be successful in their roles.

Q4: What has been the financial impact of turnover on this branch?

Recruitment costs, such as advertising job openings and conducting interviews, can add up quickly, and the time and resources required to train new employees can also be significant.

Moreover, the loss of experienced employees can lead to a decrease in productivity, which can impact the branch's financial performance.

Q5: What are the strategies that you use to mitigate the negative effects of employee turnover at this branch?

Our strategies for mitigating the negative effects of employee turnover focus on creating a positive work environment, investing in our employees, and addressing any underlying issues that may be contributing to high turnover. By doing so, we aim to maintain a stable and talented workforce that can provide the best possible service to our customers and ensure the success of our branch.

4.5. Thematic Analysis of the Interviews

Based on the responses from the HR manager, finance manager, and branch manager, a thematic analysis of the interview questions reveals the following themes:

1. **Negative impacts of employee turnover:** All three managers highlighted the negative impact that employee turnover can have on their respective areas of responsibility. The HR manager discussed the costs associated with recruitment and training, the finance manager

discussed the impact on budgeting and financial performance, and the branch manager discussed the loss of institutional knowledge and experience, decreased productivity, and negative impact on team morale.

2. **Strategies for mitigating the negative effects of employee turnover:** All three managers also discussed various strategies for mitigating the negative effects of employee turnover. These strategies included offering competitive compensation and benefits, providing opportunities for professional development and advancement, fostering a positive work environment, investing in training and onboarding for new employees, and tracking employee turnover rates to identify and address any underlying issues.

3. **Differences in the impact of turnover based on employee level:** The branch manager highlighted that the impact of turnover can vary depending on the level of the departing employee. High-level employees can create a significant skills and knowledge gap that is difficult to fill, while lower-level employees are generally easier to replace. The HR manager also noted that turnover among critical staff positions can have a significant impact on the organization.

4. **Importance of employee retention:** All three managers emphasized the importance of employee retention in mitigating the negative effects of turnover. They discussed the need to create a positive work environment and offer competitive compensation and benefits to retain talented employees.

4.6. Comparison of findings with other studies

Despite the lack of statistical significance at the conventional level of 0.05, the findings of this study suggest a moderately negative relationship between employee turnover rate and financial performance, which is consistent with the findings of many previous studies in this area.

For instance (Hausknecht & Trevor, 2011) state that undesirable consequences may result from collective turnover as it involves losing human and social capital that is specific to the organization, disrupting operations and collective functions, burdening remaining employees with the task of orienting and training new hires, and increasing the costs of recruitment and selection. While this contradicts with (Allen et al., 2010) assumption that turnover is not inherently bad for organizations, it does match up with most of the findings of other researches (Shaw et al., 1998; Meier & Hicklin, 2008; Dwomoh & Korankye, 2012).

CHAPTER FIVE

5. SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1. Summary of findings and Conclusion

The purpose of this study was to investigate the relationship between employee turnover rate and financial performance at Hibret Bank. The Pearson correlation analysis revealed a moderately negative relationship between employee turnover rate and financial performance, with a correlation coefficient of -0.349. Although the two-tailed significance value of 0.323 suggests that this relationship may not be statistically significant at the conventional level of 0.05, the findings are consistent with previous research in this area.

To gain a deeper understanding of the impact of employee turnover on financial performance, the researcher conducted thematic analysis of semi-structured interviews with the HR manager, finance manager, and branch manager at Hibret Bank. The interviews revealed several themes related to employee turnover and its impact on organizational performance.

The managers all agreed that employee turnover has a negative impact on the bank's financial performance, as it leads to increased recruitment and training costs, loss of institutional knowledge, decreased productivity, and negative impact on team morale.

Despite these challenges, the managers also identified various strategies for mitigating the negative effects of employee turnover. These included offering competitive compensation and benefits packages, providing opportunities for professional development and advancement, fostering a positive work environment, investing in training and onboarding for new employees, and tracking employee turnover rates to identify and address any underlying issues.

Overall, this study suggests that employee turnover has a negative impact on the financial performance of Hibret Bank. The findings highlight the importance of managing employee turnover effectively to maintain financial performance and organizational success. Hibret Bank can benefit from investing in strategies to retain talented employees, create a positive work environment, and provide opportunities for professional development and advancement. Further research is needed with a larger sample size and additional statistical analysis to explore the relationship between employee turnover and financial performance in more depth.

5.2. Recommendation for Hibret Bank

Based on the findings of this study, the researcher would recommend that Hibret Bank take the following steps to address the issue of employee turnover and improve financial performance:

1. **Conduct a detailed analysis of turnover data:** Hibret Bank should analyze its turnover data to identify the types of employees who are leaving, the reasons why they are leaving, and the skill levels of those employees. This can help the bank develop targeted retention strategies that address the specific factors contributing to high turnover rates.

2. **Monitor all factors that lead to turnover:** Hibret Bank should monitor all factors that contribute to turnover, including job satisfaction, compensation, benefits, career advancement opportunities, and work-life balance. This can be done through regular employee surveys, exit interviews, and ongoing communication with employees.

3. **Develop retention strategies:** Based on the analysis of turnover data, Hibret Bank should develop targeted retention strategies that address the specific factors contributing to high turnover rates. This can include offering competitive compensation and benefits packages, providing opportunities for professional development and advancement, and creating a positive work environment.

4. **Measure financial metrics:** Hibret Bank should measure financial metrics to track the impact of turnover on financial performance, such as gross profit, net income, and return on assets. This can help the bank understand the financial impact of turnover and identify areas for improvement.

5. **Evaluate changes that decrease turnover:** Hibret Bank should evaluate any changes that have been made to decrease turnover rates, such as new retention strategies or changes to compensation and benefits packages. This can help the bank understand which strategies are most effective and make adjustments as needed.

Hibret Bank should address the issue of employee turnover from a wide array of perspectives and dimensions. By conducting detailed analyses of turnover data, monitoring all factors that contribute to turnover, developing targeted retention strategies, measuring financial metrics, and evaluating changes that decrease turnover, Hibret Bank can improve employee retention and financial performance.

5.3. Recommendation for future research

While this study provides valuable insights into the relationship between employee turnover and financial performance at Hibret Bank, there are several areas where future research could expand on our findings:

1. Conduct a longitudinal study: this study was cross-sectional, which means that data was collected at one point in time. A longitudinal study that tracks turnover rates and financial performance over time could provide more insight into the causal relationship between the two variables.

2. Include more variables: this study focused on the relationship between turnover rates and gross profit. Future research could include additional variables, such as employee engagement, customer satisfaction, and organizational culture, to provide a more comprehensive understanding of the impact of turnover on organizational performance.

3. Use a larger sample size: this study had a relatively small sample size, which may have affected the statistical significance of our findings. Future research with a larger sample size could provide more robust results.

4. Include more diverse organizations: this study focused on Hibret Bank, which may limit the generalizability of our findings to other organizations. Future research could include more diverse organizations to examine the relationship between turnover and financial performance in different contexts.

5. Use different research methods: this study used quantitative and qualitative research methods to explore the relationship between turnover and financial performance. Future research could use other research methods, such as experimental designs, to provide additional insights into this relationship.

Future research that addresses these areas could provide a deeper understanding of the relationship between employee turnover and financial performance, and inform the development of effective retention strategies for organizations.

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APPENDIX

APPENDIX - I INTERVIEW QUESTIONS FOR HR MANAGER

1. **What has been the trend of employee turnover at Hibret Bank over the past ten years?**
2. **What strategies does the bank use to address turnover?**
3. **How effective have these strategies been in reducing turnover and retaining employees?**
4. **Has the bank experienced any negative impacts as a result of employees leaving?**
5. **Does the bank continuously monitor their rate of turnover and assess what effects it has had?**

APPENDIX - II INTERVIEW QUESTIONS FOR FINANCE MANAGER

1. **How do you quantify the costs associated with employee turnover and its impact on the bank's financial performance?**
2. **What metrics do you use to track the financial impact of employee turnover, and how do you analyze these metrics?**
3. **How does the bank account for the costs associated with turnover?**
4. **What effects has the bank experienced as a result of employee turnover, be it positive or negative?**
5. **What strategies does the bank use to mitigate the financial impact of turnover?**

APPENDIX - III INTERVIEW QUESTIONS FOR BRANCH MANAGER

1. **How does employee turnover affect the day-to-day operations of the bank?**
2. **What challenges does high turnover present for managing a branch?**
3. **How does the bank address the impact of turnover on branch performance?**
4. **What has been the financial impact of turnover on this branch?**
5. **What are the strategies that you use to mitigate the negative effects of employee turnover at this branch?**