THE IMPORTANCE OF MONEY IN SHAPING EMPLOYEE INTENTION TO STAY IN SMALL BUSINESSES: THE MODERATING ROLES OF GROWTH MINDSET AND CARING CLIMATE

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Abstract

Employee retention is a critical challenge for small and medium enterprises (SMEs), particularly in developing economies like Indonesia, where financial constraints and high turnover rates jeopardize organizational stability. This study investigates the relationship between monetary importance and intention to stay, moderated by caring climate and growth mindset. Using purposive sampling, data were collected through an online survey from 198 employees of small businesses in Central Java, all of whom had worked for their organizations for at least one year. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the proposed hypotheses. The results revealed that monetary importance did not have a significant direct effect on intention to stay. However, caring climate positively moderated this relationship, enhancing retention through a supportive and empathetic workplace environment. In contrast, growth mindset negatively moderated the relationship, suggesting that employees with a strong growth orientation prioritize non-financial motivators such as professional development opportunities. These findings highlight the importance of tailoring retention strategies to individual and contextual factors, combining financial incentives with non-monetary approaches. This study contributes to the literature on retention strategies by integrating organizational and psychological perspectives within the SME context.

Keywords: Importance of Money, Caring Climate, Growth Mindset, Intention to Stay, Small Businesses

JEL Classification: J33, J63, M12, M52

Article History: Submitted: 2024-11-13; Revision: 2025-01-06; Accepted: 2025-01-10; Published: 2025-01-18

How to Cite: Putranta, M. P., Kingshott, R.P., Handoko, D. W., & Harsiwi, T. A. M. (2025). The Importance of Money in Shaping Employee Intention to Stay In Small Businesses: The Moderating Roles of Growth Mindset and Caring Climate. *Media Ekonomi dan Manajemen, 40*(1), 230-245.

INTRODUCTION

Small and medium enterprises (SMEs) are essential to global economic development, particularly in low-income and developing countries. In Indonesia, SMEs comprise over 80% of businesses, significantly contributing to job creation, poverty alleviation, and economic resilience (Aladin et al., 2021). Their capacity to adapt and innovate allows them to respond effectively to market changes, positioning SMEs as pivotal drivers of regional development, especially during crises such as the COVID-19 pandemic (Bharath, 2023) (Ibrahim & Mayende, 2018). However, these enterprises face ongoing challenges, including limited financial resources, global competitiveness, and managing human capital—most notably, employee retention. This research was conducted among employees working in small businesses located in a city in Central Java. The region was chosen due to its significant and growing contributions from cooperatives and MSMEs to the Gross Regional Domestic Product (GRDP), which accounted for 12.45% in 2021, 12.46% in 2022, and 14.89% in 2023 (Central Java Goverment, 2024).

Retaining employees remains a pressing concern for SMEs, as high turnover disrupts productivity, raises operational costs, and jeopardizes organizational stability. While financial incentives are commonly employed to mitigate turnover, they often prove insufficient or unsustainable (Keating & Heslin, 2015; S. Lee & Ha-Brookshire, 2017). Consequently, non-financial strategies are gaining traction for their ability to improve employee loyalty and satisfaction. Emerging evidence highlights the importance of fostering supportive workplace environments and nurturing individual psychological traits as critical influences on employees' decisions to remain with their organizations (Szalai et al., 2024).

Creating an ethical and supportive work environment characterized by mutual respect, trust, and support has shown to be an effective strategy for improving retention. Such environments not only mitigate stress and reduce negative workplace behaviors but also enhance job satisfaction and promote a sense of belonging (Szalai et al., 2024). Similarly, fostering a mindset centered on growth and resilience contributes to organizational stability by encouraging adaptability and long-term commitment. Employees who embrace this mindset are more likely to perceive challenges as developmental opportunities, ultimately strengthening their engagement and perseverance (Keating & Heslin, 2015; Kondratowicz & Godlewska-Werner, 2022; Wahyuni et al., 2023).

While research has extensively examined financial incentives and individual or organizational factors in isolation, a gap exists in understanding how these elements interact within the SME context (Bharath, 2023). This study aims to bridge this gap by exploring how supportive workplace environments and individual psychological attributes can jointly influence employee retention. By integrating these perspectives, the research highlights the dynamic interplay between organizational and personal factors, offering actionable insights for sustainable talent management in resource-constrained settings.

Building on the challenges and gaps highlighted in the Introduction, the primary objective of this study is to investigate the direct effect of the importance of money on employees' intention to stay within the context of small businesses. Specifically, the research examines how financial rewards influence retention decisions, particularly in resource-constrained environments. Additionally, the study explores the moderating roles of two critical variables: caring climate and growth mindset. A caring climate is proposed to amplify the perceived value of financial rewards by creating a supportive and ethical organizational environment. In contrast, a growth mindset is hypothesized to weaken the relationship between financial incentives and intention to stay, as individuals with a high growth mindset may prioritize personal and professional development over monetary rewards.

By addressing these objectives, this research offers a nuanced understanding of the interplay between organizational and individual factors in shaping retention strategies for small businesses. The findings aim to provide actionable insights for academics and practitioners, highlighting how small businesses can leverage non-financial and psychological factors to complement traditional financial incentives and enhance employee retention.

LITERATURE REVIEW

Intention to Stay

According to Price & Mueller (1981) intention to stay refers to an employee's conscious decision and willingness to remain with their current organization. This concept reflects the deliberate and reflective process employees undergo when deciding their level of commitment to their employer and serves as a predictive measure of retention. Unlike actual turnover, intention to stay assesses an employee's likelihood of remaining within the organization. High levels of this intention are crucial for organizations aiming to reduce the costs associated with employee turnover, including recruitment, training, and lost productivity (Maphanga et al., 2024). The antecedents of intention to stay can be broadly classified into individual and organizational factors. Individual factors encompass personal motivations and experiences, such as the importance employees place on financial rewards and the quality of social interactions at work. Employees who prioritize material well-being or experience strong coworker support are more likely to exhibit a higher intention to stay (Franzen & Mader, 2022; Markiewicz et al., 2024). Furthermore, coworker relationships play a pivotal role in enhancing job motivation, particularly for new employees, as they improve job satisfaction and alleviate workplace stress (Jang et al., 2023). On the other hand, organizational factors focus on workplace policies and practices that influence employees' decisions to remain. Perceptions of fairness in HR practices including distributive, procedural, and interactional justice are instrumental in fostering trust and satisfaction, thereby strengthening employees' intention to stay (Jang et al., 2023; Rai et al., 2019). Additionally, a supportive and collaborative work environment enhances employees' attachment to their organization, reinforcing their commitment and significantly reducing turnover intentions (Hazeen Fathima & Umarani, 2023; Maphanga et al., 2024).

Importance of Money

Franzen & Mader (2022) describe money as essential for financial security and a fundamental motivator in shaping employment and consumption choices. It serves as both a practical resource and a cultural symbol, reflecting power, status, and personal identity. Juneman et al. (2012) describe money as a marker of success and identity, influenced by individual and group-level dynamics. Tang (2010) expand this view, linking money to spirituality and ethics, warning that it can foster materialism if unbalanced. Instead, they propose that money should promote human flourishing. As such, money transcends economic utility, representing a motivational tool and a reflection of cultural and ethical values (Campos Monteiro et al., 2015; Henchoz et al., 2019; Karamushka et al., 2021).

In organizational contexts, the role of money becomes more nuanced. Thibault Landry et al. (2022) identify monetary rewards as either informative, enhancing intrinsic motivation by signaling appreciation, or controlling, reducing well-being and engagement. This duality underscores the importance of perception in determining the effectiveness of

p-ISSN: 0854-1442 (Print) e-ISSN: 2503-4464 (Online)

financial incentives. Boachie-Mensah & Dogbe Zungbey (2012) emphasize money's dual role in retention: practically meeting financial needs and symbolically conveying recognition and value. Competitive compensation is critical for retention, particularly in resource-constrained environments. Pallangyo & Hanai (2020) add that fair salaries reduce turnover, encouraging employees to stay when pay aligns with market standards. These insights highlight the need for tailored compensation strategies that balance financial expectations with organizational limitations. Based on this, it is hypothesized that:

H1: The importance of money positively influences employees' intention to stay

Caring Climate

The concept of a caring climate, introduced by (Victor & Cullen, 1988), refers to a work environment where employees' needs and well-being are prioritized. In such climates, altruism is fostered, encouraging employees to support one another while remaining aligned with organizational goals (Chen & Tang, 2024). A caring climate creates ethical conditions that strengthen interpersonal relationships, leading to greater job satisfaction and improved performance (Sembiring et al., 2020). While financial rewards are critical for employee retention, monetary incentives alone cannot fully explain why employees choose to stay with an organization. Sorn et al. (2023) emphasize the critical role of competitive compensation packages, noting that while essential, they are insufficient on their own to address retention challenges. Non-monetary factors such as job satisfaction, work-life balance, and company culture also play a significant role. Similarly, Ghosh et al. (2013) identify compensation and benefits as one of seven key factors influencing retention. Terera & Ngirande (2014) reveal that while financial rewards are essential, they alone cannot ensure job satisfaction, but when combined with non-financial incentives like career growth and recognition, they form a more effective retention strategy. This suggests that a caring climate strengthens the relationship between the importance of money and employees' intention to stay by amplifying emotional and relational aspects, making employees who value financial rewards more likely to remain committed in a supportive environment. Consequently, this study proposes the following hypothesis:

H2: The relationship between the importance of money and employees' intention to stay is moderated by a caring climate, such that the positive effect of importance of money on intention to stay is stronger in the presence of a caring climate

Growth Mindset

The growth mindset, as concept-tualized by Dweck (2006), reflects the belief that abilities and skills can be cultivated through effort, learning, and perseverance. In the workplace, this mindset fosters resilience, adaptability, and motivation, enabling employees to perceive challenges as opportunities for personal and professional development (Han & Stieha, 2020; Murphy & Reeves, 2019). Employees with a growth mindset are more likely to align extrinsic motivators, such as monetary rewards, with intrinsic aspirations, such as career advancement and skill acquisition (Wallace et al., 2023). In this way, financial incentives are transformed from mere transactional benefits into enablers of long-term goals. While financial rewards are widely recognized as a key driver of employee retention, the extent to which they influence an employee's intention to stay may depend on the individual's mindset. For many employees, monetary compensation not only satisfies immediate financial needs but also contributes to achieving broader aspirations (Han &

Stieha, 2020). Employees with a growth mindset may place greater emphasis on opportunities for learning and development than on financial rewards. For them, intrinsic motivators, such as personal growth and skill-building, often take precedence over extrinsic factors like monetary compensation. Research highlights that individuals with a growth mindset are more motivated by opportunities for self-improvement and view work challenges as pathways for growth (Dweck, 2006; Murphy & Reeves, 2019). Consequently, the positive effect of financial rewards on retention may be weaker among individuals with a growth mindset, as they find greater satisfaction in developmental opportunities (Berg et al., 2023; Han & Stieha, 2020). Based on these arguments, it is hypothesized that:

H3: A growth mindset moderates the relationship between the importance of money and intention to stay, such that the relationship is weaker for individuals with a high growth mindset compared to those with a low growth mindset.

Figure 1 is the conceptual framework of this study.

RESEARCH METHODS

This study utilized a survey-based research design to explore the relationships between the importance of money, intention to stay, caring climate, and growth mindset. The primary focus was to examine the direct effect of the importance of money on intention to stay and assess the moderating roles of caring climate and growth mindset.

A pilot test with 12 participants from the target population was conducted to ensure the clarity and relevance of the survey items. Feedback from this test informed refinements to the questionnaire, addressing potential technical issues and estimating the completion time. To ensure reliability and validity, the study employed well-established scales from prior research, with careful attention to the clarity of item wording to minimize respondent misunderstandings.

The main study used an online survey via Google Forms, targeting employees in small businesses in Central Java, Purposive sampling was employed, with participants required to have worked at their company for at least one year. The final sample consisted of 198 respondents, exceeding the minimum sample size of 180 based on the guideline of 10 respondents per scale item (Hair et al., 2010).

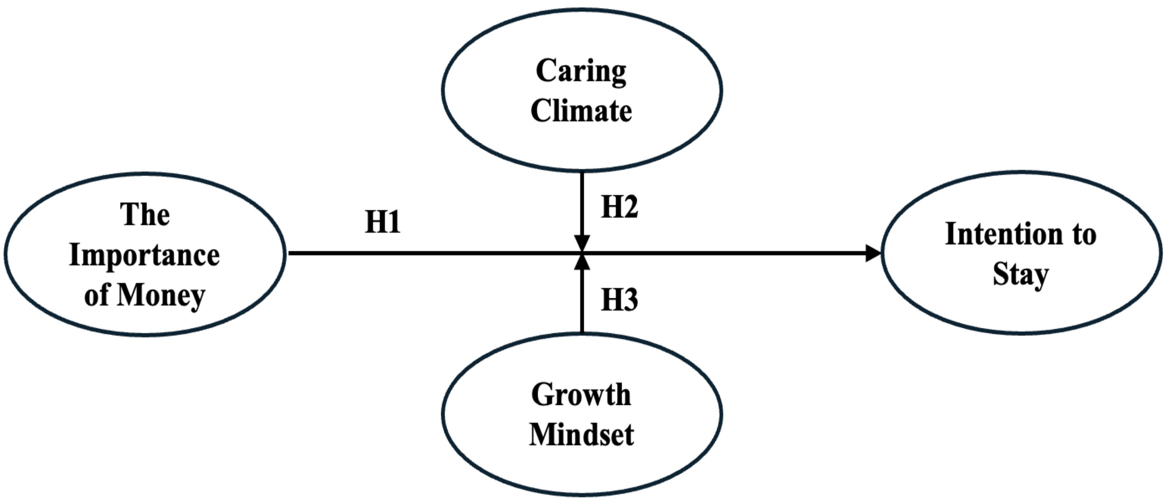

Figure 1. Conceptual Framework

p-ISSN: 0854-1442 (Print) e-ISSN: 2503-4464 (Online)

The measurement scales included four components: intention to stay (four-item scale) from Price & Mueller (1981), importance of money (Franzen & Mader, 2022), caring climate (three-item subscale of the Ethical Climate Questionnaire (Victor & Cullen, 1988), with one item excluded due to missing data), and growth mindset (Dweck, 2006).

RESULT AND DISCUSSION

This section presents the findings of the study, beginning with a description of the respondents and research variables, followed by the evaluation of the measurement model (outer model) and the structural model (inner model) using Partial Least Squares Structural Equation Modeling (PLS-SEM). Unlike Covariance-Based SEM (CB-SEM), which is optimal for testing well-established theories, PLS-SEM is more appropriate for studies with a focus on identifying relationships in complex models, especially when theoretical underpinnings are still evolving (Hair et al., 2019). PLS-SEM is particularly advantageous for this study as it allows for the analysis of smaller sample sizes while maintaining statistical power, making it suitable for resource-constrained settings such as small and medium enterprises (SMEs). Additionally, the method effectively handles non-normal data distributions, which are common in survey-based research, and is well-suited for examining models with multiple moderating effects, such as those investigated in this study

Description of Respondents

This research was conducted among employees working in small businesses located in a city in Central Java. The region was chosen due to its significant and growing contributions from cooperatives and MSMEs to the Gross Regional Domestic Product (GRDP), which accounted for 12.45% in 2021, 12.46% in 2022, and 14.89% in 2023 (Central Java Goverment, 2024).

Among the respondents, 66.8% were male and 33.2% were female. The majority fell within the age range of 25 to 30 years (52.6%), and all respondents had been with their current organization for over one year, fulfilling the inclusion criteria. Regarding education, 32.4% held a high school diploma, 60.1% held a bachelor’s degree, and the remaining respondents did not report their academic qualifications. In terms of job tenure, 31.4% had been employed for 1–3 years, and 32.7% had been employed for more than three years.

Descriptive Statistics of Research Variables

The descriptive statistics provided an overview of the participants' perceptions. Importance of Money had a mean score of 4.33, reflecting a strong emphasis on monetary rewards. Intention to Stay scored 4.25, indicating moderate to high retention intentions. Growth Mindset showed a mean score of 4.33, highlighting a growth-oriented mindset among participants. Caring Climate scored 4.08, indicating a favorable perception of the organizational climate.

After describing the respondents and research variables, the next step is to test the relationships between variables using SEM-PLS. The analysis involves two stages: evaluating the measurement model (outer model) and assessing the structural model (inner model).

The first stage involved the examination of the reliability and validity of the constructs. Reliability was assessed using Cronbach’s Alpha and Composite Reliability (CR). Validity was evaluated using Average Variance Extracted (AVE) for convergent validity and the Fornell-Larcker Criterion for discriminant validity. Convergent validity was determined through factor loadings and Average Variance Extracted (AVE), with thresholds of 0.7 for loadings and 0.5 for AVE (Hair et al., 2019). Discriminant validity was evaluated using the Fornell-Larcker criterion, which compares the square root of AVE to inter-construct correlations. Constructs that meet these criteria are deemed reliable and valid for further analysis.

The second stage entailed assessing the relationships between variables within the inner model. Once the measurement model was validated, the structural model was analyzed to test the hypothesized relationships between variables. Path coefficients, p-values and R-squared values were estimated to determine the strength and direction of the relationships, and their statistical significance. Moderating effects were tested by creating interaction terms between the independent variable and the moderators. These interaction terms were included in the structural model, and their effects were assessed using path coefficients and significance levels ($p < 0.05$). A significant interaction term indicates that the moderator influences the strength or direction of the relationship between the independent and dependent variables. Finally, Hypotheses were tested based on the statistical significance of path coefficients. Direct, indirect, and moderating effects were analyzed, with the results summarized in tables.

Measurement Model Assessment (Outer Model)

Reliability

The first step in measurement model assessment is reliability testing of the used scales. The test is to ensure that the measurement model has internal consistency before assessing validity. To evaluate the reliability of the scales used in this study, three measures were employed: Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE). Cronbach's Alpha assesses internal consistency, with a commonly accepted threshold of 0.7 indicating satisfactory reliability (Nunnally, 1978). However, Composite Reliability (CR) is often preferred in structural equation modeling as it considers the loading of each indicator, with a recommended threshold of 0.7 (Hair et al., 2019). Additionally, Average Variance Extracted (AVE) assesses the convergent validity of the construct, with a threshold of 0.5 indicating that the scale explains an adequate proportion of variance in its indicators (Fornell & Larcker, 1981). Table 1 presents the reliability test results for each construct in this research model.

As shown in Table 1, all scales met the thresholds for CR and AVE, demonstrating strong internal consistency and convergent validity. While Growth Mindset scale's Cronbach's Alpha was slightly below 0.7 (0.696), its CR and AVE values exceeded the respective thresholds (CR = 0.740; AVE = 0.620), justifying its inclusion in the analysis. The results for the remaining three scales showed Cronbach's Alpha, CR, and AVE values above their respective thresholds, confirming their reliability and validity.

Table 1. Reliability Test Results for Constructs

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Intention to Stay	0.870	0.870	0.620
Importance of Money	0.928	0.932	0.665
Caring Climate	0.808	0.812	0.722
Growth Mindset	0.696	0.740	0.620

Validity

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To ensure the constructs' validity, both convergent and discriminant validity were assessed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Convergent validity examines the extent to which indicators of a construct correlate with one another. (Hair, et al., 2019). This was assessed using three criteria: factor loadings, where values greater than 0.7 indicate that an indicator reliably measures its construct; Average Variance Extracted (AVE**)**, where values above 0.5 confirm that the construct explains more than half of the variance in its indicators (Hair et al., 2019); and Composite Reliability (CR**)**, where values greater than 0.7 indicate strong internal consistency. The results are presented in Tables 2, 3, and 4. The results of the AVE and CR tests are presented in Table 1. As shown in Table 1, all constructs met the thresholds for factor loadings, AVE, and CR, indicating strong convergent validity. Loading factors for the items of each construct are shown in Table 2.

Based on Table 2, all items of the measurements/factor show loading factors exceeding 0.70, indicating sufficient convergent validity, making them suitable for further analysis.

Discriminant Validity

Discriminant validity ensures that a construct is distinct from other constructs in the model. This was evaluated using the Fornell-Larcker Criterion, which compares the square root of the AVE for each construct with its correlations with other constructs. A construct demonstrates adequate discriminant validity if the square root of its AVE is greater than its correlations with any other construct (Fornell & Larcker, 1981). Table 3 displays the discriminant validity results based on the Fornell-Larcker criterion.

As shown in Table 3, the diagonal values (square root of AVE) were higher than the off-diagonal values (construct correlations), confirming that all constructs exhibit discriminant validity

Table 2. Factor loading of Measurement Items

Indicator	Construct	Loading Factor		
MON01	Importance of Money	0.795		
MON02	Importance of Money	0.839		
MON03	Importance of Money	0.804		
MON04	Importance of Money	0.842		
MON05	Importance of Money	0.895		
MON06	Importance of Money	0.779		
MON07	Importance of Money	0.765		
MON08	Importance of Money	0.795		
STAY01	Intention to Stay		0.820	
STAY02	Intention to Stay		0.865	
STAY03	Intention to Stay		0.863	
STAY04	Intention to Stay		0.847	
MIND01	Growth Mindset			0.774
MIND02	Growth Mindset			0,879
MIND03	Growth Mindset			0.700
CLIM01	Caring Climate	0.80		
CLIM02	Caring Climate	0.84		
CLIM03	Caring Climate	0.81		

Table 3. Discriminant Validity Based on Fornell-Larcker Criterion

Construct	Importance of Money	Intention to Stay	Growth Mindset	Caring Climate
Importance of Money	**0.85**	0.65	0.60	0.63
Intention to Stay	0.65	**0.81**	0.62	0.64
Growth Mindset	0.60	0.62	**0.79**	0.61
Caring Climate	0.63	0.64	0.61	**0.82**

Structural Model Assessment (Inner Model)

The structural model was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Figure 2 presents the path diagram, which illustrates the hypothesized relationships between constructs along with the standardized path coefficients. The results of the structural model analysis, including the significance of these relationships and R-squared values for the dependent variables, are detailed in Table 4. The inner model was assessed to examine the relationships among constructs in the structural model. Overall model fit was evaluated using the Goodness-of-Fit (GoF) index to confirm that the proposed model aligns with empirical data. One of the fit indices used was the Standardized Root Mean Square Residual (SRMR), which measures the alignment between observed and predicted correlations. An SRMR value below 0.08 suggests a good fit (L. Hu & Bentler, 1999). Subsequent analysis focused on assessing predictive strength and relationships among constructs using the R-squared (R^2) value and path coefficients. The R^2 value indicates the proportion of variance in the dependent construct explained by the independent constructs in the model. To test the significance of relationships among constructs, path coefficients, t-statistics, and p-values were calculated using bootstrapping.

Based on statistical testing, the construct *Intention to Stay* had an R^2 value of 0.45 (see: Table 4). According to (Chin, 1998), an R^2 value above 0.33 is considered moderate, so 0.45 suggests moderate-to-strong predictive power. The SRMR for this model was 0.060, below the 0.08 threshold, indicating a strong fit between the theoretical model and empirical data. This supports the adequacy of the proposed model for further inner model analysis. Table 4 presents the results of this evaluation.

Table 4. Inner Model and Goodness-of-Fit

Relationship	Path Coefficient	P-value
Importance of Money → Intention to Stay	0.077	0.231
Caring Climate × Importance of Money → Intention to Stay	0.137	0.031
Growth Mindset × Importance of Money → Intention to Stay	-0.179	0.008
R^2 values = 0.45		
The SRMR = 0.06		

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Figure 2 visually illustrates the relationships between constructs, including path coefficients and significance levels. The model demonstrated acceptable fit, with R^2 values indicating that 45% of the variance in intention to stay was explained by the constructs in the model. The SRMR value of 0.06 confirmed a good model fit.

As shown in Table 4 and Figure 2, the direct effect of importance of money on intention to stay was evaluated, with a path coefficient of 0.077 and a p-value of 0.231. Although the relationship was positive, it was not statistically significant at the 0.05 level, suggesting that monetary importance alone does not significantly predict employees' retention. Therefore, the first hypothesis was unsupported.

The tests results also revealed that a strong caring climate enhances the positive relationship between importance of money and intention to stay. Employees in environments characterized by empathy and support are more likely to stay when they value monetary rewards. In other words, the moderating role of caring climate was supported, with a path coefficient of 0.137 and a p-value of 0.031.

Figure 3 illustrates the results of the moderation analysis. The plot on the left demonstrates the interaction between caring climate and importance of money, showing that a higher caring climate strengthens the positive relationship between importance of money and intention to stay. The graphical slope above demonstrates that when caring climate is high, the positive relationship between importance of money and intention to stay is strengthened, resulting in a steeper slope. Conversely, when Caring Climate is low, the slope is less pronounced, indicating a weaker relationship.

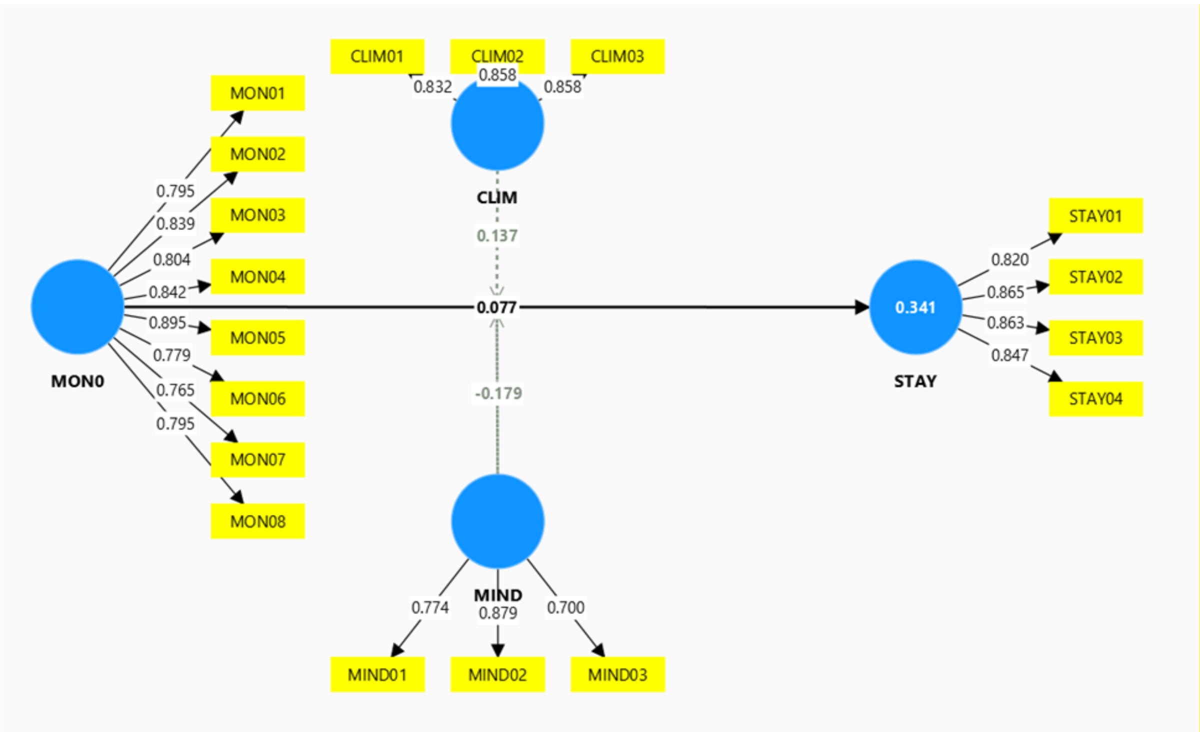

Figure 2. Path Diagram of the Structural Model

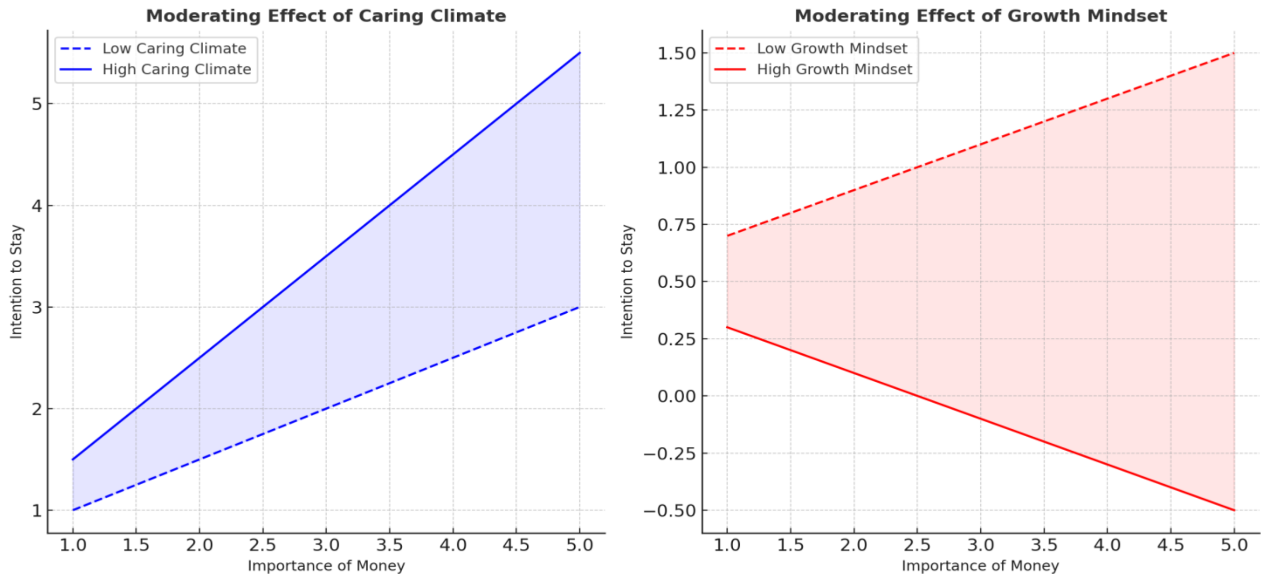

Figure 3. Graphical Slopes Depicting the Moderating Effects of Caring Climate and Growth Mindset

Conversely, the plot on the right reveals that Growth Mindset negatively moderates this relationship, as indicated by the decreasing slope under conditions of high Growth Mindset. These findings highlight the differing roles of the moderators in influencing the primary relationship. Therefore, the moderating effect of growth mindset was also supported, with a path coefficient of -0.18 and a p-value of 0.008. As growth mindset increases, the positive influence of importance of money on intention to stay diminishes. This indicates that individuals with a high growth mindset prioritize non-monetary factors, such as opportunities for development and learning, over financial incentives. The graphical slope above illustrates this, showing a downward trend for high growth mindset, while low growth mindset maintains a positive relationship.

The study revealed nuanced insights into how organizational climate and employee mindset interact with monetary incentives to influence retention decisions. While the direct effect of importance of money on intention to stay was not significant, caring climate positively moderated this relationship, emphasizing the value of supportive work environments. Conversely, growth mindset negatively moderated this relationship, suggesting that individuals with a growth orientation value non-monetary aspects over financial rewards. These findings highlight the need for tailored strategies to address diverse employee priorities and enhance retention.

Discussion

This study examined the relationships between the importance of money, caring climate, growth mindset, and employees' intention to stay within the context of small businesses. The findings provide valuable insights into the complex dynamics of employee retention in resource-constrained environments.

Contrary to expectations, the first hypothesis proposing a direct positive relationship between the importance of money and intention to stay was not supported. This result suggests that financial rewards alone may not be a sufficient predictor of retention among employees in small businesses. In this context, employees may prioritize other factors, such as job satisfaction, workplace relationships, or intrinsic motivations, over monetary incentives. These findings align with previous research indicating that financial rewards, while important, often

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require complementary non-financial strategies to effectively influence retention decisions.

This study confirms that a caring climate moderates the relationship between the importance of money and employees' intention to stay. A caring climate enhances the impact of financial rewards by fostering trust, fairness, and support, making monetary incentives more meaningful (S. Lee & Ha-Brookshire, 2017). Sorn et al. (2023) highlights that organizational climate significantly mediates HR practices' effectiveness on retention, emphasizing that a supportive environment enhances the perceived value of financial and non-financial motivators. Similarly, Halilbegovic et al. (2018) demonstrates that while financial incentives are important, they are most effective when paired with a positive and collaborative work culture.

The third hypothesis, which proposed that a growth mindset negatively moderates the influence of the importance of money on intention to stay, was also supported. Employees with a high growth mindset exhibited a weaker association between monetary incentives and retention. This result suggests that growth-oriented employees place greater emphasis on opportunities for personal and professional development, viewing intrinsic factors as more critical to their long-term commitment.

This study is particularly relevant to small businesses, where resource constraints make it imperative to find a balance between financial incentives and non-financial strategies to enhance employee retention. In such contexts, fostering a caring climate can be more easily achieved due to the closer interpersonal dynamics inherent in smaller organizations. Moreover, promoting a growth mindset among employees can offset limitations in career progression opportunities, encouraging employees to focus on personal and professional development, which aligns with the organization's growth.

CONCLUSION AND RECOMMENDATION

Practical and Theoretical Implications

The findings of this study offer valuable insights into employee retention strategies, particularly for small businesses operating with limited resources.

Practical Implications

The lack of a direct link between financial incentives and employee retention highlights an important reality: money alone is not enough to secure employee commitment. For small businesses, this presents an opportunity to prioritize cost-effective, non-financial strategies that can make a significant impact. The study underscores the importance of fostering a caring climate—one where trust, fairness, and emotional support thrive. Such an environment can enhance the perceived value of financial rewards, even when these rewards are modest. Creating this climate does not require significant financial investment. Open communication, for instance, can help employees feel heard and valued, whether through transparent team discussions or one-on-one conversations. Simple efforts to build team spirit, such as informal group activities during work hours, can foster collaboration and a sense of belonging. Similarly, personal recognition, such as publicly acknowledging employee achievements or expressing gratitude through heartfelt notes, can significantly boost morale and strengthen connections to the organization.

For employees who are more growth-oriented, the study reveals the importance of addressing intrinsic motivations. These individuals often prioritize personal and professional development over monetary rewards. Even with limited resources, small businesses can meet these aspirations through creative and low-cost approaches. Allowing employees to take on new responsibilities or lead small projects not only facilitates skill-building but also enriches their roles. Encouraging peer mentoring within the team can further enhance development, as employees learn from each other and build meaningful workplace relationships. Additionally, offering flexible work arrangements, where feasible, demonstrates trust and support, deepening employees' commitment to the organization.

By adopting these strategies, small businesses can create a work environment that balances intrinsic and extrinsic motivations. Such an approach enables businesses to retain talent, foster loyalty, and ensure sustainable growth, even within the constraints of limited resources.

Theoretical Implications

This study offers a nuanced perspective on traditional assumptions about monetary rewards as a primary driver of retention, particularly in small business contexts. The lack of a direct relationship between the importance of money and intention to stay suggests an opportunity to refine motivational theories, such as Herzberg's Two-Factor Theory, by incorporating the interplay between financial and non-financial factors. The moderating roles of caring climate and growth mindset underscore the complexity of retention dynamics, emphasizing the need to explore how organizational and psychological factors interact to shape employee decisions.

Additionally, the findings contribute to ethical climate theory by highlighting the practical value of a caring climate in enhancing the perceived effectiveness of financial rewards. The nuanced role of growth mindset further enriches retention research, suggesting that growth-oriented employees may place greater value on developmental opportunities than on financial incentives. Finally, the study underscores the importance of contextualizing retention strategies to specific environments, such as small businesses, where resource constraints necessitate a balanced approach to integrating financial and non-financial motivators.

Limitations and Suggestions for Future Research

This study has several limitations that warrant consideration. First, the research is confined to small business contexts, which may limit the generalizability of the findings to larger organizations or other industries. Future studies could explore these dynamics in diverse organizational settings to assess the broader applicability of the results. Second, the cross-sectional design of the study restricts the ability to draw causal inferences. Longitudinal research could provide deeper insights into how the relationships between the importance of money, intention to stay, caring climate, and growth mindset evolve over time.

Additionally, while this study highlights the moderating roles of caring climate and growth mindset, other potential moderators or mediators, such as job satisfaction, organizational commitment, or psychological safety, remain unexplored. Future research could integrate these variables to develop a more comprehensive understanding of employee retention. Finally, cultural factors may influence the importance of money and employees' intrinsic motivations. Expanding the study to include cross-cultural comparisons could yield valuable insights into how cultural contexts shape retention strategies.

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