

**INFLUENCE OF HUMAN CAPITAL DEVELOPMENT ON STAFF
PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A SURVEY OF
COMMERCIAL BANKS IN ONGATA RONGAI TOWN**

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DECLARATION

I declare that this applied research proposal is my original work and that it has not been presented in any other university for academic credit.

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This applied research proposal is submitted for examination with my/our approval as the university supervisor(s)

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ABSTRACT.

Human capital development is one of the most important requirements to ensure the sustenance and improvement of an economy either at macro or micro level. Human capital development is the continuous process from childhood to old age. It is also any society or enterprise that wishes to survive under the complex challenges of the dynamic world. The study is done to find out the influence of human capital development on staff performance of commercial banks in Ongata Rongai Town, the objectives of the study were to determine effect of innovation ability, learning capacity, and work experience on staff performance. The study employed a descriptive research design to determine the direction and magnitude of the relationship between the studied variables. The population of the study was randomly selected from each of the managerial level and lower level of different commercial banks in Ongata Rongai town for the purpose of administering questionnaire to an aggregated population of 200 staff. The study used a sampling frame of branch and operational managers of the banks within Ongata Rongai Town where a mixture of simple/stratified random sampling method was used to select a sample size. A sample size was obtained with the help of Taro Yamane formula, to be 133. Data was collected by use of questionnaire containing four sections namely General information, Innovation ability, Learning capacity and Work experience. The questionnaires were distributed by the research assistant to the selected respondents. Data was analyzed using a Statistical Package for Social Sciences (SPSS). Descriptive statistics was used to analyze data, summarize, and present the major characteristics of the main variable as well as the relationship among the variables. Completeness, reliability, and consistency of the collected data was checked through the analysis of reliability and internal consistency, coded, and analyzed. Results were presented in the form Frequency distribution tables and figures from which conclusions was obtained in relation to the objective of the study. Descriptive techniques that were used include, Means and Standard Deviation. The findings of the study indicated that there is a relationship between human capital development and performance of commercial banks in Ongata Rongai town. This was most apparently reflected in the extent to which the bank was promoting staff development through further education, trainings, and workshops. The study also disclosed that investing in human capital has long term and sustainable outcomes such as enhancing customers trust due to improvement of service delivery. The study recommends that there is a need of promoting in-service training and further education related to career advancement particularly among employees working with financial institutions. These training led to optimization of human labor which ultimately translates to increased organization production performance. However, similar research to be carried out in other financial organizations such as insurance companies and the results be compared to establish whether there is consistency on learning organizations and organizational performance.

TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENT	ii
ABSTRACT	iii
LIST OF FIGURES	vii
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
OPERATIONAL DEFINITION OF TERMS	x
CHAPTER ONE	1
INTRODUCTION	1
1.1.Introduction.....	1
1.2. Background of the Study	1
1.3. Statement of the Problem.....	6
1.5. Purpose of the study.....	9
1.5.1 Specific Objectives	9
1.6 Research Questions	9
1.7. Significance of the Study	10
1.8. Scope of the Study	10
1.9. Delimitation of the Study.....	11
1.10. Limitation of the Study	11
1.11. Assumption of the study	12
1.12. Theoretical review on human capital development	12
1.13. Resource Based View	12
1.14. Human Capital Theory.....	13
1.15. Growth Theory.....	14
1.16 Conceptual Framework.....	15
1.17 CONCEPTUAL FRAMEWORK	16
CHAPTER TWO	17
LITERATURE REVIEW	17
2.1. INTRODUCTION	17
2.2. Empirical review.....	17
2.2.1. Innovation and staff performance	19
2.2.2. Learning and staff performance	24
2.2.3. Work experience and staff performance	29

2.4. Summary of reviewed literature.....	33
2.5. Research Gap	34
CHAPTER THREE.....	36
RESEARCH METHODOLOGY	36
3.1 Introduction.....	36
3.2 Research Design.....	36
3.3 Research Site and Rationale.....	37
3.4 Target Population.....	37
3.5. Study sample.....	39
3.5.1. Study sample size.....	39
3.5.2. Sampling procedure	40
3.6. Data collection Instruments	41
3.6.1. Data Collection Procedures.....	41
3.6.2. Pilot Testing of research instrument	41
3.6.3 Reliability of research instruments	42
3.7.3 Validity of Research Instruments.....	42
3.9 Data analysis and Presentation.....	43
3.10 Ethical Considerations	44
CHAPTER FOUR.....	45
DATA ANALYSIS AND PRESENTATION	45
4.1. Introduction.....	45
4.3. Gender analysis.....	46
4.3.1 Gender of the Respondents	46
4.5 Age analysis.....	47
4.6 Level of education.....	47
4.7 Years of Experience.....	48
Table 4.8. Innovation ability and performance of commercial banks in Kenya	49
4.9 Effects of Team Learning on Organizational Performance	53
4.10. Effects of Employee Empowerment on Organizational Performance	57
CHAPTER FIVE	65
DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	65
5.1 Introduction.....	65
5.3 Summary of the Findings.....	68
5.3.2. Learning capacity and staff performance of commercial banks in Ongata Rongai Town?	70

5.3.3 Work experience and staff performance of commercial banks in Ongata Rongai Town?.....	70
5.4. Conclusion	71
5.5 Recommendations	73
5.6 Suggestions for Further Research	74
REFERENCE	75
APPENDIX 1: LETTER OF INTRODUCTION.	79
LETTER OF INTRODUCTION	79
APPENDIX II: QUESTIONNAIRE	80
APPENDIX III: RESEARCH PERMIT	88
APPENDIX IV: MAP OF STUDY AREA	90

LIST OF FIGURES

Figure 1.1 Conceptual Framework 16

LIST OF TABLES

Table 1.3.1 Target Population and Sample Size	38
Table.4.1.Age analysis.....	43
Table .4.2. Gender of respondents.....	46
Table 4.3.Age analysis	47
Table .4.4. Level of Education.....	47
Table .4.5 Years of Experience in the Institution	48
Table .4.6 Innovation and performannce of commercial banks.....	52
Table .4.7 contribution of innovation and bank performance.....	53
Table 4.8.Effects of continouos learning	57
Table 4.9 contribution of team learning on staff performance of commercial banks.....	49
Table .4.10. Rating of work experience on staff performance of commercial bank in Ongata Rongai Town.....	58
Table 4.11. Organizational Performance of Commercial banks in Ongata Rongai.....	61
Table 4.12. Learning capacity and staff performance of commercial banks.....	53
Table 4.13. Work experience and staff performance of commercial banks.....	57
Table 4.14. General performance of commercial banks in Ongata Rongai Town.....	61

LIST OF ABBREVIATIONS.

ILO International Labor Organization

R& D Research and Development

R B V Resource Base View

IC T Information and Communication Technology

HRD Human Resource Development

HCD Human Capital Development

KCB Kenya Commercial Bank

NACOSTI National Commission for Science, Technology, and Innovation

OPERATIONAL DEFINITION OF TERMS.

Commercial bank: It's a financial institution that provides various financial service such as accepting deposits and issuing loans.

Human capital: Human capitals refer to the processes that relate to training, education, and other professional initiatives to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee's satisfaction and performance, and eventually on a firms' performance.

Innovation: Is the use of better arrangements that meet new necessities, in enunciated needs, or existing business sector require finished through more powerful items, forms, administrations, advancements, or thoughts.

Learning: The ability to continually develop and improve one's skills and knowledge to perform effectively and adapt to changes in the workplace.

Work experience: experience can be defined as knowledge skill and attitudes that an employee possesses to attain performance in an organization.

Development: development is an unfolding process that enables people to progress from a present state of understanding and capability to a future state in which higher-level skills, knowledge and competencies are required. It takes the form of learning activities that reparse people to exercise wide or increased responsibilities.

Performance: It is the measure of the efficiency with which inputs or resources are utilized to create outputs. Performance is employee productivity. It is an indicator that can be enhanced by a person or group of people in the organization and is a mean of deciding in a process to achieve organizational goals.

CHAPTER ONE.

INTRODUCTION.

1.1 Introduction

The chapter focuses on the background of the study, statement of the problem, objective of the study, general objective, specific objective, research question, significance of the study, scope of the study, limitation of the study, delimitation of the study and conceptual framework.

1.2. Background of the Study

1.2.1 Performance of commercial banks

Employee performance refers to the fulfillment of task calculated against already known standards like that of accuracy, speed, and cost and how accurately employees perform the task determines the good performance and organizations have some expectations regarding employee job performance, when that level of expectation is met by the employees they are called as good performers (Sultana, Irum, Ahmed, & Mehmood, 2015). Performance of commercial banks encompasses three specific areas of firm outcomes: the first is financial performance such as profits, return on assets, return on investment; second is product market performance (sales, market share) and third is shareholder return (total shareholder return, economic value added). Organizations performance has an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations.

1.2.2. Human Capital Development.

Human capital development is one of the most important requirements that ensures the sustenance and improvement of an economy either at macro or micro level. Human capital development is a continuous process that involves acquisition of skills knowledge and attitude that elevates employees to perform better.

It is also a way in which society or enterprise that wishes to survive under the complex challenges of the dynamic world. For the individual, it should be a life-long process because of the continuously changing environment to which one must also continuously adapt to. Such development enables the persons involved to move vertically or laterally in the economic and social environment, (Ibok and Ibanga, 2016) averred.

1.2.2.1. Innovation Ability

The only way for a country's economy to grow and expand is through economic development, through the innovation of new combination of factors of productions. Innovations are crucial to organizations because they enable organizations to cope with changes that are presented by the environment (Kumar, 2017). Innovations take different forms in terms of products and processes of service delivery. Innovations are driven by forces within both internal and external environments. Gorton and Metrick (2018) notes that the major causes that lead to innovations is due to the need to reduce costs, enhance compliance to legal requirements and foster efficiency.

1.2.2.2. Learning Capacity

Learning organizations achieve notable heights of performance while at the same time it gratifies and rewards the people involved (Karash, 2015). In this setting, employees are not viewed as a collection of passives, hired hands but co-partners to the achievement of the firm's mission and objectives. On the other hand, learning organization strives to advance its own operations by intentionally innovating new skills of drawing learning from within and other's experiences (Taylor, 2016).

1.2.2.3. Work experience

Work experience in form of talents, skills, personal attributes, and creativity are now viewed as critical drivers of organizational success. How organizations utilize human capital is an essential strategy in the business model. Skills are a valuable commodity to any organization. Developing those that exist from within represent an incredible opportunity for your organization to engage and retain employees and boost your bottom line. This idea shouldn't come as a surprise, as it's well-known that all valuable employees want to be able to adapt to any situation or challenges their job places upon them (Fukaya, 2017). Human capital is pivotal for business activities. According to Lambert (2016) value creation by organizations lies in factors including leadership quality, skills and talent depth, employee productivity and empowerment and learning culture.

Human capital is essential for all innovation forms whether in the process of enhancing, designing, and manufacturing of new services and products or in improving or developing existing services and products (Deloitte, 2019). As such, human capital is a key organizational asset and how people in organizations perceive or act distinguishes it from others. While people are central to an organization, the 21st century represents a new era where workers are looking for more from their work experience. Employees are seeking work experiences that are optimized for meaning and personal fulfilment and those that foster a growth mindset (Deloitte, 2019). Consequently, offering a robust suite of empowering initiatives or programs focused on the physical, mental, financial, and spiritual well-being of the employees can lead to a workplace where the employees are not only motivated, but also possess a sense of purpose (International Integrated Reporting Council, 2016). This is likely to pave way for a more satisfied workforce, which in turn raises employee productivity and ultimately enhances organizational performance. Therefore, unlocking the full potential of human capital for performance gains depends on how empowered the workforce is.

Extant literature shows a link between human capital, employee empowerment and performance. For example, research by Commission of the Future of Management and Leadership (2015), which entailed interviewing more than 2000 management personnel on how human capital can affect the success of the organization. The research focused on training of employees on leadership and management. The research outcomes indicated that approximately 60% of organizations reporting declines performance did not offer training to their employees or offered poor training contrary to about 25% of organizations that recorded higher performance since they trained their employees. It was found that the growing organizations had a higher likelihood than those struggling in terms of providing good or better training of workers right after promotion. In another study, a research study by Center for Talent and Innovation (2015) revealed that firms with a diverse group of employees benefit significantly improving their performance. The study found that such firms have a greater share of the market and a competitive advantage in entering new markets. This research reveals that human capital is essential due to its direct link to organizational performance and that empowerment of employees plays an essential role in the relationship. Human capital is naturally a highly variable component as it is influenced by factors such as geography, culture, industry, and type of organization. Additionally, the needs and priorities of organization related to human capital evolved over time with transformations in markets and technology. As it stands, there is little evidence on the interrelationships between human capital, employee empowerment and organization performance. This study seeks to fill this knowledge gap.

Out of the 43 commercial Banks licensed by the Central Bank of Kenya, 13 have opened branches in the study location, Ongata Rongai town in Kajiado County (KCG, 2015). The banking institutions are out doing each other in establishing footprints in key hubs of trade, as they seek to grow market share and profitability through new branches, upgraded online banking platforms,

digitized paperless application processes, and third-party agents in addition to mobile banking products to enable them to reach more customers and to diversify their deposit base (KNBS, 2015). The opening of branches in the town are mainly to support small and medium retail business, as well as real estate clients. Physical branches are designed to complement the investments in digital platforms, and retail banking products and services targeting the growing business community in the populous town and customers in the surrounding areas in the wider Kajiado County. New technologies and new business models are deployed to reach wider client base, attract more deposits, and deliver more loan products in ways that were not possible before. Through digital platforms, banks are also offering a fast and convenient banking experience (Gubbins, 2015). An organization 's performance includes multiple activities that help in establishing the goals and monitor the progress towards the target. It is used to adjust accomplish goals more efficiently and effectively (Harrison, 2017). In commercial banking the main indicators are the size of asset base, customer deposits as well as loans and advances. Corporate performance is highly linked to profitability of commercial banks, it gives an evidence on the capacity of a commercial bank to undertake risks as well as growing their activities (Barbu et al, 2019). Competition between commercial banks and telecommunication companies has zeroed in significant investments in technology to reach new customers and capture benefits of a wider network as means of shoring up deposits which remain the main source of affordable funds for the Kenyan banks (Gubbins 2015).

The banking industry in Kenya has very little differentiation in terms of technology and service range. The competitive edge in the industry is thus solely dependent on commitment of the employees as transfer of skills is very easy. As a result, the banking industry has heavily invested on organizational commitment through Human Resource development. It is in this regard that, this

dissertation seeks to investigate the effect of human capital development and employee performance in Kenya the focus will be in Commercial Banks in Ongata Rongai.

1.3. Statement of the Problem

The banking sector has faced numerous challenges over recent years. Between 2011 and 2015, enormous economic growth and advances in financial inclusion helped the industry to expand its cumulative loan book by a compound annual growth rate (CAGR) of 16%, (CBK, 2018). However, a more stringent regulatory approach since 2015 resulted in the collapse of Charterhouse Bank, Imperial Commercial Bank and Chase Bank, which lead to a decline in public confidence in the sector. Downward pressure on bank profitability was made more severe by the cap on interest rates for commercial bank loans, which was introduced in September 2016 via the Banking (Amendment) Act of 2016. The new lending regulations, along with increased competition, have resulted in consolidation in the banking sector. The banking industry has witnessed mergers and acquisition; Diamond Trust Bank Kenya acquired a 100% stake in Habib Bank Kenya in August 2017 and KCB Bank Kenya is in the process of acquiring National Bank of Kenya (Chege, 2018). The nature of the global market and competition in the banking sector exposes the commercial banks to operational risks like cybercrime, Anti Money Laundering and other technologically related frauds including identity thefts. The impact of such crimes is opportunity costs and losses by the commercial banks and individuals. Investments to avert such risks increase operational expenses, which affects Performance of commercial banks. It is evident that previous studies focused on the impact of technological innovations on financial performance (Cho & Kim, 2016).

A report by CBK (2017) indicated that Commercial Banks in Kenya have been performing poorly where in the recent years 3 banking institutions collapsed between 2015 and 2016. According to Asongu (2015), Commercial Banks are a major component of financial services sector through ensuring favorable economic stability and growth. Co-operative Bank of Kenya is one of the dominant banks in Kenya and presents a unique case as the pioneer bank that deals with co-operative movement and majority of its shareholders are co-operative societies. The bank trains its employees to achieve their objective and has adopted various training methods for their staff including induction, in-house training, mentoring and structured programs both locally and abroad designed to meet specific skill requirements. However, it is not clear whether this development has been enhancing skills and competence of the employees to improve their individual performance and commitment to the organization. The collapse of these banks can be attributed to poor performance which has resulted to staff layoffs, loss of investments and closure of the banks.

This study focuses on the Kenyan banking sector because it is a dynamic sector that has been forced to adjust to the major changes that are taking place both globally and locally in a bid to survive and remain competitively viable organizations. The industry has constantly combined personalized services and technology to deliver banking services. There is greater emphasis on improving speeds and reducing the amount of time spent banking (Kariuki, 2015).

Nevertheless, the issue of human capital development is not taken seriously by any organization, this is because of the failure to acknowledge that business settings has become very active and as such only those organizations with the right informational need in the business times can succeed with the right technological manpower to succeed in the modern times.(Becker 2015) mentioned

that Failure to embrace new innovation and development especially in modern organization will lead to stifling growth, lack of productivity and inability to compete favorably in the industry.

Most bank employees find it difficult to get release for further studies, also employees are not given the freedom to learn effectively doing on- the -job training, staffs who oversee training the new employee on the job, might begin to feel threaten by the presence of this employee, that they now begin to hide their knowledge on the job. Even where banks commit enormous financial resources to staff training and development, staff health care and other welfare programs, one could not tell whether its impact on organizational performance is significantly worthwhile (Odhong et al., 2017).

Overtime, the following issues relating to the concept have remained unresolved: Uneven distribution of skilled manpower, Misemployment of human capital in Kenya, Poor reward system retarding the acquisition and development of human capital (Happiness & Michael, 2015). Thus, the ability of the workforce to adapt the knowledge and skills acquired to their organizational operation depends on method of human capital development involved by managers at various levels. To enhance the performance of employees many organizations including banks are engaged in the development of their employees to enhance their performance and that of the organization and therefore, the study looked at how human capital development drivers affect employee performance. Training and development are therefore a key element for improved organizational performance, it increases the level of individual and organizational competences. It helps to reconcile the gap between what should happen and what is happening between desired targets or standards and actual levels of work performance. Therefore, the focus of the study was to examine the effect of human capital development on staff performance of Commercial Banks in Ongata Rongai Town.

1.5. Purpose of the study

The general objective of the study was to investigate the influence of human capital development on the staff performance of commercial banks in Ongata Rongai Town.

1.5.1 Specific Objectives

(i) To determine how Innovation capacity contributes to staff performance of Commercial Banks in Ongata Rongai Town.

(ii) To examine how learning capacity influences staff performance of Commercial Banks in Ongata Rongai Town.

(iii) To establish how work experience contributes to staff performance of Commercial Banks in Ongata Rongai Town.

1.6 Research Questions

(i) How does the rate of innovation ability contribute to staff performance of commercial banks in Ongata Rongai Town?

(ii) How does learning capacity influence staff performance of commercial banks in Ongata Rongai Town?

(iii) How does work Experience contribute to staff performance of commercial banks in Ongata Rongai Town?

1.7. Significance of the Study

The findings of this study will generate empirical knowledge relevant for the banking industry and especially in Kenya where such studies are lacking. This knowledge may be beneficial not only to academicians but also employers and employees in financial institutions. The point finds its most elaborate justification from the fact that organization performance is key for its sustainability, however, the threat if the study is not done is that the gap between human capital and performance of employees will contribute to inefficiency among different organizations. Finally, the study is a contribution to the wide range of literature and scholarly works in the field of studies and research as far as human capital development is concerned. It therefore provides the framework that set the stage for further empirical studies to be conducted into the human capital development in Commercial Bank in Ongata Rongai Town.

1.8. Scope of the Study

The study targeted 13 commercial Banks licensed by the Central Bank of Kenya that have branches in the study location of Ongata Rongai town in Kajiado County. The commercial banks that formed the units of analysis of the study are those that have been operating for more than 2years in the region. This was to give room for comparison of performance between the current and the previous year. Data collection was conducted in the year 2021. The study utilized primary data. Staff from the management and lower level were sampled as respondents in the study to ensure inclusivity. Three dimensions of human capital development guided the study. This included innovation ability, learning capacity and work experience.

1.9. Delimitation of the Study

The study will consider banks outside Ongata Rongai Town, but it will focus on population of all the employees of Commercial Banks. This study will also fill the knowledge gaps for other researchers who will be carrying out research in the same field of study. This study was carried out in a short period of time due to constraints of the academic calendar of the university. It was conducted at Commercial banks where it was being claimed there was less consideration of staff development leading to less performance of the Bank staffs. One such sources claimed that majority of the staff are not developed but only use their personal experience rather than academic qualifications (KCB Bank Plc., 2010). Since the study focused on the banks in Ongata Rongai Town, the results may not be generalized to the public sector or other private organizations dealing with non-banks operations.

1.10. Limitation of the Study

Some of the respondents were not willing to give out crucial information to the researcher as some information is treated as confidential. This is minimized by explaining the purpose of the study and assuring the respondents that the information will remain confidential.

Lack of co-operation from some of the respondents is expected when carrying out the survey. This can be improved by explaining to them to understand the need of this knowledge of this project. Some respondents can misunderstand the questions to be asked and end up giving wrong information. To minimize this, the researcher can administer the questionnaire personally and ensure that clarification is offered when needed.

1.11. Assumption of the study

The researcher can assume that the respondents are transparent and can answer the survey truthfully, human capital development acts as a motivating factor to employee performance and more so, employees embrace technology through service delivery and profit maximization.

1.12. Theoretical review on human capital development

Theories are formulated to explain, predict, and help in understanding phenomenon and in many cases to challenge and extend existing knowledge within the limits of the critical bounding assumptions (David, 2009). According to the researcher, the link between human capital and performance is based on the following theoretical strands discussed below:

1.13. Resource Based View

Resource Based View (RBV) was articulated into a coherent theory by Wernerfelt (1984). The theory states that the organizational resources and capabilities that are rare, valuable, non-substitutable, and imperfectly imitable form the basis for an organization sustained competitive advantage. RBV suggests that the firm can secure a sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationship; are embedded in a firm's history and culture, and generate tacit organizational knowledge (Odhong et al., 2013). This theory recognizes human capital as the most valuable, non-substitutable and imperfectly imitable resource that a firm can successfully utilize to achieve organizational productivity and competitiveness. Resource-based theory is linked to human capital theory in that they both emphasize that investment in people adds to their value to the organization (Baron and Armstrong, 2016). As human capital was the primary resource in the organizations studied, this research provides a direct test of the resource-based view of the organizations,

suggesting that financial institutions use resources to create competitive advantage. In other words, organizations' resources, those that are valuable, rare, and inimitable, can be used as a basis for and as an aid to implementing strategies that can create a competitive advantage (Barney & Wright, 2015).

1.14. Human Capital Theory

The origin of human capital goes back to emergence of classical economics in (1776) and thereafter developed a scientific theory. The idea of investing in human capital was first developed by Adam Smith (1776), who argued in the *Wealth of Nations* that differences between the ways of working of individuals with different levels of education and training reflected differences in the returns necessary to defray the costs of acquiring those skills. Economists such as Elliot (2015) developed the theory of human capital. He is concerned with human capital in terms of the quality, not quantity, of the labor supply. (Baron and Armstrong). After the manifestation of that concept as a theory, Schultz (2016) recognized the human capital as one of the important factors of national economic growth in the modern economy.

The theory argues that a person's formal education determines his or her earning power. Human capital theory holds that it is the key competences, skills, knowledge, and abilities of the workforce that contributes to organizations competitive advantage. It focuses attention on resourcing, human resource development, and reward strategies and practices. According to Human Capital Theory, education is an investment because it is believed that it could potentially bestow private and social benefits. Human capital theorists believe that education and earning power are correlated, which means, theoretically, that the more education one has, the more one can earn, and that the skills, knowledge, and abilities that education provides can be transferred into the work in terms of productivity (Dae-bong, 2019).

According to Babalola (2015), the rationality behind investment in human capital is based on three arguments: The new generation must be given the appropriate parts of the knowledge which has already been accumulated by previous generations secondly, the new generation should be taught how existing knowledge should be used to develop new products, to introduce new processes and production methods and social services, and finally, People must be encouraged to develop entirely new ideas, products, processes, and methods through creative approaches.

Another study by Seleim, Ashour, and Bontis (2017) analyzed on the relationship between human capital and organizational performance of financial institutions. They found that the human capital indicators had a positive association on organizational performances. These indicators such as training attended and teamwork practices, tended to result in superstar performers where more productivity could be translated to employee performances. This was also supported by Dooley (2000) who found a significant positive correlation between the quality of developers and volume of market shares. Based on the above arguments we can conclude that human capital indicators such as learning capacity and experience enhanced the performance of the organization directly or indirectly.

1.15. Growth Theory

Growth theory according to Jovanic (2000), was discovered in the 1950s to 1960s. According to him, the theory recognizes that the growth of individual skills and incentives comes because of progress in science and inventions. Oyinlola et al (2015) cited Arrow (1962) who argues that new ideas are achieved when the old ideas are used, and that invention is incidental to normal production activity. This theory is supported by bank workers who easily adapt to technological changes being introduced to them more often. They easily switch over to new inventions because they are in the system already.

Furthermore, human capital development and enhancement in organizations tend to create a significant contribution on organizational competencies and this in turn becomes a great boost for further enhancing innovativeness and the current literature to a large extent supports the fact that staff performance is positively impacted by the presence of human capital practices (Noe et al., 2015; Youndt et al., 2016). Some even endorsed that human capital development is a prerequisite to good financial performance

This theory is relevant to the current study in that, it informs the study about analyzing the strategies used in adopting learning organization dimensions and the concepts identified by the management. The theory also informed the study on the impact realized on the adoption of the learning organization dimensions in the commercial banks under study.

1.16 Conceptual Framework

Conceptual framework is a pictorial representation where, descriptive categories are systematically placed in a broad structure of explicit propositions, statements or relationships between two or more empirical properties to be accepted or rejected (Were, 2015 In figure 1, the staff performance is the dependent variable and the innovation in terms of market, process, and product, learning processes (teamwork, system connections, empowerment),and also the experience in terms of knowledge, skills and attitudes are the independent variables. The conceptual framework is used to illustrate the specific development techniques that have been selected for the purpose of this study that may influence employees' output in the current organization for example. Human capital development criteria. And many other factors are considered in the process. The staff performance can be measured in terms of number of customers served, customer relations, profit growth, quality of work etc. This is illustrated in the figure below.

1.17 CONCEPTUAL FRAMEWORK

Independent Variables

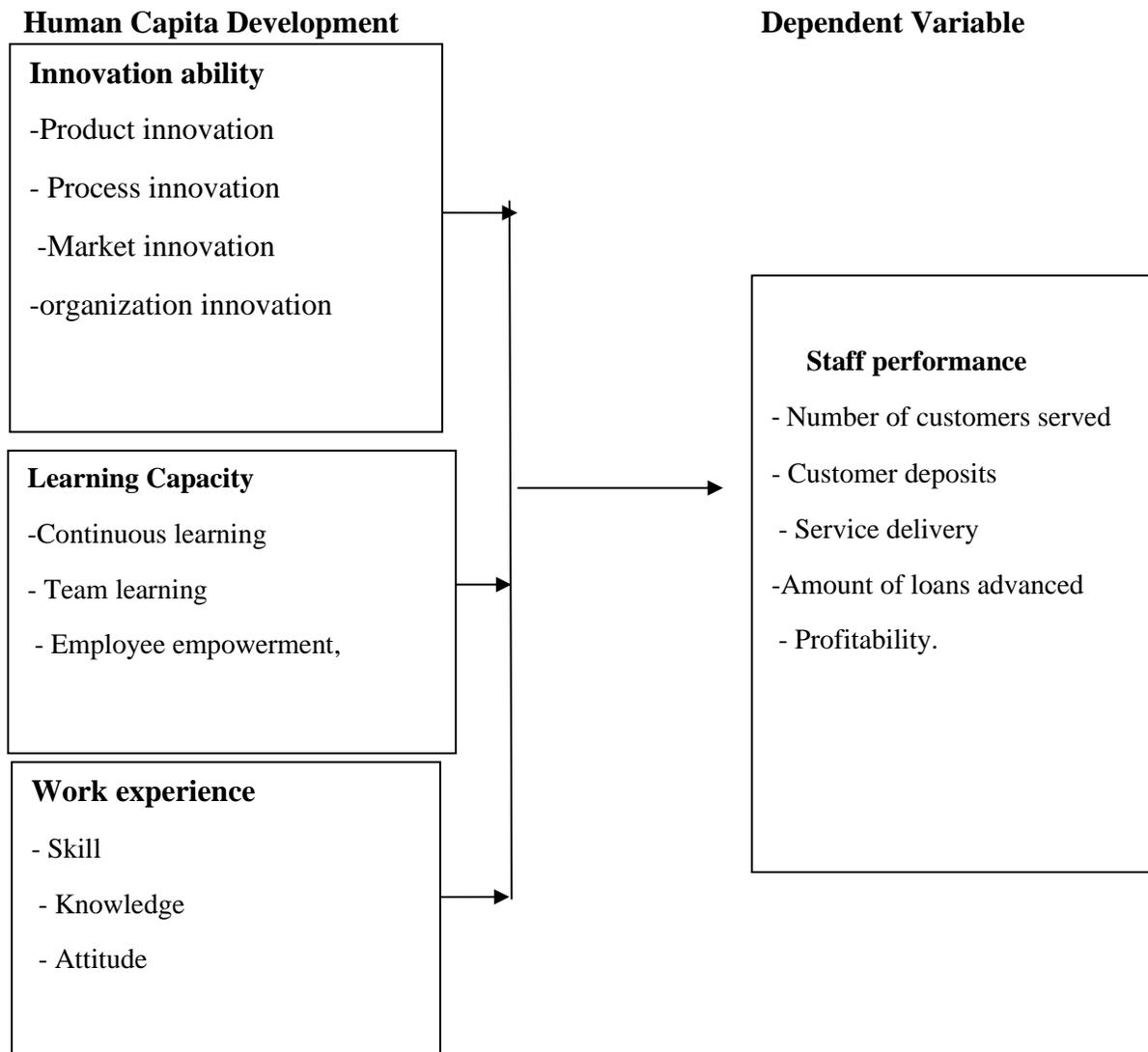


Figure 1.1 Conceptual Framework

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter focuses on the empirical review, literature review on performance, summary of reviewed literature as well as knowledge gap of the entire study.

2.2. Empirical review

The performance of employees in an organization is fundamental to the organizational performance and achievement of that firm's strategic goals. In the same breadth, human resource is asserted to be the most important asset of any organization (Shafi, 2016). In this respect, strategic human capital development practices become a major and crucial pillar to employee performance. Indeed, quite often, employee performance is assessed in the same discourse as job performance. On this premise understanding the genesis of the link between the two sets of themes (Human capital Development and organizational performance) becomes paramount.

Organizational performance is observed to comprise the actual results of the organization measured against the intended results which are the organizational goals and objectives (Bohlander & Snell, 2017). It is argued that for an organization to perform there must be a shared understanding of what is to be achieved and an approach to ensure that it is achieved (Armstrong, 2018). Kubo (2016) contends that firm performance can be measured through its profitability over the period of its existence. Employee performance has an important role in our daily lives because it leads to overall organizational performance and therefore, successful organizations represent key ingredient for developed nations. Thus, many economists consider employee performance like an engine in determining the economic, social, and political progress (Goldstein and Ford, 2015).

Continuous performance is the focus of any organization because it is only through performance, organizations can grow and progress. Thus, employee performance is one of important variables in the management research and arguably the most important indicator of the organizational performance. Employee performance is defined as whether a person executes their jobs, duties, and responsibilities well. Many companies' asses their employee's performance on an annual or quarterly basis to define certain areas that need improvement. Performance is critical factor in organizational success (Enyekit et al, 2015).

There have been a few efforts to define and investigate human capital. One stream of research defines human capital as the abilities individuals possess (Burt, 2020). Another stream of research incorporates education and experience into human capital. Human capital is formed by aptitudes, competences, experiences, and skills of internal members of the organizations (Bontis et al., 2016). Pil and Leana (2019) define Human capital as an individual's cumulative abilities, knowledge and skills developed through formal and informal education and experience. From an organizational perspective, human capital is the result of a firm's deliberate investment through the selective hiring of employees with high general skills (or formal education) plus a firm investment in training of more specific skills through in-house training activities (Lepak and Snell, 2019). Human capital is formed by aptitudes, competences, experiences, and skills of internal members of the organizations (Bontis, 2019; Bontis et al., 2018). Organizations can increase their human capital by attracting individuals with high skills from the external labor market and/or by internally developing the skills of their current members.

Human resources are crucial in creating human capital because organizations do not create knowledge otherwise organizations can increase their human capital by attracting individuals with high skills from the external labor market and/or by internally developing the skills of their current members. In the latter, a big role is played by employee retention. In terms of human capital, senior managers are crucial in attracting, selecting, and retaining the right people in the organization as well as in devising and addressing training needs to develop the participation of employees and volunteers (Hudson, 2015).

2.2.1. Innovation and staff performance

Innovative strategies have significant contribution to performance (Hill, 2017). Performance is an essential part that each firm has to integrate innovative strategies that are used to sustain dominance of the commercial banks in the market. The banking industry has seen rapid changes in technology and technological platforms that the players use to attain and retain customers and a relative ease of entry following deregulation but extreme difficulty in exit due to the stringent rules enshrined in the Banking Act. International competition has further caused the industry to be oversupplied and increased market share does not always lead to increased profits (Muchemi, 2017).

The banking industry is undergoing a transformation, with the arrival of the internet. Things have moved on considerably since then nowadays, cutting-edge technologies and innovative business models, such as artificial intelligence (AI), block chain, crowd funding and cloud computing, are among the most important disruptive forces in existence. The industry has long been in a state of improving its processes it has always been willing to use new technologies in a bid to make its services more efficient.

From a global perspective, according to the Global Competitiveness Report (2016-2017) Competitiveness Index (GCI) shows to date that progress in building an enabling environment for innovation remains the advantage of only a few economies. The report indicates that Turkish and Chinese Banks are leading the way by emerging among the top banks globally. Mobile banking has grown three times faster than online commerce in Turkey, which ranks third in the world for online purchases made from a mobile device. This, along with a high proportion of young people, 95% mobile phone penetration and a tradition of banking innovation help to explain the country's strength in this area (Amel-Zadeh & Della Bina, 2016).

Turkey put innovation high on the agenda due to several reasons. Key among them is the country's strong young digital generation and the expectations set by global technology leaders. Approximately one million young people turn 18 every year in Turkey due to a demographic boom, and most of them are either unbanked or don't have their own banking product with anyone. This creates enormous potential and high competition for any bank to attract them. Moreover, being digitally agile, their expectations are being set by Amazon, Apple, and Google. It is not enough to be unique among banks; financial institutions also have to approximate the experience those companies deliver (Dos Santos, Campagnol, Da Cruz, Galvão, Monteiro, Wagner & Pollonio, 2015).

Banking Sector in India has seen several changes. Most of the banks have begun to take an innovative approach towards banking with the objective of creating more values for customers and consequently the banks. E- Banking enables the people to carry out most of their banking transactions using a safe website, operated by respective banks (Yajurvedi, 2017). IT has helped the Banking industry to deal with the challenges the new economy poses. Technology has opened new markets, new products, new services, and efficient delivery channels for the

banking industry. The progress of technology and development of worldwide have significantly reduced the cost of global fund transfer (Haigh, 2018).

Nigeria's GT Bank is a good example of banks that have benefited from targeting the right segments (McKinsey, 2018). The bank's average ROE of 30 percent between 2011 and 2016 outperformed Nigeria's other top five banks, which posted ROEs of 11 to 22 percent. Focusing on the higher-income segments has enabled GT to keep their branch network smaller relative to those of their competitors. GT Bank has almost doubled customer numbers from 4.7 million in 2012 to 8.6 million in 2016, and grown market share from 10 to 12 percent. In that time Standard Bank still holds firm as the biggest bank in the country by assets, recording 14% increase in global earnings in 2016- 2017 (Chironga et al., 2018).

Bank of Kigali Rwanda marked an increase on its ROA from 0.13 in 2014 to 0.16 in 2016, its ROE kept increasing from 0.43 in 2014 to 0.51 in 2016 while its Efficiency ratio rose from 12.5% to 12.9% in the same period (Rurangwa, Ibingira & Muturi, 2016). Product innovation strategies such as process innovation, service innovation contributed to the growth. It is deduced that banking industry is facing numerous challenges in recent decades because of mainly external forces that are changing the market at high speed. Phenomena such as volatile business environment, dynamic customer needs, regulatory pressures, rapid technological development, fierce competition and shorter product and service life cycles are trends that are shaping the banking sector in the 21st century (Davenport & Harris, 2017).

In Uganda, Diamond Bank collaborated with mobile operator MTN in 2014 to launch its Y'ello product, a bank account that provides financial and lifestyle benefits through mobile banking. In three years, Diamond Bank gained seven million new customers through this partnership and organizational innovation contributed to the bank of Kigali. Performance.

In order to achieve and sustain competitive advantage to improve organization performance, leaders should examine factors affecting the implementation of competitive strategies. An organization should align its strategies with structure, provide strategic leadership, establish a corporate culture, and monitor the implementation of the strategies. These measures are particularly important in the banking industry considering the market volatility marked by stiff competition for the masses by commercial banks (Bryson, 2018).

Banks operating in Kenya and other African countries are the second most profitable globally after those in Latin America recording an average of 24.6 percent Customer brand loyalty, which is above the African average of 15 percent (Mc Kinsey, 2018). Kenyan and other African banks are doing well because they are innovative on how they are meeting huge unmet needs among consumers. Kenya's Commercial Bank of Africa (CBA) for its M-Shwari product, offered in partnership with Safaricom, Equity Bank for its digital innovations and KCB for its KCB Mpesa product, also offered in partnership with Safaricom, as having fueled the banks growth. Banks in Kenya have continued to perform well even when other sectors of the economy show lagged performance (Oira, 2016). Eldoret is a principal city in Rift Valley region and the fifth largest in the country serves as the capital of Uasin Gishu County. The population was 289,380 in the 2009 census and it is currently the fastest growing town in Kenya. It is believed that the town is likely to be one of the big Cities in the near future due to its ever-increasing population coupled with increased middle class and the ease of doing business in the town. Eldoret serves as an agricultural and business centre for the residents of the North rift region. It hosts 32 branches of major commercial banks. The banks have continued to innovate and serve consumers better by introducing new products, opening of branches at strategic locations and transformations in the strategies of regulating agencies (Yego, W2017). Despite all these innovations, the role of

innovation on financial institutions growth has not been felt fully in the financial sector.

Process innovation “is the introduction of new and enhanced method of production or service delivery (Expósito & Sanchis-Llopis, 2019) by an enterprise that includes significant changes in techniques, equipment, and tool and machine” (Obeng & Boachie, 2018). Also, according to the OECD (2005), “process innovation is any organization that implements a new or significant process of production during the period of organizational review.” It involves small, incremental improvements coming from employees and not necessarily managers. In explaining what constitutes process innovation, the European Union (2015) states that “the outcome of process innovation should be significant with respect to the level of output as increasing quality of product or decreasing cost of production or distribution.”

Innovation and marketing are two different concepts that complement each other, and the success of one depends on the success of the other. As a discipline, marketing innovation brings together marketing activities in the innovation process. Marketing innovation plays a very important role in ensuring and increasing the success of innovation (Drucker, 2015). Marketing innovation covers all innovation management activities that help to promote market success of new products and services. It is the successful marketing of a new product or service for the satisfaction of customer needs. It anticipates future needs and helps identify future and new market opportunities.

Human capital with diverse knowledge, ideas, and skills consequently develops product innovation. Donate et al. (2016) revealed that the development of human capital is not an overnight process but rather takes years and is a core of innovation capability. The innovation capability of an organization can be largely affected if less attention is paid to human capital development. Thus, a hypothesis is drawn to be empirically tested.

Organizations can provide a good working space, a good database to reduce work hours, and platforms for interaction to discuss common organizational goals. Such structural facilities promote prevailing knowledge and influence innovation in the organization. Organizations with well-organized structures, databases, and processes also support innovation.

2.2.2. Learning and staff performance

Several studies have investigated learning within the context of the Banking industry (Harris, 2019; Holland 2020). The study by Harris (2018) sought to explore learning within the UK retail banking industry. Harris observes that some banks were not learning from their earlier mistakes hence learning seems to be an exception rather than the norm. The author notes that this problem on not learning from past experiences is not regarded as a major problem within the industry due to the strong market position of Banks. Harris (2017) identified several factors that inhibit organizational learning process; these include reliance upon established routines, poor management of learning, complacency, and the culture of blame. Harris concludes that banks will only harness full potential offered by new technologies when and until the complacent attitude towards learning is addressed.

On a global sphere, continuous Learning and Organizational Performance Continuous learning, represents an attempt by the organization to generate leaning opportunities for all employees. This dimension is important for short- and long-term success of both individuals and organizations. Maurer (2017) study on the aspects of managerial work that are associated with a need for competence at continuous learning revealed that at individual level the benefits of continuous learning are the acquisition of better skill sets. This increases their capability to attain the organizations objectives, the individual is also better placed to be competitive in the employment market. According to Maurer (2018) study continuous learning is increasingly important because

the need to continuously gain new skills and develop professionally is essential to career success and organizational success, and having an organization in which learning, development, and growth is part of existing jobs can help in retention of employees. Since the ability to constantly acquire knowledge bears the potential to result in increased productivity, organizations stand to benefit by remaining effective, innovative, and competitive (Mirvis, 2015). The ever-present fight by organizations to remain in business and continue growing in the increasingly competitive business environment, necessitates that continuous learning remains a significant factor within organizations. To be able to learn and nurture one's skill set is increasingly being acknowledged as a core career competency (Hall & Mirvis, 2019). It is now up to the members of staff at personal level to take charge for their own career growth and acquisition of the varied knowledge and skills required. The change means the process of learning and the capability to always gain more updated skills and to better the current ones is now a critical requirement for career success Mayo (2016) study concluded that the nature of the job and requisite competencies have a profound effect on the professional development a member of staff. The avenues for acquisition of new skills can be by sources: training, education, and communication. Even then the work environment remains a major determinant if the new skills result in a change on the job behavior (Weiss, 2020). Where members of staff cannot find an opportunity to apply the fresh skills acquired the incentive to learn is reduced. In contrast, where an organization's culture identifies or rewards members of staff who take initiative to practice the new ideas and skills, this may result in a positive impact in terms of continuous learning amongst the members of staff (Mueller, 2015). Hussein et al (2016), sought to investigate the association between learning organization culture and organizational performance in Public Institutions of Higher Education in Malaysia. Continuous learning was found to be highly associated with organizational performance.

Norashikin et al., (2018) study concluded that continuous learning opportunities through scholarships, training programs, and research grants should be made available to the academics to add value to their existing skills and knowledge for higher performance. As continuous learning is reflected as opportunities to learn (Watkins & Marsick, 2019), academics perceived prospect for ongoing education and growth as crucial to contribute to overall performance. Indeed, as learning is integrated into work, academics can have the opportunity to learn on the job and subsequently transform it into improved teaching, learning and research activities. To some extent the findings corroborate with a past study by Akhtar et al. (2017) conducted to investigate the impact of organizational learning on organizational performance of higher education institutes of Pakistan. In his findings he highlighted that continuous learning may have a greater impact on individual performance which will lead to the overall performance of the organization. A study by Behjanna and Sharifi (2015) sought to examine the impact of continuous learning on organizational performances of Social Security offices medical documentations in Zanzan city. The results of the study showed that continuous learning has significant positive impacts on organizational performance. In their study they concluded that continuous learning is a process that occurs with growing knowledge and improving performance over time. In general, it can be said that people who are in search of continuous learning, are more professional in business creation and transferring knowledge, skills, and behaviors to help new knowledge acquired in the reforming acts. According to Behjanna and Sharifi (2015) continuous learning is effective in improving job skills of manpower. Also, these learnings raise the information of the employees and develop their knowledge and skills and change their behaviors which affect the job.

Majority of the organization on the continent of Africa, Employee empowerment is the course by which peoples' rights and will to choose and progress themselves is increased through empowerment, help, sharing, training, and cooperation (Koçel, 2017). The term has grown in significance as result of global change and competition. It is also termed as employee sharing because of the four elements: information on performance, to enable members of staff understand organizational performance and make their contribution, the benefits they are likely to get as result of positive organizational performance and the power to make decisions on the direction and performance of the enterprise (Yüksel and Erkutlu, 2016). According to Watkins and Marsick (2018), empowerment entails having some level of control over one's personality, cognition, and motivation. It is viewed in terms of self-worth and capacity to make a transformation. It calls for commitment at various positions of an organization to reform established structures and cultures that encourage employees for abiding by the set procedures. Levelling the pecking order of an organization, devolving responsibility, and promoting decision making at levels nearest to where the work is done are the elements to nurture empowerment (Watkins and Marsick, 2015) Participative policy making is the utmost level of empowerment, it allows all the employees of the organization to participate in policy and strategy formulation (Pedler, 2019). Agarwal et.al (2019) look at empowerment as the will to train others, appropriately framing questions to probe mental models, and making oneself accessible as a resource for further consultation. Managers also have the option to encourage officers under them to participate in experimentation, allow time for experimentation, and be prepared to put up with mistakes when dealing with new areas of responsibility (Nonaka & Takeuchi, 2018). Learning organization provides encouragement to employees to keep up the hard work in ever more hostile and chaotic environment (Stewart, 2016). Finding obtained by Pokharel and Sang (2015), environmental connection ensures employees to

understand their contributions to the communities. Once they understand their role in the environment, work is more productive, and there is the higher willingness in providing the best performance to the organization. A study by Harris and Samreen (2015) on learning organization as a strategy to improve performance they examined the effect of the practices of learning organization on the financial and non-financial performance of Pakistani hospitals. The results mentioned that financial performance of hospitals is affected the most by strategic leadership and empowerment. Strategic leadership emphasizes the need for hospital management to think strategically, promote learning, stimulate organizational change, and take hospital to new heights and directions. While empowerment draws attention towards the significance of giving staff a certain degree of autonomy, providing them resources, rewarding their achievements, involving them in policy making, and encouraging them to provide feedback. These results are supported by previous studies which also found that organizations that have strategic leadership and processes to empower their employees, are more likely to have a better financial performance (Wang & Yang, 2017). A study by Tabatabaei (2016) suggested that managers should devolve more responsibilities upon employees and let them participate in decision-making and implementing them must ensure that the organizational members at lower levels have been provided with access to information and are allowed to decide based on the information provided for them. Given this method, all members of organization can address improving performance and acquiring a competitive advantage to learning. Omadede (2018) study observed that organization mainly uses the system of appeal to reason, clear and consistent communication as well as staff involvement in goal setting process to build in staff empowerment.

Kimolo (2015) study sought to establish the relationship between employee empowerment practices and employee performance in Regional Development Authorities in Kenya. The study found that employee empowerment practices were found to be moderately embraced in regional development authorities. Employees agreed that employee performance practice was in place and was being used. The study concluded that employee empowerment practices have an impact on employee performance.

In today's global competitiveness there is a great desire on the part of the employees to play an active role in organization activities and as such every effort should be made to accommodate employee's views. The study recommended that employee empowerment practices should be supported by both top and middle level management to improve employee's performance.

2.2.3. Work experience and staff performance

Knowledge reflects the cognitive ability of an employee to recognize, understand, realize, and comprehend a task/job. Therefore, employee knowledge can be developed through education, formal and non-formal as well as experience. Education equips a person with basic knowledge, theory, logic, general knowledge, analytical skills and the development of character and personality (Robbins and Judge, 2016). The knowledge that owners of culinary industry have in operating their business in the city of Medan is the core of this study.

From a global perspective for a specific task or training contents, a giving training delivery approaches may be more effective than others because all training are capable and intended to communicate specific skills, knowledge, attitudinal or task information to trainees, so different training approaches can be selected to deliver different training contents (Kiruja & Mukuru, 2018). According to Anitha (2015) the need to consider skill and tasks characteristics in determining the

most effective training approaches should be highlighted. Several typologies have been offered for categorizing skills and tasks, which can be categorized into two broad categories: people or technical skills, is crucial in designing training programs. Many organizations fail because their employees not trained well enough in skills that truly matter in the age of information. However, people skills are typically hard to observe; quantify and measure as much as it needed for everyday life and in work because it's had to do with how people relate to each other: communicating, listening, engaging in dialogue, giving feedback, cooperating as team member, solving problems, and resolving conflicts (Lancaster, Di Milia & Cameron, 2016). Menguin, (2017) shared that the benefits of people skills training are providing a platform to showcase technical skills, helping in the fast lane, bring out the leadership qualities; and helping personal growth. To provide the desired motivation and accountability, it is a good idea to assess people skills in advance of the training programs by employing executives who able to coach their supervisors and subordinates in ensuring frequent feedback, encouragement, and reinforcement.

The scope of training varies on the continent of Africa which depends upon the categories of employees to be trained. As we all know that training is a continuous process and not only needed for the newly selected personnel but also for the existing personnel at all levels of the organization. Asim (2018) stated that it is important for an organization to focus on training that all employees should receive. Each new starter should be properly inducted when they join, to make sure they have a clear idea of how the organization works, and the rules and regulations they'll be expected to follow. This includes several essentials such as health and safety, equality and diversity, IT policies, and general HR procedures. As well as this, each staff member would need a thorough introduction to their role, a clear idea of the objectives of the team and the whole organization, and ideally the opportunity to shadow a colleague in a similar role. It's surprising how many new

starters are left to work everything out for themselves, under the assumption that they should be able to hit the ground running. It's important to remember that no matter how experienced someone is, their new role won't be the same as what they've done previously, and even very senior people need support (Karatepe, 2015).

Skills Development means developing one's skills to add value to the organization as well as your own career development. Elphick-Moore (2016) defined skills development as what we do to improve productivity in the workplace and the competitiveness of our businesses and to improve the quality of work life of workers, their prospects of work and their mobility. Kajewski and Madsen (2018) in their study, demystifying 70:20:10 Model, found that 70% of 31 one's development come from informal, on-job, experience based, stretch projects and practice; 20% come from coaching, mentoring, and developing others and 10% come from formal, learning interventions, workplace raining and structured courses. The 70:20:10 models were formulated by three researchers – Morgan, Lombardo, and Robert in 1980, who researched on key developmental experiences of successful managers.

From a regional perspective, according to World Bank (2019) skills bottlenecks affects productivity and are likely to worsen in the coming years. The report revealed that Enterprise surveys since the year 2000, in some 90 countries, suggests that skills constraints impede performance particularly in more dynamic environments. For example, a share of the industry worried about inadequate worker education and skills averages about 40% in Sub-Saharan Africa. In Kenya, it has been observed that there exist gaps in human skills (trainees and trainers), curriculum and technology do not adequately address the ever-changing skill and technology need (RoK, 2017). Thus, the labor market is characterized by co-existence of trained unemployed manpower alongside skills shortages in some areas within the market (RoK, 2018). One of the key

challenges in Kenya's labor market is identifying the critical skills. In addition, according to (RoK, 2012), the weakness in skills development is partly attributed to inadequacy in the framework for promoting skills and training in the country.

According to the study done by Dean (2016) in the banking sector in Kenya it states that while hiring managers exclusively look for those who already hold all the relevant skills and experience. However, there's a lot to be said for taking on those with less experience and overseeing their training yourself. Employing school leavers or those with similar levels of experience means you're bringing fresh minds into the business, untainted by the different demands and procedures found in other workplaces. This presents a blank canvas, allowing you to develop staff whose skills and knowledge are centered on the needs of your organization. A great way to do this is to take on an apprentice. With the apprenticeship levy soon to be introduced, it's a good idea to start thinking about how to integrate apprenticeships into your broader recruitment, training, and development plan Dean (2016). Trainers should prepare their session carefully, by knowing their subject. Awais Bhatti, Mohamed Battour, Pandiyani Kaliani Sundram and Aini Othman (2017) state that trainers should know more about the subject than those they are trying to teach, and always be looking to learn more. If they lack knowledge, this would be quickly detected. The trainers should be aware of trainee characteristics (experience, language, culture) and revise their approach accordingly. The trainer creates a favorable learning environment by demonstrate effective instruction and facilitation. They do it by listening actively to verbal and non-verbal messages, providing opportunities for trainees to ask questions, positively addresses incorrect responses, keeping discussions focused on the key issues, regular repeating of concepts by confirming understanding or paraphrasing, providing positive feedback and enhance idea by incorporating relevant

experiences and/or examples and use material support such as flipchart, post-its and games (Carter, Armenakis, Field & Mossholder, 2015).

Trainers demonstrate effective presentation skills by avoiding conference style presentations, they facilitate in a group setting rather than present. They stimulate and sustain trainees' interest, use their voice effectively which gives them confidence and commands attention. They also make eye contact with participants (Sung & Choi, 2018).

2.4. Summary of reviewed literature

The research tried to discover the existing literature on human capital and its impact on employee performance. The conceptualization of human capitals is closely connected to some basics of economics and organizations performance. The literature reviews demonstrate that there are solid proofs to show that the infusion of human capital development in organizations encourages innovativeness and better performance of employees. Studies also point to the fact that financial performance is surely impacted through the development of human capitals.

Olufemi (2019) conducted a study on human capital development practices and organizational effectiveness: A focus on the contemporary Kenyan Banking Industry. The main purpose of the study was to gain a better understanding of the theoretical and empirical relationship between Human Capital Development (HCD) practices and some dimension of organizational effectiveness of Kenyan Banks particularly after the banking sector reforms of June 2010. Literature responses from survey were analyzed using descriptive statistics and Pearson product moment correlation. The study found that involvement in HCD practices is found to correlate positively with organizational effectiveness. Therefore, to sustain competitiveness in the global organization, human capital development becomes a medium through which productivity can be increase.

2.5. Research Gap

Human capital development plays a major role in organizations in trying to enhance performance. However, little has been done to show that there is need to develop and retain the employees, most studies have focused on Training as the Main Component of Human Capital Development, but only a small number focused on the labor Markets where we have Trained people out in the Market with fewer jobs which may lead to a mass exodus of people opting to go and work outside the Country. Furthermore, few studies have been carried about Pay and structure to retain the employees. Most Firms would Develop their employees just as ground to gain experience then they move for greener pastures, on that note apart from Training which has been emphasized a lot should be investigated Labor Markets and Pay structures. However, there is indeed a relationship between Human Capital Development and organizational performance in most countries. Most Organizations have emphasized on human capital development which reflects the view that market value depends less on tangible resources, but rather on intangible ones, most human resources are recruiting and retaining the best employees, as the only part of the equation. The organization also must leverage the skills and capabilities of its employees by encouraging individual and organizational learning and creating a supportive environment where knowledge can be created, shared, and applied.

Empirical studies confirm research findings, giving strong links on the employment of graduates, even professional scientists, and engineers, with the adoption and use of high-level technologies in the firm, and between the extent of investment in worker training with the current Technological Trends where Technology must be embraced (Pfau and Kay, 2017; Low and Kalafut, 2016). This confirms the fact that more Educated and skilled employees will easily adopt to Technology and merge the current labor Trends and efficiently perform in competitive environments. Both informal and formal education play a major role in the ability to be innovative and creative on the job.

This research has explored the concept of human capital development and employee performance. From literature it has emerged that a relationship between human capital development and staff performance exists, the direction of any future research is then invited to demonstrate in detail how the relationship between human capital development and organizations performance can be worked on as we have seen from the above gaps, and this creates research agenda for further studies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, methods used to carry out research are looked into details. The methods include the area which the study shall be conducted, research design, the population size, the target size of the population, research instruments used to collect the data, sampling techniques used, and the method used for data analysis which will aid the research.

3.2 Research Design

Research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem (Creswell, 2012). This was conducted through a descriptive survey research design. According to Mugenda and Mugenda (2003) a descriptive survey is an attempt to collect data from members of a population to determine the status of that population with respect to one or more variables. The design investigated the effects of human capital development on staff performance in the financial sector in Kenya. Descriptive research design was appropriate for study, as it allows the researcher to use few projects to explain the effects of innovation ability, learning capacity, and experience on staff performance in commercial banks in Ongata Rongai. Furthermore, a descriptive research design is suitable since helps the researcher secure factual and detailed information from the selected sample on various aspects of the phenomenon under study.

3.3 Research Site and Rationale

Research was conducted in Ongata Rongai town specifically targeting all the 13 commercial banks within the town to establish why some of the techniques of human capital development should be put into consideration to influence staff performance. Commercial banks in Ongata Rongai were chosen because financial institution over the previous years it has been experiencing shortage in skill talent, which has resulted in short supply of labor according to price water house coopers (2010).

3.4 Target Population

Population in statistics is the precise population about which information is sought after. The study targeted 13 commercial banks operating in Ongata Rongai Town. The researcher focused on the management level staff and the lower-level staff of the commercial banks operating at the branch level. The management level staff comprised of the branch managers and departmental managers while the lower-level staff entailed officers working in those departments on a different level other than management. The total number of personnel in the thirteen banks were 200 as shown in the sampling table.

Table 3.1 Target Population Table

Category	Frequency	Percentage
Managerial level staff	40	22%
Lower-level staff	160	78%
Total	200	100%

Source: Human Resource Information System (2021).

Table 1.3.1 Target Population and Sample Size

Bank	Staff level	Total population	Sample size.
Kenya Commercial Bank	Managerial level	3	1
	Lower level	20	12
	Sub total	23	13
Barclays Bank	Managerial level	3	1
	Lower level	13	8
	Sub total	16	9
Equity Bank	Managerial level	3	1
	Lower level	27	20
	Sub total	30	21
Cooperative Bank	Managerial level	3	2
	Lower level	24	15
	Sub total	27	17
Bank of Africa	Managerial level	3	1
	Lower level	7	4
	Sub total	10	5
Chase Bank	Managerial level	4	2
	Lower level	7	5
	Sub total	11	7
I & M Bank	Managerial level	3	1
	Lower level	9	8
	Sub total	12	9
Jamii Bora Bank	Managerial level	3	1
	Lower level	6	7
	Sub total	9	8
Credit Bank	Managerial level	1	1
	Lower level	4	2
	Sub total	5	3
Eco Bank	Managerial level	3	1
	Lower level	6	3
	Sub total	9	4
Sidian Bank	Managerial level	5	2
	Lower level	8	9
	Sub total	12	11
Family Bank	Managerial level	4	2
	Lower level	17	13
	Sub total	21	15
National Bank	Managerial level	5	2
	Lower level	10	9
	Sub total	15	11
Total		200	133

(Source: Human resource management information system, 2020)

3.5. Study sample

3.5.1. Study sample size

According to Kothari (2004), stratified random sampling technique involves dividing the population into different subgroups and then taking sample in each subgroup. The main respondents were stratified based on their departments. This design is the most appropriate as the research seeks to establish the sample from the target population. The sample represents a subset of manageable size. Samples are collected and statistics are calculated from the samples so that one can make inferences or extrapolations from the sample to the population. Stratified descriptive sampling method as described in Cooper and Schindler (2006) was applied to come up with the sample size of 133 from the various departments using Yamane formulae. The sample from the population was selected because of suitability for the objective research, as a matter of convenience

Table 3.2.sample Size

Category	Sample size	Percentage
Managerial level staff	30	11.3%
Lower-level staff	103	88.7%
Total	133	100%

Source: Human Resource Information System (2021).

The sample size (n) of the study will be adjusted using the Yamane formula, (1967). In this formula, sample size can be calculated at 3%, 5%, 7% and 10% precision (e) levels. Confidence level used is 95% with degree of variability (p) equivalent to 50% (0.5).

$$n = \frac{N}{1+Ne^2} \quad n = \text{sample size}$$

N= target population (200)

$e =$ margin error of 5%

In the proposed study, the sample size was calculated at precision level of 5% ($e = 0.05$),

Which considered issues of absolute and relative sample size.

Sample size in this study is

$$n = \frac{200}{1 + (200 \times 0.05^2)}$$

$$n = \frac{200}{1.5}$$

$$n = 133$$

Therefore, the sample size was 133 employees of commercial banks in Ongata Rongai Town.

3.5.2. Sampling procedure

The researcher purposefully selected the departments from which the sample was used since the target population in which the results was drawn, generalized to customer care services, information systems and Human Resource Departments. This will involve selecting a sample from each category of the employees. Simple stratified random sampling is employed in the study to ensure that all individuals in the defined population have an equal and independent chance of being selected, (Gay, 2016). This involved obtaining the necessary information from each department and selecting randomly the names to constitute the sample. This will give those units to be selected an equal and unbiased chance of being selected.

3.6. Data collection Instruments

The researcher used questionnaires to obtain data. These were chosen because they make results more reliable since respondents have adequate time to give well thought out answers. On top of that, they maximize the possibility of anonymity (Kidler, 2013). The questions were both close-ended and open-ended to increase validity of the responses; secondary data will also be collected from online journals and selected textbooks. The questionnaires were administered at commercial banks in Ongata Rongai Town.

3.6.1. Data Collection Procedures

Questionnaire will be prepared and distributed to the selected respondents to be filled. The respondents will be given some days to provide the answers because they are usually busy at work at that time and/or may not provide certain information instantly.

3.6.2. Pilot Testing of research instrument

Pilot test refers to the preliminary study conducted to evaluate feasibility and statistical variability to predict an appropriate sample size and improve upon the study design prior to performance of a full-scale investigation. The aim of pilot study is to test the reliability of the questionnaires. According to Sekeran, (2009) a pilot test is necessary for testing the reliability of data collection instruments. Pilot study is thus conducted to detect weakness in design and instrumentation and to provide accurate data for selection of a sample Cooper & Schindler, (2008). In this study, 10% of the Questionnaires will be pilot tested to commercial bank employees that are not part of the target population in the case study town to get the correct feedback Mugenda, (2008).

3.6.3 Reliability of research instruments

The reliability of research instrument refers to the degree to which research instrument yields findings that are consistent every time it is administered to the same subject (Neuman, 2013). The measurement of reliability offers consistency in the measurable variable. This study used the most used psychometric measure which is internal consistency reliable to assess the reliability of the instrument. Cronbach's Alpha is the basic formula for determining the reliability based on internal consistency. An internal consistency technique was applied using Cronbach's Alpha to test the reliability of the instrument. The Alpha value ranges from 0 to 1 with reliability increases with increase in value. A coefficient ranging above 0.7 is recorded and indicated that research instrument is good and reliable (Tavakol & Dennick, 2011).

3.7.3 Validity of Research Instruments

Validity is the degree to which results achieved through analysis of data represents problems under review. Ideally an instrument should be able to measure what is supposed to measure with precision (Bridget & Lewia, 2005) validity can either be face validity. Criterion validity, content validity or construct validity. Content validity of the instrument was carried out using Content Validity Ratio (CVR) computation formula given as $CVR = ne - n/2/n/2$ (Thatcher, 2010), where n is the total number of respondents, ne is the number of responses regarding the item as essential. To ensure that content of the instrument adequately represents the variable under investigation and that they are also in line with the research question of the study, which yielded a content validity ratio of 0.78 which is appropriate for the study (Thatcher, 2010). This was specifically by the advice obtained during the proposal defense which added value to the instrument and the guidance offered by the supervisor.

3.9 Data analysis and Presentation

After collection, data was cleaned, coded, and keyed into a computer to facilitate statistical analysis. The major aim of this is to remove, unusable contradictory data. It will also help to interpret unambiguous questions when asked. Data will be analyzed using statistical packages of social sciences SPSS computer software version 20. Descriptive statistics will be used to analyze data, arrange, summarize, and present the major characteristics of the main variables as well as the relationship among the variables, results will be presented in the form of pie charts, bar graphs and frequency tables from which inferences and conclusion shall be drawn. The inferential statistics involved the use of multiple regression analysis technique. Multiple regression analysis involves combining several predictor variables in a single regression equation. With multiple regression analysis, we can assess the effects of multiple predictor variables (rather than a single predictor variable) on the dependent measure (Becker et al., 2016).

A multiple linear regression model will be run to test the influence of human capital development on staff performance of commercial banks in Ongata Rongai Town.

Step one; $Y = \beta_0 + \beta_1 HC + \varepsilon$ (1)

Y is employee performance, β_0 stands for a constant, β_1 regression coefficient and HC stands for Human capital. A random error term ε will account for unexplained variations in the model. If β_1 is significant then a relationship between employee performance and Human capital development exists.

To determine joint effect of the independent variables (i.e., Innovation ability (I); learning capacity (L) and experience (E) on employee performance, the model below will be used.

$$Y_{it} = \beta_0 + \beta_1 I + \beta_2 L + \beta_3 E + \varepsilon,$$

Where Y =Employee performance, B_0 =intercept, $\beta_1, \beta_2, \beta_3$ = coefficients and ϵ = Error term. The coefficient of determination, R^2 , will explain the regression model between Innovation ability (I); learning capacity (L); experience (E) and employee performance as well as the goodness of fit and the percentage variance in the dependent variable. A high R^2 provides a sufficient explanation between the two variables. The F-test value, p-value and the t-test results will be generated for each variable in testing the hypothesis on a simple linear regression basis at the .05 level of significance.

The qualitative Data from the field will be analyzed by use of note cards to record data available, field notes from interviews are edited and cleaned up as data is being organized.

3.10 Ethical Considerations

This refers to the professionalism the researcher will consider when collecting data. The researcher will seek permission from the authority such as NACOSTI which the body mandated to approve research projects in Kenya and the university school of graduate studies which is a body of ethics that is responsible for giving permission to students undertaking research. The researcher will also consider confidentiality when collecting data from the respondent and keep in mind to carry out the questionnaire when the respondent is not busy. In this case the respondent will give the information at will.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1. Introduction

This section involves data analysis and interpretation of findings in line with the objective of the research, to examine the influence of human capital development on organizational performance of commercial banks in Ongata Rongai Town.

4.2. Response rate

The researcher sought to establish the response rate of the study.

Table 4.1. Response rate of respondents.

Category	Frequency	Percentage
Responded	70	78%
Non responded	20	22%
Total	90	100%

Source: researcher (2021).

From the frequency table above, 78% of the respondents are lower-level staff and 22% of the respondents are management level staff. Management level staff comprised of the branch managers and departmental managers, while the lower-level staff comprised of officers working in those departments on a different level other than management representing operational staff.

The study targeted 133 respondents from 13 banks for the administration of questionnaires from the frequency table 4.1 above, a total of 90 respondents were observed from 11 banks. A total of 11 banks out of 13 responded, 2 banks namely Eco bank and cooperative bank could not be

sampled. Eco bank had closed its Ongata Rongai branch, while Cooperative bank did not participate citing internal policy on interviewing staff for any kind of survey.

According to Mugenda and Mugenda, (2003) a 50% response rate is adequate, 60% good and above 70% rated very good. The position is buttressed by Kothari, (2004) who asserts that a response rate of 50% is adequate, while a response rate greater than 70% is very good. In this case the response rate was 79% which is very good.

4.3. Gender analysis

Table 4.2. Gender of respondents.

Category	Frequency	Percentage
Male	50	56%
Female	40	44%
Total	90	100%

Source: researcher (2021)

4.4 Bio Data

The researcher sought to establish the gender, age, position in the organization, level of education and years of experience of the respondents.

4.3.1 Gender of the Respondents

The study determined the gender distribution of the respondents. From the frequency table 4.2 below, 56% of the respondents in the commercial banks sampled in Ongata Rongai Township were male while 44% of the interviewees were female.

These shows there are more male employees than female staff in commercial banks in Ongata Rongai. This finding confirms the Kenya National Bureau of Statistics (KNBS) finding that Kenya's workforce is skewed in favor of men.

4.5 Age analysis

The age of the interviewees was categorized into five bands. The interviewees were requested to specify their age brackets. The outcome has been tabulated in the Table 4.3.

Table 2.3 Age analysis

Category	Frequency	Percentage
18-25 years	40	44%
26-35 years	20	22%
36-40 years	15	17%
41 and above	15	17%
Total	90	100%

Source: researcher (2021)

The respondents' between 18 - 24 years constituted 44%, 25 - 31 years 22%, 36 - 40 years 17%, those aged between 41 and above years constituted 17%, This shows that majority of the staff in commercial banks are of the age between 18-25year, an age which is perceived to be critical to the improvement of performance or ensuring sustained levels of performance

4.6 Level of education

The interviewees were categorized into five bands; they were asked to indicate their education level. The results have been tabulated in figure 4.4.

Table 4.4. Level of Education

Category	Frequency	Percentage
Certificate	5	6%
Diploma	10	11%
Degree	50	56%
Masters	25	28%
Total	90	100%

Source: researcher (2021)

From the above findings, 56% of the respondents were graduates, 28% were postgraduates, 6% certificate holders and 11% were diploma holders. This implies that most of the respondents are graduate degree holders hence enough education to execute their roles effectively.

4.7 Years of Experience

The years of experience was categorized into four bands for comparison. The respondents were requested to indicate their years of experience. The results have been tabulated in the Table 4.5.

Table.4.5. Years of Experience in the Institution

Category	Frequency	Percentage
Less than five yeas	25	28%
5-10 years	40	44%
11-15 years	10	11%
Over 15 years	15	17%
Total	90	100%

Source: researcher (2021)

From the frequency table 4.5 above, 28% have experience of less than 5years, 44% have 5-10 years' experience, 11% have over 15 years' experience and 17% have experience of 11-15 years. This shows that majority of the staff in commercial banks are on entry level job and the staff complement reduces as they go up the ladder.

Table 4.6. Innovation ability and performance of commercial banks in Kenya

Category	Frequency	Percentage
Very extent	45	50%
Greater extent	18	26.67%
Moderate extent	17	13.33%
Little extent	10	10%
Total	90	100%

Source: researcher (2021)

Table 4.7 shows that half of the respondents (50.00%) indicated that product innovation had been communicated to the staff to a very great extent, 26.67% indicated it was to a great extent, 13.33% to moderate extent and 10.00% indicated it was communicated to a little extent. The results indicate communication of product innovation to staff was to a great extent.

4.8. Innovation ability and bank performance

The study sought to find out the effect of innovation ability on the bank operations and performance. The results were captured in Table 6.46. The respondents were asked to rate on a scale of 1 to 5; where 1= Not at all, 2= To a Little extent, 3= To a moderate extent, 4=To a great extent, and 5= To a very great.

Table 4.7. Contribution of innovation ability on bank performance

The first objective of the study was to determine the influence of innovation ability on staff performance. The study performed descriptive test between innovation and the performance of commercial banks in Ongata Rongai Town.

Indicators on how innovation ability influences staff performance of commercial banks	VE	GE	ME	N	SE	Mean	Std. Deviation
Product innovation.	45 (50)	18 (26)	17 (13)	0 (0)	10 (10)	4.00	.84
Process innovation	5 (6)	10 (11)	50 (56)	0 (0)	25 (28)	3.64	.747
Market innovation.	2 (2.2)	18 (20)	31.11 (6.2)	25 (27.8)	17 (18.9)	3.36	0.86
Organization innovation	13 (0)	22 (1.5)	20 (12.3)	11 (47.7)	24 (38.5)	3.87	0.83
Composite mean and standard deviation						3.68	0.78

The results in table 6.46 presents frequencies, mean and standard deviation for the respondent's feedback on the influence of human capital development on staff performance of commercial banks presented using means and standard deviation. A total of 4 statements were formulated to analyze the influence of human capital development on staff performance of commercial banks. Statement (1) product innovation on employee performance. Among the 90 participants in the study 45(50%) very extent Agreed, 18(26.67%) greater extent, 0(0%) were Neutral and 10(10%) smaller extent. The results show that 63(73%) of the respondents agreed with the statement. The item recorded a mean of 4.00 with standard deviation of 0.84, which is higher than the composite mean of 3.68 and standard deviation of .78. This result implies that the statement yields a positive effect of product innovation on the performance of commercial banks in Ongata Rongai Town.

Statement (2) process innovation and its influence on staff performance of commercial banks. Among the 90 respondents who participated in the study; 5(6%) very extent Agree, 10(11%) greater extent,50(56% moderate extent 0(0%) were Neutral and 25 (28%) smaller extent agreed. The results show that a total of 65(72%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 3.64 with standard deviation of 0.76 which is higher than the composite mean of 4.0 and standard deviation of .64; this implies that the statement yields a positive effect on the performance of employees in commercial banks.

Statement (3) market innovation and its influence on staff performance of commercial banks. Among the 90 respondents who participated in the study; 2(2.22%) very extent Agree, 18(20%) greater extent,28(31.11%) moderate extent 0(0%) were Neutral and 25 (27.8%) smaller extent agreed. The results show that a total of 65(72%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 3.36 with standard deviation of 0.67 which is lower than the composite mean of 3.68 and standard deviation of 0.78; therefore, this implies that the statement yields a negative effect on the performance of employees in commercial banks.

Statement (4) organization innovation and its influence on staff performance of commercial banks. Among the 90 respondents who participated in the study; 13(14.4%) very extent Agree, 22(24.4%) greater extent,20(12.22%) moderate extent 11(22.22%) were Neutral and 24 (26.67%) smaller extent agreed. The results show that a total of 65(72%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 3.87 with standard deviation of 0.83 which is higher than the composite mean of 3.68 and standard deviation of 0.78; therefore, this implies that the statement yields a positive effect on the performance of employees in commercial banks. The respondents indicated that product innovation affects the reputation of the bank in the market to a very great extent, which was ranked first with a mean of 4.00. This was followed by

process innovation service and processes and systems also being influenced by market innovation to a very great extent with means of 3.64 and 3.52 respectively. The respondents however indicated that the organization innovation; location and wide network were influenced by product innovation to a great extent as evidenced by the means of 3.36 and 3.32 respectively.

From the study findings about the overall composite mean, it indicated that the service offered by commercial banks is enhanced by their level of innovations. Most customers bank with commercial banks because of the service they offer, and the respondents agreed that commercial banks range of innovation varies from one bank to another. The respondents indicate that they were able to access their bank account online. As concerns the level of satisfaction being determined by a banks range of products, the respondents strongly agreed. It can thus be concluded that the degree of innovation influences staff performance of commercial banks.

4.7.1. Effects of Continuous Learning on Organizational Performance

The table 4.6 below shows the respondents opinion on the effects of continuous learning on the organizational performance of commercial banks in Ongata Rongai.

Table 4.8 Effects of Continuous Learning

Category	Frequency	Percentage
Very extent	50	56%
Greater extent	20	22%
Moderate extent	10	11%
Little extent	10	11%
Total	90	100%

Source: researcher (2021)

From table 4.6 above, 56% agree that to a very high extent continuous learning affects organizational performance, 22 % to a very great extent, not at all and 10% to a less extent. Most of the respondents agree that continuous learning affects performance to a great extent. This concurs with findings by Mayo, (2010) that continuous learning is imperative for team success of both individuals and organizations. It thus becomes essential for surviving and prospering in dynamic and competitive environment.

4.9 Effects of Team Learning on Organizational Performance

Table 4.10 below shows respondents' opinion on the effects of team learning on the organizational performance of commercial banks in Ongata Rongai.

Table.4.9 Effects of Team Learning

Category	Frequency	Percentage
Very extent	40	44%
Greater extent	20	22%
Moderate extent	20	22%
Little extent	10	11%
Total	90	100%

Source: researcher (2021)

From the results in table 4.10 above, 44% agree to a very great extent that team learning affects organizational performance, 22 % agree to a great extent, 22% less extent respectively while 11 % agree that it does not affect performance at all. These findings

Therefore, to some extent agrees with Kayes, (2004) findings in that organization rely on team learning to solve complex problems, create new knowledge, and to improve the performance of

ad-hoc or task specific project teams. On the other hand, failures in learning often restrain the capacity of organizations to perform.

Table. 4.10: learning capacity and staff performance of commercial banks

The second objective of the study was to determine whether learning capacity influenced the performance of commercial banks. The study performed descriptive statistics tests. Descriptive results are presented in means and standard deviation.

Indicators on how learning capacity influences staff performance of commercial banks	VE	GE	ME	N	SE	Mean	Std. Deviation
In my organization people share experience and information.	50 (56)	20 (22)	8 (8.89)	2 (2.2)	10 (11)	3.66	.987
In my organization team has the freedom to adapt their goals as needed	39 (43)	21 (23)	13 (14)	7 (7.8)	10 (11.1)	3.45	1.02
In my organization team focuses both on the group tasks and on how well the group is working.	37 (41)	23 (26)	19 (21)	1 (1.11)	20 (22)	3.66	1.05
In my organization teams or groups are rewarded for their achievement as a team.	40 (44)	20 (22)	10 (11)	0 (0)	20 (22)	3.45	1.156
Composite mean and standard deviation						2.84	0.84

The results in table 8.48 presents frequencies, mean and standard deviation for the respondent's feedback on the influence of learning capacity on staff performance of commercial banks presented using means and standard deviation. A total of 4 statements were formulated to analyze the influence of human capital development on staff performance of commercial banks.

Statement (1) contribution of experience sharing and information on employee performance. Among the 90 participants in the study 50(56%) very extent Agreed, 20(22%) greater extent, 2(2.22%) were Neutral and 10(11%) smaller extent. The results show that 78(86%) of the

respondents agreed with the statement. The item recorded a mean of 3.66 with standard deviation of 0.87, which is higher than the composite mean of 2.84 and standard deviation of 0.84. This result implies that the statement yields a positive influence on the performance of commercial banks in Ongata Rongai town.

Statement (2) freedom to adapt to the organization goals and its influence on staff performance of commercial banks. Among the 90 respondents who participated in the study; 39(43.3%) very extent Agree, 21(23,3%) greater extent,13(14.44% moderate extent 7(7.78%) were Neutral and 10 (11.11%) smaller extent agreed. The results show that a total of 65(72%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 3.45 with standard deviation of 1.02 which is higher than the composite mean of 2.84 and standard deviation of .084; this implies that the statement yields a positive influence on the performance of employees in commercial banks.

Statement (3) group tasks and its influence on staff performance of commercial banks. Among the 90 respondents who participated in the study; 37(41.11%) very extent Agree, 23(25.56%) greater extent,19(21.11%) moderate extent 1(1.11%) were Neutral and 20 (22%) smaller extent agreed. The results show that a total of 79(80%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 3.36 with standard deviation of 1.05 which is higher than the composite mean of 2.84 and standard deviation of 0.84; therefore, this implies that the statement yields a positive influence on the performance of staff in commercial banks.

Statement (4) reward for the achievement of teams and its influence on staff performance of commercial banks. Among the 90 respondents who participated in the study; 40(44%) very extent Agree, 20(22%) greater extent,10(11%) moderate extent 0(0%) were Neutral and 20 (22%) smaller extent agreed. The results show that a total of 70(77%) of the participants agreed with the

statement. Furthermore, the statement registered a mean of 3.45 with standard deviation of 0.56 which is higher than the composite mean of 2.84 and standard deviation of 0.84; therefore, this implies that the statement yields a positive effect on the performance of employees in commercial banks.

The study sought to determine the influence of learning capacity on the staff performance in commercial banks. From the findings about the overall composite mean 2.84, it can be concluded that continuous learning, teamwork learning and inquiry and dialogue has a positive and significant relationship on staff performance. This is better achieved when organizations invest on resources to support learning. Thus, organizations increase their productivity when they continuously acquire knowledge.

Table 8.48 above shows that, the aspect of team learning that states that people share experiences and information comes out as the most significant with a mean of 3.66 and a lesser deviation of 0.987. It can therefore be concluded that the aspect that people share experiences and information Has a significant influence on the organizational performance of commercial banks. This concurs with Pokharel and Sang (2015) findings that capacity to perform better is attained when people learn from each another through sharing of knowledge and awareness as they try to solve problems.

4.10. Effects of Employee Empowerment on Organizational Performance

Researcher sought to investigate on the effects of employee empowerment on the organizational performance of commercial banks in Ongata Rongai. From table 4.12 below, 40.9% of the respondents agree to a very great extent and great extent respectively that employee empowerment affects the general performance of staff in commercial banks, 13.6 % to a moderate extent and 2.3% to a less extent and not at all respectively.

Table4.11. Effects of Employee Empowerment

Category	Frequency	Percentage
Very extent	40	44%
Greater extent	20	22%
Moderate extent	20	22%
Little extent	10	11%
Total	90	100%

Source: researcher (2021)

Most of the respondents agree that employee empowerment affects the general performance of commercial banks to a very great extent and great extent respectively. This is consistent with the study by Yüksel and Erkutlu, (2003) in their description of employee empowerment as the ability of employees to share information related to organization's performance in which they understand contribute to. They also defined it as the authority to make decisions on the direction and performance of the organization.

4.11. Rating of work experience

Table 4.12. Rating of work experience on staff performance of commercial bank in Ongata Rongai Town.

Category	Frequency	Percentage
Very extent	55	61%
Greater extent	20	22%
Moderate extent	10	11%
Little extent	5	6%
Total	90	100%

Source: researcher (2021)

Most of the respondents agree that employee empowerment affects the general performance of commercial banks to a very great extent and great extent respectively. This is consistent with the study by Yüksel and Erkutlu, (2003) in their description of employee empowerment as the ability of employees to share information related to organization's performance in which they understand contribute to. They also defined it as the authority to make decisions on the direction and performance of the organization.

Table 4.13. Influence of work experience on performance of commercial banks

The third objective of this study was to determine the influence of work experience on the performance of commercial banks. Different dimensions of experience were structured into questions that were presented to respondents for their views. The results in table 4.16 presents the computation using descriptive statistics of respondent's views on question on work experience and its contribution of staff performance.

Indicators on how work experience influences staff performance of commercial banks	VE	GE	ME	N	SE	Mean	Std. Deviation
In my organization people identify skills they need for future work tasks.	55 (61)	20 (22)	10 (11)	0 (0)	5 (6)	3.36	1.278
In my organization people help each other to acquire knowledge and skills.	43 (48)	26 (29)	5 (5.6)	1 (1.11)	15 (16.67)	3.52	0.95
In my organization people can get money and other resources to support their learning.	36 (40)	24 (26)	7 (7.8)	3 (3.3)	20 (22)	2.95	1.2
In my organization people view problems in their work as an opportunity to learn and acquire skills.	28 (31)	46 (51)	10 (11)	0 (0)	6 (6.7)	3.45	1.156
Composite mean and standard deviation						2.59	0.94

The results in table 8.48 presents frequencies, mean and standard deviation for the respondent's feedback on the influence work experience on staff performance of commercial banks presented using means and standard deviation. A total of 4 statements were formulated to analyze the influence of human capital development on staff performance of commercial banks.

Statement (1) identification of skills and knowledge on employee performance. Among the 90 participants in the study 55(61%) very extent Agreed, 20(22%) greater extent, 10(11%) were Neutral and 0(0%) smaller extent. The results show that 5(6%) of the respondents agreed with the statement. The item recorded a mean of 3.36 with standard deviation of 1.278, which is higher than the composite mean of 2.594 and standard deviation of 0.94. This result implies that the

statement yields a positive influence on the performance of commercial banks in Ongata Rongai town.

Statement (2) acquisition of knowledge and skills and its influence on staff performance of commercial banks. Among the 90 respondents who participated in the study; 43(47.78%) very extent Agree, 26(28.87%) greater extent, 5(5.56% moderate extent 1(1.11%) were Neutral and 15(16.67%) smaller extent agreed. The results show that a total of 74(80%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 3.52 with standard deviation of 0.952 which is higher than the composite mean of 2.594 and standard deviation of 0.94; this implies that the statement has a positive influence on the performance of employees in commercial banks.

Statement (3) availability of resources to support learning of employees of commercial banks. Among the 90 respondents who participated in the study; 36(40%) very extent Agree, 23(25.56%) greater extent, 24(26.67%) moderate extent 7(7.78%) were Neutral and 3 (3.33%) smaller extent agreed. The results show that a total of 67(74%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 2.95 with standard deviation of 1.20 which is higher than the composite mean of 2.594 and standard deviation of 0.94; therefore, this implies that the statement yields a positive influence on the performance of staff in commercial banks.

Statement (4) perception of problem as an opportunity to learn and acquire skills in commercial banks in Ongata Rongai Town. Among the 90 respondents who participated in the study; 28(31.11%) very extent Agree, 46(51.11%) greater extent, 10(11%) moderate extent 0(0%) were Neutral and 6 (6.67%) smaller extent agreed. The results show that a total of 85(93%) of the participants agreed with the statement. Furthermore, the statement registered a mean of 3.14 with standard deviation of 1.268 which is higher than the composite mean of 2.594 and standard

deviation of 0.94; therefore, this implies that the statement yields a positive effect on the performance of employees in commercial banks.

From table 4.16 above, the aspect of work experience states that people help each other learn

Comes out as the most significant with a composite mean of 2.59. It can therefore be concluded that the aspect that people help each other learn to acquire knowledge and skills has a significant effect on the organizational performance. This supports the findings by Maurer, (2016) that continuous learning enables individual to acquire expertise, improves their capability to achieve organizational goals, as well remaining competitive on the job market and in the ever-growing global economy.

4.12. Organizational Performance of Commercial banks in Ongata Rongai

The table 4.10 below shows respondents opinion on the extent to which the general performance of their bank has improved from last year

Table4.14. Organizational Performance of Commercial banks in Ongata Rongai

Category	Frequency	Percentage
Very extent	50	56%
Greater extent	20	22%
Moderate extent	10	11%
Little extent	10	11%
Total	90	100%

Source: researcher (2021)

From table 4.14 above, 38.6% of the respondents believe that the general performance of their bank has improved from last year to a moderate extent, 27.3% to a great extent and very great extent respectively and 6.8% to a less extent. Most of the respondent agreed that the general performance of their bank from last year has improved to a moderate extent.

From the table above, growth in the number of bank accounts stood out as the most significant indicator of general performance in commercial banks. This confirms to the previous literature that shows technology tools have enhanced the performance of commercial banks by making it possible for commercial banks to lower barriers to entry which has exponentially increased retail accounts. Commercial banks have also realized that with technology, lowering transaction costs across other bank accounts draws more customers into opening accounts. With the growth in bank accounts focus shifts to growing customer deposits.

Table 4.15: Staff performance of commercial banks in Ongata Rongai Town

Indicators on the general performance of commercial banks in Ongata Rongai Town.	SA	D	N	A	SA	Mean	Std. Deviation
In my organization there is growth in deposits than last year.	50 (61)	25 (22)	10 (11)	0 (0)	5 (6)	3.36	1.278
In my organization there is growth in number of accounts than last year.	44 (48)	27 (29)	5 (5.6)	1 (1.11)	15 (16.67)	3.52	0.95
In my organization there is growth in the amount of loan advanced than last year.	36 (40)	24 (26)	7 (7.8)	3 (3.3)	20 (22)	2.95	1.95
In my organization there is growth in the profitability than last year.	28 (31)	46 (51)	10 (11)	0 (0)	6 (6.7)	3.14	1.268
Composite mean and standard deviation						3.24	1.3

The results in table 12 present the Frequencies, Means and Standard deviation for descriptive test on the general overview of performance of commercial banks. A total of 4 statements were formulated to assist in the analysis of the influence of different measuring indicators of performance. Statement (1) growth of deposits. Among the 90 respondents who participated in the study, 50(61%) Agreed, 25(22%) Strongly Agree, 0(0%) were Neutral and 5(6%) Disagreed. The results indicate that 65 (87.7%) of respondents agreed whereas 6(9.2%) expressed a neutral position. The statement registers a mean of 3.36 with a standard deviation of 1.278, which is higher than the composite mean of 3.24 with a standard deviation of 1.3. This implies that the statement has a positive effect on the performance of commercial banks.

Statement (2) growth in the number of accounts. Out of the 90 participants in the study; 44 (47.78%) Agreed, 27(28.87%) Strongly Agreed, 5(5.56%) were Neutral and 1(1.11%) Disagree. Strongly disagree 15 (16.67 the computation reveals that 53(81.5%) of the respondents agreed with about 1(1.11%) recording a neutral position. The statement recorded a mean of 3.52 with a standard deviation 0.952, which is higher than the composite mean of 3.24 with a standard deviation of 1.3. These results imply that the statement has a negative effect on the performance of commercial banks.

Statement (3) growth in the amount of loans advanced. Out of the 90 participants in the study 36(40%) Agreed, 24 (26.67%) Strongly Agreed, 7 (7.78%) were neutral and 3(3.33%) Disagreed. The results show that, 81(90.8%) of the respondents agreed with 7 (7.78%) reporting a neutral position. The statement recorded a mean of 2.95 with a standard deviation of 1.95 which is lower than the composite mean of 3.24 with a standard deviation of 1.3 thus implying that the statement has a negative influence on the performance of commercial banks.

Statement (4) growth in profitability. From the group of 90 participant in the study 28(31.11%) Agreed, 46(51.11%) Strongly Agree, 8(12.3%) 6(6.67%) Disagreed. The study results indicate that 10(11%) agreed with the statement whereas 0(0%) expressed neutral position. This test registered a mean of 3.14, with a standard deviation of 1.268 which is lower than the composite mean of 3.24 with a standard deviation of 1.3. This implies that the statement has a negative effect on the performance of commercial banks in Ongata Rongai Town.

From the table above, the overall composite mean is 3.24 which shows that there is growth in the number of bank accounts stood out as the most significant indicator of general performance in commercial banks. This confirms to the previous literature that shows technology tools have enhanced the performance of commercial banks by making it possible for commercial banks to lower barriers to entry which has exponentially increased retail accounts. Commercial banks have also realized that with internet banking, lowering transaction costs across other bank accounts draws more customers into opening accounts. With the growth in bank accounts focus shifts to growing customer deposits thus enhances staff performance of employees in the organization.

CHAPTER FIVE

DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section of the study covers; the discussion of findings, summary, conclusions, and recommendations on the influence of Human Capital Development on staff performance of Commercial Banks in Ongata Rongai Town. The main objective of this chapter is to give guidelines on the results collected in the survey and how several variables influence employee's performance in the institutions.

5.2. Discussion of the findings

The respondents agreed that to command a higher market share, commercial banks needed innovative ideas to a great extent. They also agreed that the level of innovation determines the choice of Bank, how a bank communicates matters a lot, innovation creates a competitive edge for Banks and that there is a relationship between innovation and performance. The study conducted by Bai et al (2015), shows that digital innovation as a component of investment of human capital have a great impact toward employee's performance. The study conducted by all researchers mentioned above shows that there is strong relationship between human capital investment and employees' performance. The study also relates with other researcher such as Marimuthu (2019) who concluded that there are reasonably strong evidence to show that the infusion of human capital enhancement in an organization promotes innovativeness and greater firm performance and recommended that an organization should have effective plan especially in investing in various aspect of human capital as not only it affect the firm greater performance but also ensure the firm to remain competitive for their long term survival. This finding disagrees with Ahmad et al, (2015)

study where it was found that profitability of commercial banks depends heavily on the net of income generating activities and the related activities expense where M-banking played a vital role in its actualization. Furthermore, these results do not concur with Hernando and Nieto (2016) study that internet delivery channels which are highly used in electronic money transfer change bank's performance, they found out that adoption of internet as a delivery channel involved gradual reduction in overhead expenses (particularly, staff, marketing, and IT) which translates to an improvement in banks' profitability.

The results of this study show that commercial banks in Kenya have systems in place that enable knowledge sharing, carried out customer surveys and had a strong emphasis on research and development. From this research, it was found that organizational learning has a positive effect on profit growth, revenue growth, customer satisfaction and innovation. These findings concurred with Therein (2018) that with the knowledge acquired, there is a potential for organizations to learn how to improve and innovate their products/services and processes, leading to competitive advantage. The findings are therefore in agreement with Maurer (2017) who found that continuous learning is important for short- and long-term success of both individuals and organizations. At individual level the benefits of continuous learning are the acquisition of better skill sets. This increases their capability to attain the organizations objectives, the individual is also better placed to be competitive in the employment market.

The findings further concurred with Craig & Dibrell (2019) that organizational learning creates new knowledge and skills which have the capacity to enhance firms' innovations. The capacity for change and continuous improvement to meet the challenges in the environment in which organizations operate has been associated with the capability of these organizations to learn (Armstrong & Foley, 2016). The findings therefore disagree with Yüksel and Erkutlu (2017) who described employee empowerment as employee sharing because of the four elements: information on performance, to enable members of staff understand organizational performance and make their contribution, the benefits they are likely to get as result of positive organizational performance and the power to make decisions on the direction and performance of the enterprise

The study found that work experience in commercial banks enhances skills necessary for daily work operations. Through training, employees are provided with an opportunity to build on their knowledge and existing skill and therefore increasing their likelihood of succeeding. Training therefore enhances performance and assists employees to do their jobs more effectively and more efficiently. This agrees with Chan, (2016) who mentioned that one of the main benefits of regular staff training is that it will enable employees to do their jobs more effectively by giving them the tools, the strategies and knowledge, needed to carry out their roles.

This concurs with the findings of Evans and Lindsay (2019), who argued that organizations whose aim is to provide quality goods and services always invest in training and development. The results also go hand in hand with the findings of Huselid (2016) that retention of quality employees requires investment in the development of their skills, knowledge, and abilities. This is to realize individual and finally organizational productivity.

The findings also concur with the suggestion made by Mohrman et al., (2020), that organization's performance is improved when organizations create and use knowledge. Furthermore, Gasik (2017) confirmed that companies benefit not from the existence of knowledge but its proper application. Efforts made to retain employees within commercial banks included performance-based bonuses, low interest facilities, training and development programs, and employee's welfare programs. This Disagree with the study by Armstrong (2018) who argued that training and development minimizes learning costs, improves individual, team and organization's performance in terms of output, quality, speed and overall productivity, improves operational flexibility as it adds to range of skills employees have, attracts high quality employees by offering them learning and development opportunities, increasing employees competence levels and enhancing their skills thus enables them have more job satisfaction to gain higher rewards and progress within the organization.

5.3 Summary of the Findings

The objective of the research was to investigate the influence of human capital development on the staff performance of commercial banks in Ongata Rongai. Various methods were used to arrive at the findings which included descriptive statistics and regression analysis. Empirical evidence was collected from 11 commercial banks in Ongata Rongai Town, with consideration being put to the management level and lower-level staff of these banks. The total number of staff members who responded to the questionnaires was 90. The specific objectives were formulated and discussed in Chapter four.

5.3.1 Innovation capacity and staff performance of commercial banks in Ongata Rongai Town?

The innovation of new products that will attract multitude of clients is the focus that has made banks competitive in the market. Demands of the customers are prioritized through innovation strategies equipped in the culture of the bank employees. Decisions made by bank employees are good suggestions that have greatly improve service provision and satisfaction to the customers. Apart from the positive contributions made by the employees in the innovativeness, the bank has always trained employees to meet the demands of the current market demands.

Also, the study findings revealed that service innovation enhances product costs revision and improvement of commercial banks. The innovative processes adopted by banks/intuitions or organizations have made many of them successful and competitive in the market at the current technological era. Without good innovative culture, commercial banks can lose a lot of money since technology shapes competitiveness of the organization. Through innovations, customers are served efficiently and effectively with quality products.

5.3.2. Learning capacity and staff performance of commercial banks in Ongata Rongai Town?

Learning capacity is one of the most important factors to be put into consideration on staff performance of commercial banks in Kenya. Majority of the respondents agreed that learning capacity affects performance of employees in commercial banks, and they rated the effect of learning capacity on employee performance of commercial banks in Ongata Rongai Town as; very high extent 44%, high extent 22%, low extent 22% while no effect was 11%.

5.3.3 Work experience and staff performance of commercial banks in Ongata Rongai Town?

The study concluded that employee knowledge skills and attitude positively influence employee performance of commercial banks in Ongata Rongai town Bank. The study also shows that the organization has formal development programs to train new employees on skills required to perform their job. The study also highlighted that the bank ensures that employees have skills required to perform their duties and they are given an opportunity to learn on the job. The study also concluded that the employees work performance is affected by their experience in terms of, knowledge, skills, and attitude. Employees perceived the programs as relevant to their work and feel recognized by the organization. Therefore, this shows that work experience has a greater influence on employee performance as compared to other variables.

5.4. Conclusion

The study sought to determine the effects of human capital development on the organizational performance in commercial banks. The study further concluded that innovation culture has a positive and significant effect on the Performance of Commercial Banks. This implies that innovation processes adopted by banks have made many of them successful and competitive in the market at the current technological era. Without an effective innovative culture, commercial banks can become irrelevant in the market since technology shapes competitiveness of the organization. The innovation of new products that will attract multitude of clients is the focus that has made banks competitive in the market. From the findings, it can be concluded that continuous Innovation has positive and significant relationship on organizational performance. This is better achieved when organizations invest on resources to support innovation programs. Thus, organizations increase their productivity when they continuously acquire competitive edge in terms of products and services.

The findings of the study also revealed that learning capacity has a positive influence on the organizational performance. Successful dialogue is held when people can listen and accommodate each other views while suspending their presuppositions and judgments in search of solutions to problem. Results of the study showed that team learning has no significant effect on organizational performance. This contradicts the beliefs of majority that organizations depend on team learning to solve complex problems.

The study findings based on the third specific objectives shows that academic levels of education and work experience have an impact toward performance. The higher the level of education and work experience the higher the performance. The existence of well experienced staff with high level of education makes these staff more effective which increases customer satisfaction, trust, and performance as well. The study also shows that gender ratios have no impact toward performance of banks however some researchers recognize the impact of having female executives in executives' team toward increase in performance.

The aim of adopting human capital development dimensions is to achieve cost reduction that maximizes profits realized by a commercial bank. Increasing throughput and/or decreasing operating expense through increased efficiency by bank staff should lead to the accomplishment of commercial banks goal of growing market reach share and consequently increasing profitability. High organizational performance has been experienced in commercial banks through innovation ability, learning capacity and work experience. It can be concluded from the results presented in this research that there exists a significant correlation between human capital development and staff performance of commercial banks.

5.5 Recommendations

From the conclusions arrived at, it would be recommendable for commercial banks to adopt dimensions of human capital development that impact on their performance positively.

The study recommends to the bank managers to incorporation new products and innovations policy that have not yet been utilized in improving commercial bank performance. To remain competitive in the digital transformation, Commercial banks must strive to achieve the speed, dynamism, and customer-centricity of digital players through Innovation, research and development.

The study also revealed that regular learning significantly affects organizational performance. Therefore, there should be a learning policy whereby Listening to each other's views and building trust with each other appeared to have a positive and significant effect on organizational performance. Organizations should therefore encourage dialogues between members that are genuine, spontaneous and enthusiasm withholding presuppositions and judgments while trying to seek for answers to existing problems.

Lastly this study recommends that organizations should embrace division of labor and knowledge and skills. With this in place a training policy should be adopted whereby employees should be given an opportunity to choose their work assignment based on one's area of specialization and most importantly get recognized for taking certain initiatives that lead to improved performance. Organizations should enhance this by adopting short organizational structures, decentralizing areas of responsibilities and embracing a culture that allow employees to make decisions at the job performance levels.

5.6 Suggestions for Further Research

This study covered human capital development regarding performance of commercial banks. The researcher recommends that similar research to be carried out in other financial organizations such as insurance companies and the results be compared to establish whether there is consistency on learning organizations and organizational performance. This study concentrated on selected dimensions of learning organization which was not conclusive. Further research should therefore be conducted to establish whether there exists a relationship between other dimensions of human capital development and employee performance.

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APPENDIX 1: LETTER OF INTRODUCTION.

AFRICA NAZARENE
UNIVERSITY

LETTER OF INTRODUCTION

Dear Sir,

This letter is to introduce Mr. Dennis Simiyu who is an MBA student in the School of Business at Africa Nazarene University. He will produce his student card, which carries a photograph, as proof of identity. He is undertaking research leading to the production of a thesis or other publications on the subject of "Influence of Human Capital Development on staff performance of Commercial banks in Kenya. A survey of commercial banks in Ongata Rongai Town."

He would like to invite you to assist in this project, by granting an interview which covers certain aspects of this topic. Be assured that any information provided will be treated in the strictest confidence and none of the participants will be individually identifiable in the resulting thesis, report, or other publications. You are entirely free to discontinue your participation at any time or to decline to answer questions. He has a questionnaire that is a guide on the kind of answers he expects to be able to complete this assignment.

Any inquiries you may have concerning this project should be directed to me at the address given above or by telephone on 0703970520/5 by email (info@anu.ac.ke).

Thank you for your attention and assistance.

Yours sincerely

Dr. Kimani

A handwritten signature in blue ink, appearing to read 'Dr. Kimani', is written over a horizontal line.

MBA Coordinator

3.Highest Level of Education

- 1) Certificate/Diploma []
- 2) Degree []
- 3) Postgraduate []
- 4) PhD []
- 5) Others (specify) []

4. Number of years worked in the organization.

- 1) Below 5 years []
- 2) Between 5 - 10 []
- 3) Between 10 -15years []
- 4) Between 15- 20 years []
- 5) Above 20 Years []

5.Indicate your position within the organization department/section.

- 1) Top level managers []
- 2) Middle level supervisors []
- 3) Lower-level supervisors []

List any other way that innovation ability is enhanced in your organization?

3. In your opinion how has innovation ability affected the general performance in your organization?

SECTION C: LEARNING AND STAFF PERFORMANCE

4. Indicate the extent to which continuous learning affect the general performance of your organization?

- a) Very great extent []
- b) Great extent []
- c) Moderate extent []
- d) Less extent []
- e) Not At all []

5. Indicate the extent to which the following aspects of continuous learning apply to your organization basing on the rate in which teamwork is organized in your department? (Tick the most appropriate option using the provided scales). Not at all =1, To a little extent =2, To a moderate extent =3, To a great extent =4, To a very great extent = 5

Statement related to continuous learning		1	2	3	4	5
1	In my organization people share experience and information.					
2	In my organization team has the freedom to adapt their goals as needed					
3	In my organization team focuses both on the group tasks and on how well the group is working.					
4	In my organization teams or groups are rewarded for their achievement as a team.					

6. How often do you think the following type of learning improves the level of performance in your organization?

a) If yes, how?

b) If no, why?

7. in your opinion how has inquiry and dialogue affected the general performance in your organization?

SECTION D: EXPERIENCE AND STAFF PERFORMANCE

8. Indicate the extent to which experience has affected the general performance of your organization?

- a) Very great extent []
- b) Great extent []
- c) Moderate extent []
- d) Less extent []
- e) Not At all []

9. Indicate the extent to which the following aspects of experience apply to your organization? (Tick the most appropriate option using the provided scales). Not at all =1, To a little extent =2, To a moderate extent =3, To a great extent =4, To a very great extent = 5

No.	Statement related to Experience	1	2	3	4	5
1	In my organization people identify skills they need for future work tasks.					
2	In my organization people help each other to acquire knowledge and skills.					
3	In my organization people can get money and other resources to support their learning.					
4	In my organization people view problems in their work as an opportunity to learn and acquire skills.					

10. List any other way that employee acquire experience in your organization?

11. In your opinion, how has experience affected the general performance in your organization?

SECTION E: STAFF PERFORMANCE

12. To what extent has the general performance of your organization improved from last year?

- f) Very great extent []
- g) Great extent []
- h) Moderate extent []
- i) Less extent []
- j) Not At all []

13. Indicate the extent to which the following aspects of corporate performance apply to your organization? (Tick the most appropriate option using the provided scales). Strongly agree =1, Disagree =2, Neutral =3, Agree=4, strongly agree= 5

Statement related to staff performance		1	2	3	4	5
1	In my organization there is growth in deposits than last year.					
2	In my organization there is growth in number of accounts than last year.					
3	In my organization there is growth in the amount of loan advanced than last year.					
4	In my organization there is growth in the profitability than last year.					

14. List any other performance indicators that have been achieved as a result of adopting human capital development in your organization.

Thank you for your time.

APPENDIX III: RESEARCH PERMIT



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Date of Issue: **09/April/2021**



This is to Certify that Mr. Dennis Makokha Simiyu of Africa Nazarene University, has been licensed to conduct research in Kajiado on the topic: Influence of Human capital Development on Staff performance of commercial Banks in Kenya A Survey of Commercial Banks in Ongata Rongai Town for the period ending: 09/July/2022.

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APPENDIX IV: MAP OF STUDY AREA

