

**INFLUENCE OF HUMAN RESOURCE MANAGEMENT  
ON THE PERFORMANCE OF THE COMMERCIAL  
BANKS UNSECURED LOAN PROJECT: A CASE OF  
NAIROBI CBD, COUNTY, KENYA**

**BY**

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Planning and Management at the University at Nairobi**

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**DECLARATION**

I declare that this project is my original work and that it has not been presented in any other university for any award.

Signature.....

Date.....

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**L50/86886/2016**

This project has been submitted for examination with my approval as university supervisor.

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## **DEDICATION**

I dedicate this project to my dear parents, Florence Atieno Odongo and the late John Odongo, my entire family, my very kind and supportive relative and all friends of goodwill who encouraged me, supported me, and journeyed with me since I started the program up to this moment.

Thank you for believing in me and may God bless you abundantly.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

HRM- Human resource management

CDB- Central Business District

## ABSTRACT

The commercial banks in Kenya have in the recent past registered varied accounts on the performance of their unsecured loan projects. This comes amid efforts by many organizations to emphasize and utilize human resource management as a tool to improve performances. Banking sector projects remain among those whose competitive edge is being enhanced by its effective utilization of human resources management to enhance performance. The objective of this study was to assess the influence of human resource management on the performance of commercial banks unsecured loan projects in Nairobi CBD, County, Kenya. The study utilized both a descriptive research design using both qualitative and quantitative methods to obtain information the participants. Bank managers, human resource managers, finance managers, customer relationship managers, and marketing managers and bank employees were recruited from 15 commercial banks within Nairobi CBD County. A sample size of 110 participants was obtained using purposive sampling. Study questionnaires were administered alongside personal interviews to obtain the required information. Data was analysed using the SPSS statistical analysis tool to depict the relationship between the variables. Descriptive statistics, correlation and regression analysis, ANOVA and Coefficient of Variations were the statistical tools used to present data for analysis and interpretation. The findings showed that human resource management influence the performance of commercial banks unsecured loan projects. The human resource functions investigated include performance management, knowledge management, forecast and planning and human resource analysis. Forecast and planning was the most significant in influence performance management, followed by performance management and human resource analysis. Knowledge management had positive insignificant correlation with performance of the commercial banks unsecured loan projects and as such may not contribute much to influence the performance of the unsecured loans. The study recommends that the functions of human resource management should be enhanced if performance of the commercial banks unsecured loan project is to be improved. More resources should be channelled to forecast and planning, performance management, human resource analysis as knowledge management may not result in significant performance of the unsecured loan projects.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background to the study**

The use of human resource management in organizations remains one of the subjects that have been widely discussed. Human resource management is usually linked to valuable outcomes, and this informs the essence of human resource departments in virtually all organizations. Organizations that perform well are credited to have an effective human resource management. Hence, implementing appropriate human resource practices in an organization has a significant bearing on these personnel development, strategic integration, communication and integration, human resource analysis and knowledge management. Areas of concern that improve as a result of human resource practices is forecast and planning, and record compliance. It is therefore not in doubt that human resource management aids in reducing operational costs, advanced record maintenance, facilitation of good communication, improve planning as it limits the time that would otherwise be spent on these activities. The decisions made at the human resource department are crucial in influencing the progress of an organization.

The relationship between human resource management and performance of organizations is no longer a matter of investigation. This is because human resource management has, for a long time, shown that its impact on organization performance is quite significant (Andrew, 2007). Banking sector is a capital intensive investment whose important component is usually to ensure growth of the banking world while building core skills and competencies of management. This always depends on the abilities and the qualifications

of the management in identifying and implementing drivers that that enhance the realization of organization profits and how the business can be sustained.

Globally, human resource management function is seen to be an accepted organ of management in many organizations. Carrying out these functions helps organizations to align their performances with their objectives. It also enables organizations to identify their capacities in terms resources at its disposal against the required capacity, a measure that allows for appropriate decision making (Aziri, Veseli & Ibraimi 2013, Andrew, 2007). In particular, recruitment and selection helps organization identify and meet correct placements. The designing and quantifying remuneration packages alongside appropriate job design promotes empowerment and cohesiveness of an organization, and human resource managers undertake the responsibility to moderate and harmonize these aspects.

It is not in doubt that most organizations across different industries are usually determined to achieve great profits. In this view, organizations employ effective and efficient human resource management. While doing so, organizations tend to be aware of the specific human resource need so as to implement human resource management more realistically as well as keeping this function up-to-date. Accordingly, management play in a significant in this regard; the achievement of company goals and meeting profit target. It places the core function of managers as having to manage human resources in such a way that appropriate placement is made in an appropriate way (Aziri, Veseli & Ibraimi 2013; Andrew, 2007).

Ankrah and Sokro (2012) state that the degree of performance is very important in any organization as it reflect on the dimension of success. This is guided by the objectives and goals of an organization. Mostly, the core objective of any organization is to realize utmost output using the best means or approach. This explains extensively the role of human resource management. While in essence human resource management deals with management of the workforce, its success depends on all other managerial departments in an organization. This means that human resource management does not operate in isolation and therefore, all other decisions made in other departments may affect the activities and effectiveness of human resource management.

Different projects attract different approach to management depending on the output expected. In the banking sector, usually, the core objective is to make profit just as in any profit-making ventures. Equally, the decision made regarding every day operation plan has a lot to do with enhancing profit motives (Akman and Mishra (2010). Accordingly, the success of most banks across the globe is usually explained by the measure and the extent of the objective met through the output of the workforce. Just like any other business, the banking industry has been diversifying its activities, operations and investment decisions to increase their output.

The collective decisions within the individual banks sometimes expose the level and quality of actions being made. For instance, lending is one such decision, and security to lending may vary from one bank to another. In recent times, most banks have undertaken unsecured borrowing to their clients. It is worth noting that, before such decisions are

arrived at, the managements in these institutions usually have had an informed course of action, and each department is usually playing a specific role for a collective goal (Chowdhury et al, 2013; Marathe, 2013)). The measure of how each department is effective on the said role is still a topic attracting more investigations.

In the view of Teo, Soon and Fedric (2001), the success of most projects undertaken by commercial banks across the globe is greatly dependant on the nature of the decisions taken and the quality of performance on duties assigned to each department. Human resource management is one such department whose role is very crucial. The sensitivity of the part played by human resource managers relates to the fact that employees are crucial assets of any firm as they put in their expertise, time and talent into the processes with known or determinable outcome (Befantto, 2010). Therefore, human resource management play a significant role in the banking industry in general.

In Kenya, the effectiveness of human resource management in the banking industry is outstanding and is intended to promote administrative efficiency in maintaining and faster processing of information. In addition, it is intended to enhance improved communication lines with, and among employees, as well as ensuring greater accuracy and standards. Thus, ultimately, incorporating such managements has been attributed to reduced human resource costs and general improvement in an organizational productivity.

Lately, the survival and success of the 42 banks in banking industry in Kenya is now largely dependent on its ability to attract, hire, retain and properly utilize people and knowledge



management is crucial to all the above mentioned (Central Bank of Kenya, 2015). The sustainability of banking projects such as the unsecured loan projects communicates the ability of the banks not only to attract and hire but also to retain and properly utilize these individuals is crucial knowledge for the survival and success of the players in this industry amidst the increasing competition. Human resource management has now become an integral part of most banks in Kenya in advancing successful unsecured loan projects (Waytt 2002). It has prompted many banking institutions to adopt and develop information technology that can help them achieve its objectives within a set timeframe, fit within the competitive environment be efficient in enhancing accuracy. The managements are considered integral in enabling the organizations in the decision making processes.

The commercial banks in Kenya sector use HRM as an effective tool for streamlining the administrative functions in the human resource department. The streamlining is achieved through the creation of a database that is both relevant and elaborate (Schuler, Dolan & Jackson, 2001). An effective human resource management system contains data on employees that includes the training they have completed, projects they have participated in, awards they have received, levels of education achieved, experience level in terms of years, skills competencies and much more the human resource department can then utilize the data and subsequently contribute towards strategy information within the organization (Teo, Soon & Fedric, 2001; Bahuguna, Kumari& Srivastava 2009).

## **1.2 Statement of the Problem**

The role played by human resource management (HRM) in businesses and projects cannot go unnoticed given that most organizations conform to human resource functions with commendable performances. Quite often, various dimensions are considered in this regard, ranging from administrative perspectives, decision making processes, as well as employee development, to the extents of both internal and external spheres of organizational environment (Oloo, 2010). Even though in current times, many organizations have embraced the use of HRM, there is largely an assumption that such developments are likely to results to greater performance. Accordingly, as Delery (2010) contends, that there is a need to determine whether the assumptions held by those who choose to emphasize on the use of human resource management principles in the running most organizational projects are true or otherwise. While the discussion on the role of human resource management has been subjected to a series of evolution to achieve efficiency and effectiveness, limited information exist on how certain specific functions of HRM influences the performance of unsecured loan projects in the banking sector, and particularly in Kenya.

## **1.3 Purpose of the study**

This study aimed at examining the influence of human resource management on the performance of the commercial banks unsecured loan projects in Kenya with specific focus on the banks within Nairobi CBD, Nairobi County.

#### **1.4 Objectives of the study**

1. To determine how performance management influences the performance of commercial banks unsecured loan project in Kenya
2. To establish how knowledge management influences the performance of commercial banks unsecured loan project in Kenya
3. To find out how forecast and planning influences the performance of commercial banks unsecured loan project in Kenya.
4. To demonstrate how human resource analysis influences the performance of commercial banks unsecured loan project in Kenya

#### **1.5 Research Questions**

Based on the objectives listed above, this study seeks to answer the following questions.

1. How does performance management influence the performance of commercial banks unsecured loan project in Kenya?
2. How does knowledge management influence the performance of commercial banks unsecured loan project in Kenya?
3. How does forecast and planning affect the performance of commercial banks unsecured loan project in Kenya?
4. How does human resource analysis influence the performance of commercial banks unsecured loan project in Kenya?

## **1.6 Significance of the Study**

This study was conducted at time when most firms, and especially, when the banking sector are dealing with the continuity and varying levels of challenges and success on the unsecured loans and technological competition. Increased performance is fundamental check the competition edge of the banks in Kenya. Accordingly, the use of HRM is expected to deliver a corresponding productive impact through enhanced effectiveness. It is without a doubt that lack of, or low effectiveness impacts on the performances of unsecured bank loans. This leads to decline of poor corporate image that results in shareholder and customer complaints, management hitches, lack of innovative change, low creativity and reduced efficiency (Oloo, 2010). While HRM is supposed to support the banking sector improve its performance, sometimes there is little or no significance in the general performances of the bank unsecured loan projects, lead in bad loans and losses in the banks. At other times, the banks appear to improve in performances. The net effect of poor attention to effectiveness within an organization often leads to increased operation cost and lose of customer and shareholder confidence.

Banking sector and other organizations need to streamline their focus, operations and processes to reduce the incidences of loss of revenue, manage competition, strengthen corporate image, and enhance employee satisfaction and retention in order to grown in size and resource. It is in on this background that this study aims at investigating on the input of HRM or lack or it thereof, in the performance of the unsecured loan projects on the banking sector in the Kenya's capital. This will be achieved through investigating the level of performance achieved so far across different parameters entailed in management in a

bid to achieve awareness among other organization-based decisions. HRM processes assist organization to effectuate modern managerial practices ranging from the employee programs to strategic issues, records and audits.

### **1.7 Assumptions of the study**

Throughout the study, the researcher made an assumption that all banks in the banking sector have an active human resources management in place that will commit to and accept disclose the statements as true

The second assumption was that banks in Nairobi County CBD are engaging in unsecured loan projects at the time of the study.

### **1.8 Limitations of the study**

The study was limited on account that there was no accessible information on the actual number of employees for every selected branches of Cooperative bank in Nairobi County; therefore, the study used a uniform population size on all the selected branches.

The second limitation was that there was no accessible information on the actual number of customers attached to every selected branches of Cooperative bank in Nairobi County; therefore, the study used a uniform population size on all the selected branches

### **1.9 Delimitations of the Study**

This study focused on the influence of the adoption of HRM in the performance of commercial banks unsecured loan projects in Kenya. The emphasis was laid on the banks in Nairobi County central business district (CBD). The study aimed at the targeted banks

located in Nairobi County. The study targeted human resource managers, clerical staff and customers of the selected branches and who were believed to have relevant information relating to the objective of this study.

### **1.10 Definition of terms used in the study**

**Human resource management:** this is human resource functions performed by human resources managers. They include performance management, knowledge management, forecast and planning, and human resource analysis

**Performance:** This is the accomplishment, or failure of accomplishment of the commercial banks to their goals on the unsecured loan projects measured by number of unsecured loans applications, repayments and defaults.

**Performance management:** the process of providing feedback and accountability on the performance goals measured by performance evaluation and realistic expectation setting.

**Knowledge management:** this means identifying, building and controlling the existing knowledge information sharing, employees making new idea suggestions and level of employee training

**Forecast and planning:** this implies the staffing decisions in relation to the number of employees available in the banks to carry out the projects and the compensation the employees are given for overtime hours they work.

**Human resource analysis:** this refers to identifying priorities of the banks focussing on employee benefit packages and having regular working hours/structure

**Conceptual framework:** this is a map or a representation of how the human resource management relates to the performance of the commercial banks unsecured loans in Kenya

**Theoretical framework:** these are theories of performance of human resource management; Goal-setting theory and expectancy theory, and theories of performance of commercial banks; prospects theory and expected utility theory which explain, predict and understand a how human resource management affect the performance of an commercial banks

**Independent variables:** these are the human resource management function whose influence on the performance of commercial banks unsecured loan project is being investigated. They are performance management, knowledge management, forecast and planning and human resource analysis.

**Dependent variable:** this is influenced by the independent variable and it is the performance of commercial banks unsecured loan projects.

**Moderating variable:** These are the organizational polies. They affect how human resource the independent variable affects the dependent variable.

### **1.11 Organization of the Study**

In this study, chapter one focused on the objectives of the study which was based on problem statement that was identified. It shows the essence of the study and those whom it seeks to affect as well as other factors that the researchers anticipated in the course of conducting the study. The perspectives of existing literature were covered in the second chapter. Here, the previous information related the topic of the study was broadly integrated to show the views of other scholars in this area. Chapter three gave detailed information relating to the research design, the target population, sample size and sampling technique, data collection and analysis method. The chapter also highlighted the concerns on data

validity and reliability of the data collection instruments. Chapter four focused on the analysis of the data and presentation of the findings, while chapter five covered the summary of findings, discussion, conclusions as well as proposed recommendations as well as areas for future research.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter focused on reviewing the previous studies that have been carried out in regard to the human resource managements. The chapter highlighted relevant information that agrees or relates to the focus of the study with the view of establishing the depth of knowledge that other researchers have fronted. The use of human resource management has become instrumental in current management practices and as such, there are several arguments developed on the same, and which were insightful to the scope of this study.

### **2.2 Performance of commercial banks unsecured loan projects in Kenya**

There is a myriad of factors at the centre-stage of performance of the banks. In most cases the performance of such ventures are measured by their profitability. In the view of Ongore and Kusa (2013), profit margins remain the ultimate goal and the determinant of the level of the performance of commercial banks. In this way, all the objective and efforts undertaken by the banking management are aimed at the realization of this core objective. Notably, the measure of these efforts fall within certain frameworks that are governed by the firms' culture and structure, which are within the internal sphere of the banks. In this connection, Ongore and Kusa (2013) share a number of factors that indicate financial performance of commercial banks and they include aspects such as return on equity, return on assets and net interest margin.

Besides, the performance of the commercial banks in the Kenya depends on a number of internal and external factors. The characteristics of individual banks affect their

performance. The internal decision by management and board form part of these internal factors. Conversely, the external factors are basically sector-wide with the nation or region, and are usually beyond the control of the organization aside from affecting their profitability. Generally, the performance of commercial banks in terms of their financial success in Kenya has improved significantly in the last two decades. This notwithstanding, the performance of the banks cannot be measured in the same way and this can be indicated when the banks make losses (Oloo, 2010).

The banking industry in Kenya has a total of 42 banks according to the statistics released by the central bank of Kenya (Central Bank of Kenya, 2015). While some of these banks have been around for a very long time, the industry was able to welcome other banks, which comparatively, have not been in the market for a very long time. Most notably, each bank has its unique customer niche, a matter that does not ease competition between them but also determines the nature and level of services that they provide, and by extension, explains the size of the banks as well as their regional widespread.

The banking sector in Kenya, just as any other venture, has turned to broaden its investment vessels by initiating different projects. One of such projects is the unsecured loan projects, which most banks have opted to deal in. Unsecured loan refers to loans that are granted to bank customers without the bankers asking for any form of security. This is contrary to the traditional secured loan where by the lenders are usually required to attach an asset or its equivalent, that secures the money lent in the event of any eventuality that may result to the loan not being repaid on time, or not repaid at all (Gibendi, 2016). It

is no doubt that, as opposed to the secured loans, the unsecured loans exposes most banks to foreseeable risk of default in loan repayment, but how do banks handle it.

Given that unsecured loans are not protected by any form of security such as a payslip or property, most banks consider them high risk. Nonetheless, this knowledge has not deterred many banks to carry on with the project and unsecured loans have become very popular with the emergence of Credit Reference Bureaux (CRBs) (Gibendi, 2016). CBRs provide the banks with comprehensive financial picture of the borrowers such that by the time the borrower makes a loan request, the banks are in position to tell the entire credit history of the borrower.

In Kenya, the CBR is the Metropol Corporation. Accordingly, all lenders such as banks, hire purchase firms, Saccos and utility firms such as Kenya Power submit the information regarding their customer/borrowers to the CRB. In this way, when a person makes a loan request, the lending institution forwards the details of the person making the loan request to the CRB requesting for information on the credit history of the applicant so as to establish their ability to pay, and especially, when it comes to an unsecured loan (Gibendi, 2016).

It is on this rationale that some of the banks such as Standard Chartered are increasingly becoming aggressive in lending with no collateral. In fact, as of 2016, the lender was running a promotion where an unsecured loan was priced at 0.8% per month (Alushula, 2017). Borrowers were able to secure up to 60 million depending their loan repayment

record and credit worthiness. In a bid to demonstrate the confidence of the banks on the unsecured loan projects, banks such as Standard Chartered began giving its borrowers a grace period of one month before they could start repaying the loan. But the concerns on the loan repayment of the unsecured loans remain all-time high to the extent of even affecting the approaches given to the secured loans. The reality that banks have experienced serious losses from their operations, which includes, the unsecured loan projects is what remains the concern of shareholders as well as the customers (Alushula, 2017).

Recovering the money lent has seen banks chasing after their customers to the digital platforms with the managements under pressure of balancing the interests of the regulator, shareholders and the customers (Alushula, 2017). Commenting on the state of the commercial banks on lending and recovery of debts, Charles Muchene who serves as the non-executive chairman at Barclays Bank of Kenya and East African Breweries stated that directors in the banking sector need to commit more time on strategy so as to meet the changing needs. While addressing a 2017 Corporate Governance Conference in Nairobi, Muchene noted that organizations need to acknowledge that the business models must be disrupted and the human resource models changed (Alushula, 2017).

Further, Alushula (2017) reports that the banking sector in Kenya experienced a downward trend on its growth of credit since August 2015, and only recorded a 1.6% growth in the following August. This was the case notwithstanding the slow lending rate, the amount of money that the customers were still borrowing from banks but not repaying, was also

increasing significantly, and this affect the asset quality of banks. At the same time, the gross of non-performing loans (NPLs) to the gross loans were reported to have increased to 10.7% in August 2017, which implied that for every sh1000 given out as a loan, the banks may never recover about 10% of it, which is sh100. Altogether, out of the sh2.36 trillion gross loans as at 2017, more than sh230.6 billion were recorded as NPLs in the books of banks, and this indicates that the borrowers had not attempted any scheduled payments within at least 90days from the moment the loan was granted.

As aforementioned, internal factors of banks are integral in the performance of the banks, and play a great deal not only on financial performance but also in the general performance under measures such as customer and employee satisfaction. Different banks have their own way of manipulating the internal factors in the manner that suits their objectives. Some of such decisions are made on elements of capital size, interest rate policy, best practices to managing human resources, labor productivity, levels and choice of communication technology, ownership and risk levels (Ongore, & Kusa, 2013).

### **2.3 Human Resource Management**

In the views of Akman and Mishra (2010), the use of HRM helps many organizations to institute strategic values that enhance the dimensions of decision-making processes. Most of these decisions are connected to the individual human resource management functions. Demonstrably, by effectuating HRM functions, the leadership can process and provide timely information necessary for planning and forecasting the workforce requirements of a firm in future. Using human resource management, organizations and employers are able

to identify and retain talent employees as well as in structuring the criteria that facilitates competitive rewards, salaries and other benefit packages in accordance with existing market standards. It also necessitates opportunity for harnessing skills through continuous training both on the job and off the job.

Befantto (2010) describes the essence of human resource management in the face of technological development as a matter that has eased the mode of managing workforce and resources through the system of e-HR. This is a shift from the traditional human resource management given that human resource managers become able to address their work-related matters using technology for advanced communication and as such, reduces operational costs and time that would be wasted if technologies were not applied. These functions include reward processes, training and development plans and facilitations, employee empowerment, protection and retention of the employees. This view is supported by Chowdhury et al (2013) and Marathe (2013) who noted that early implementation of advanced human resource management is crucial to giving direction the operation of most organizations.

According to Ankrah and Sokro (2012), human resource management design embraces components that concerns specific human resource functions. While these functions are similar or related, their effectiveness in pushing for performance in an organization vary considerably. The emphasis on performance management may be felt on one organization more than other. This may specifically relates to the nature of output the employees are providing or are expected to provide. In this regard, human resource managers, in

collaboration with other management organs, arrive on decisions to press on the critical function that requires urgent attention. Usually, it is within the discretion of the human resource manager in making such decisions (Teo, Soon & Fedric 2001).

Al-Tarawneh and Tarawneh (2011) contend that proper human resource management ensures firms perform calculations that affect the business as a whole. The calculations include pay benefits as a percentage of operating expense, health-care costs per employee, turnover rates and costs, cost per hire, return on training, return on human capital invested, time required to fill certain jobs, and human value added. The aforementioned areas realize significant savings using more current and complete data available to appropriate decision makers. Consequently, human resource management facilitates provision of quality information to management for informed decision-making (Singh, Jindal & Samin 2011; Onyango 2008).

On similar note, Akman & Mishra (2010) confirm that research has proven that large organizations that have created HR department are most likely to effectively use the managements in their operations. The 1998 study conducted Fortune 500 organizations revealed 60 percent of the organizations apply information technology in supporting human resource management functions (Dery, Grant & Wiblen 2006). Other opinionated views advocated that the use of information technology is a potential tool to revolutionize human resource functions to a transformed business unit. In order to improve the HRM functions in institutions, the HRM profession must make use of technologies that allow reengineering of HRM functions.

The implementation of human resource management can take shape of a various perspectives that represent diverse investment decisions for different sizes of organizations (Tyson 2005; Akman & Mishra 2010). In that case, there has to be a convincing ground to persuade the decision making panels the benefits of implementing management in HR functions ultimately outweigh the cost (Akman & Mishra 2010). As in most fundamental decisions, organizations intending to adopt information technologies need to ascertain their conviction that such a move was more beneficial to the company before decision is made to implement it (Beadles II, Lowery & Johns 2005).

In reference to efficiency of human resource functions, human resource management helps organizations in cutting down operation costs. Befantto (2010) describes the impact of information technology adoption in human resource management in form of e-HR from the traditional human resource management as having substantially resulted in reduced operational costs and time for many human resource functions. Among these functions are mainly; acquisition, rewarding, training and development, protecting, and retention of workforce. In addition, information technology enhances faster transaction, promotes accuracy by minimizing information errors, and facilitates faster tracking and control of human resource functions (Chowdhury et al. 2013, Marathe 2013,). However, most of these impacts can only be realized when human resource management is implemented at in early stages of organizational operation (Tyson 2005). This is because delayed or late implementation in the contemporary set up may be faced by complexities of transitional frictions such as resistance to change.



## **2.4 Performance Management and Performance of Commercial Banks Unsecured Loan Projects**

Performance management refers to the five elements of performance objectives, measurement of outcomes, feedback on results, linking rewards to outcomes, and amending objectives and practices (Svedsen 2011; Hartog et al. 2013). With this regard, performance related packages such as rewards and bonuses form of performance appraisal, remain fundamental components of banking institutions. Furthermore, performance appraisal has been extensively used as a tool for setting objectives and obtaining feedback on particular performance. Generally, remunerations and performance management are normally aligned to the overall organizational strategy (Bhattacharya, Gibson & Doty 2005).

While adopting the performance management, some of the external information such as employee details which are not necessary to the institution is not collected by the system. This, according to Dery, Grant and Wiblen (2006), ensures that only the relevant information is collected through the use of entry forms with specific data fields to be included in each entry. This ensures that all the required information pertaining to managing performance is collected while eliminating possibilities of irrelevant information. The output of the system also has a mechanism to ensure users only get relevant information about their requirements. On the same note, human resource managers must come out and explain the employees on the actual and possible impacts of adopting such technologies in the organization (Beadles II, Lowery & Johns 2005; Chowdhury et al. 2013).

## **2.5 Knowledge Management and Performance of Commercial Banks Unsecured Loan Projects**

In the last couple of years, knowledge management has become an interesting aspect of great concern in most organizations. However, there underlying factors on knowledge management are still eliciting multiple questions among scholars and managers, some of which have gone unanswered. The contentious issue is the actual and working implication of the term knowledge management. Knowledge management refers to the identification and control of the existing knowledge by an organization for purpose of being and remaining competitive in the market (Aziri, Veseli & Ibraimi 2013). In addition, it implies to the art of an organizational creativity to harness and utilize its intellectual capital, which, by essence benchmarks the organization itself (Collins & Smith 2006).

Besides, Chang et al. (2013) state that knowledge management involves a conscious effort by an organizational management to place right people in the right positions and at the right time so as to share, utilize and transmit the knowledge for the benefit of both employees and the organization. In this regard, knowledge management communicates the ability of the banking institution to selectively capture, retain and access relevant and appropriate practices regarding work related knowledge for the purposes of employees and managers decision making and both individual and group levels (Aziri, Veseli & Ibraimi, 2013; Chang et al. 2013). A bank employee may demonstrate the knowledge of to make a quick procurement from a supplier while, at the same time, is well equipped with knowledge of coordinating with the mangers and other staff to have policies enacted through corporate hierarchy.

The implementation of human resource management in the banking sector for the purposes of knowledge management can take shape of a various perspectives that represent diverse investment decisions for different sizes of organizations (Tyson 2005; Akman & Mishra 2010). In that case, there has to be a convincing ground to persuade the decision making panels the benefits of implementing management in HR functions ultimately outweigh the cost (Akman & Mishra 2010). As in most fundamental decisions, banking organizations intending to adopt management need to ascertain their conviction that such a move was more beneficial to the company before decision is made to implement it (Beadles, Lowery & Johns 2005). Parry et al (2007) observed that for better performance and results, and for the benefit of the organization, the usage and evaluation of knowledge and information generated through implementation of human resource information needs system-level thinking, coupled with broad considerations of the claims, and needs of multiple stakeholders.

## **2.6 Forecast and Planning and Performance of Commercial Banks Unsecured Loan Projects**

The ever changing banking market trends require organizations to maintain certain levels of projections into the future. The main line of this concern is the workforce. Forecasting and planning is the ability of management to enact a framework for staffing decisions as well as other connected investments proportionate to the mission, budgetary resources, strategic plan and required workforce competences of an organization (Aziri, Veseli & Ibraimi 2013). Therefore, all information with this regard needs to be reliably captured and

stored for easy access and manipulation. Managers of commercial banks have found the use of managements to be effective and efficient for the purpose.

Moreover, appropriate human resource managements capture the whole scope of human resource management in the commercial banks. This includes the administrative, statutory and technological requirements (Singh, Jindal & Samin 2011). In order to support the right partnership with other departments while maintaining information integrity, the human resource personnel in the banking institutions make use of technology in a specific way that is in line with operations in the organization (Perry 2010).

In particular, the framework of human resource management in the banking sector is modeled to capture specific activities which include: manpower planning, recruitment, training and development, performance management, staff relations and management managements (Legge 2005; Perry 2010; Akman & Mishra, 2010). The design process of human resource management, therefore, includes components to deal with all the specific areas. This adoption allows for relevant information that increases the knowledge base and reduces the uncertainties in evaluating the possible risk and success of unsecured loans offered by the banks (Akman & Mishra, 2010). In similar vein, managements can receive and generate a lot of information but the quality of the information stored or generated is based on its relevance to the intended use, especially, in validating a customer as potential for accessing unsecured loans (Mujtaba & Afza, 2011). Hence, human resource management ensures that only relevant information in relation to management of the institution is contained in the system.

## **2.7 Human Resource Analysis and Performance of Commercial Banks Unsecured Loan Projects**

Human resource analysis refers to the process of the human resource department to identify the priorities of an organization, and focusing on the various roles and capacities that each department needs to attain success of the set objectives (Delery, 2004). The process begins with identification of critical roles, a function that is done by the team leadership. These roles are at personal level, group level, and management level. The process of human resource planning utilizes workforce data, which is available in the HR department.

In the banking sector, data access is classified and issued according to various functions of each user (Civil Service Bureau 2011). For example users in the accounting department are able to access information relating to the accounting functions only. Generation of relevant information reduces the possibility of erroneous managerial decisions caused by data overload (Akman & Mishra 2010; Singh 2004). A number of information relating to human resource analysis is developed, stored and manipulated. Some of the information in this regard relates to the gender composition in a bid to steer equal employment opportunities and the benefit packages that employees are entitled to for motivational and regulatory requirements.

With this regard, analysis into the benefits of information technology in human resource management has been a broad subject of discussion to both Human resource practitioners and academics (Ngai, & Wat, 2006). The impact of information technology in human resource management falls under two main categories mainly; in relation to the efficient

delivery of human resource processes, and in relation to the specific functions of human resource itself (Civil Service Bureau 2011). All these contribute to the overall performance of the banking organizations both in the short and in the long run.

## **2.8 Theoretical Framework**

This refers to the theories put together to explain, predict and understand a given subject, it may challenge or expand the existing knowledge within the limits of certain assumptions. The study was based on the theory of performance of human resource management and the theory of performance of commercial banks.

### **2.8.1 Theory of Performance of Human Resource Management**

These are theories that related to the performance of human resource management. This study has identified two theories; goal setting and expectancy theories.

#### **2.8.1.1 Goal setting theory**

This theory was proposed Edwin Locke in in 1968. The theory suggests that the individual goals that an employee establishes play an integral role in motivating him for performing better (Shaiza & Giri, 2016). This is because the employees with such individual goals keep following these goals such that if they are not able to achieve the goals, then they are likely to improve their performance or modify the goals so as to make them more realistic. In the same manner, if the performance improves as a result of the need to meet these individual goals, then the overall improvement in the performance management goals will be enhanced (Shaiza & Giri, 2016).

The theory is relevant to this study because it underlies certain key aspects of the performance improvement by individual employees. Given the focus on influence of human resources management on unsecured loans, it is important to understand the role of individual employee in regards to the overall objective of the banking sector, especially, as regards the success of the unsecured loan projects. Accordingly, the essence of the individual goals of the employees in realizing this objective is important. This theory informs on the role that focused employees can play to improve the performance of the banks unsecured loans even as they seek to achieve their individual goals.

There is however little study as to how the goal setting theory may be effective in a risky venture such as the unsecured loans. Unsecured loan projects are mainly management decisions and as such, with the known risks, it has not been apparent how employees input can affect the risk venture decisions by the top management because, from the onset, unsecured loans are in themselves risky and it is assumed that it all depends largely on the customer compliance than on employees input.

#### **2.8.1.2 Expectancy theory**

This theory was developed by Victor Vroom in 1964. The theory is anchored on the premise that individuals adjust their behaviour in the organization according to their anticipated level of satisfaction with the values of the goals set by them (Bhattacharya, 2016). Therefore, they modify their behaviour in a manner that is most likely to enable them attain the goals. The theory underlies the human resource function of performance management because it embraces the conventional view that performance is influenced by the expectations regarding future events (Bhattacharya, 2016).

The theory relates to this study because it expounds on management of human resources and the performance. It explains the essences of individual goals, and how employees always modify their behaviour in the organization to meet their individual goals within the organization. It is the effort that employees make to reach their goals that make them behave in a certain way within the organization as they look forward to their expectation. In this case, employees in banks may play a very important role in assisting the banks get customers to apply for the unsecured loans as well as during the process of recovering them. Aside from employees contractual terms in this regard, their behaviour towards the objective of the banks performance with regard to the unsecured loans.

This notwithstanding, little or no study exists to support the how well, or to what extent employees can adjust their behaviour in respect to the some of the asset-risky businesses that organizations may choose to take, and particularly, if they have commit their personal effort. Even though employees tend to have their specific job descriptions, their personal commitment to the goals of the organizations, beside their individual goals, are very important.

## **2.8.2. Theory of performance of commercial banks**

These are theories that relates to the performance of commercial banks. This study has identified two theories; prospect theory and the expected utility theory.

### **2.8.2.1 Prospect theory**

Prospects theory was propounded Kahneman and Tversky in 1979. The theory holds that decisions makers become less risk averse and even risk seeking if they establish that they



are operating tin below their projected target or aspired levels. In this case, the high variance (riskier) alternatives may be considered by the decision-makers and this is viewed under such circumstances as having a better or desired outcome as opposed to low-variance (safer) alternatives (Johnson, 1994).

Prospects theory has helped in explaining most of the behaviour patterns that were not otherwise explainable using other theories such as the utility theory. Kahneman and Tversky attribute the dimension of this behaviour to two human shortcomings, which are emotion and the inability to fully understand a given problem. Therefore, prospect theory has assisted in predicting and explaining behaviour in light on the existing cognitive difficulties (Cochran, 2001).

The theory is related to this study because it looks on the position of the decision-makers in in the banking industry to either opt for riskier decisions or less riskier decisions when it comes to the decisions about the progress of the banks. It is relevant because, in relation to the unsecured loans, having no securities attached to the loans that the banks issue their customers is a risky measure given that the banks risk losing much of its financial asset if the loans is not repaid. This is because there is not surety that other alternative means can be used to recover the loans.

However, the theory exhibits a research that is limited to short term gains as pertain to the course for which a risk is taken. It does not expound much on the measures that can protect the banking section leadership in decision making relating to decisions out of risk factors

in the long run. Hence, while banks may apply the tenets of this theory in decisions on unsecured loan projects, applying the prospects theory may not suffice the dynamic contextual situations, which means such situations must wait on further research on how people respond to sequential losses or gains (Cochran, 2001).

#### **2.8.2.2 Expected utility theory**

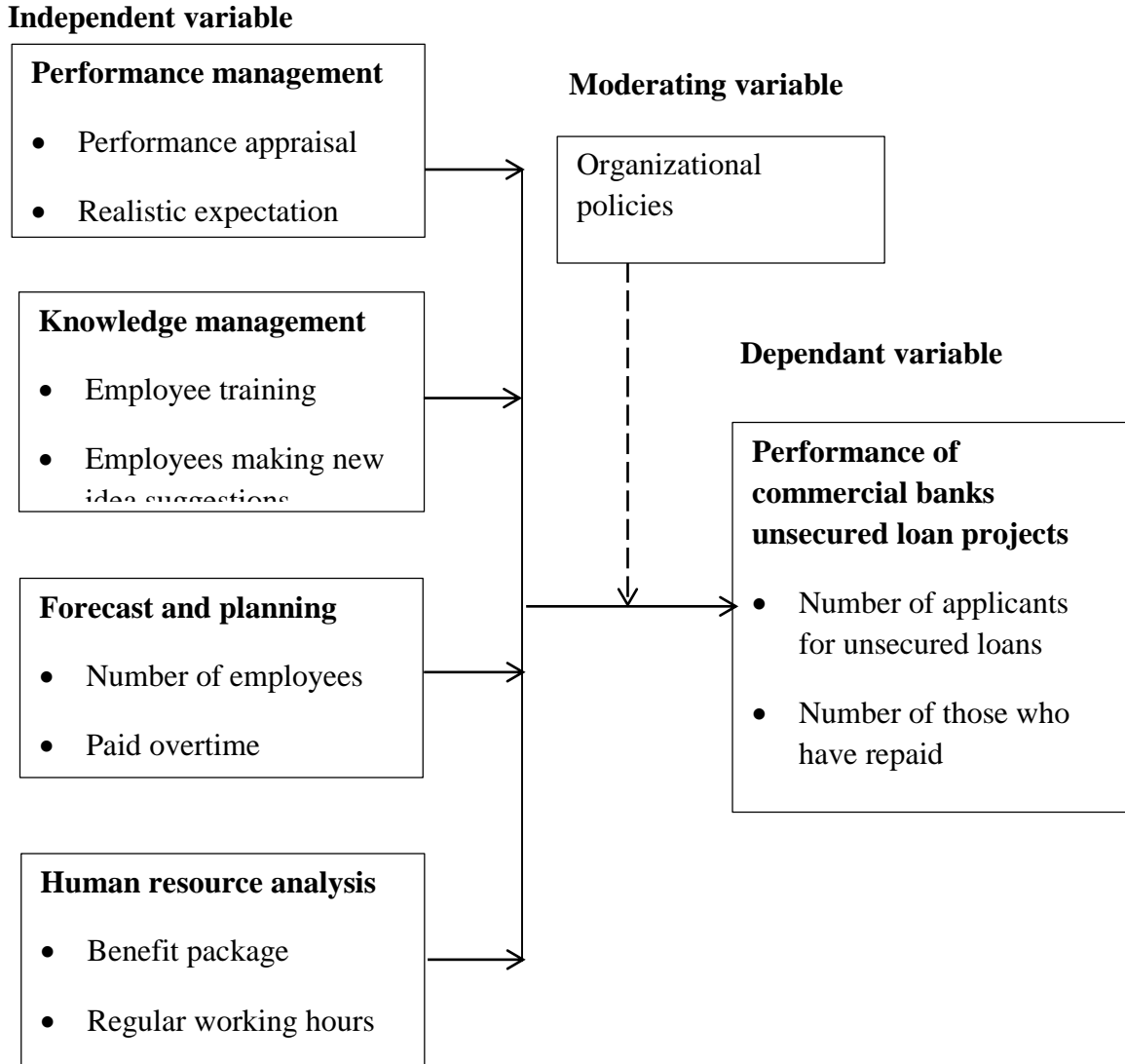
The theory was first introduced by Daniel Bernoulli to solve the St. Peterburg paradox because the expected value could not address the solution. Later, in 1944, John von Neumann and Oskar Morgenstern provided a greater contribution and cornerstone of the expected utility theory using the mathematical foundation proposed Bernoulli. It suggests that choices are coherently and consistently made by weighing outcomes (gains or losses) of actions (alternatives) by their probabilities (with payoffs assumed to be independent of probabilities). The alternative which has the maximum utility is selected. Expected utility theory is based on three fundamental tenets about the processes that occur during decisions made under risk and uncertainty: (1) consistency of preferences for alternatives; (2) linearity in assigning of decision weights to alternatives; and (3) judgment in reference to a fixed asset position (Grant & Zandt, 2007).

The theory applies in this study because is based on the premise or analysis of situations where individuals must make a decision without knowing the kind of outcomes that might arise from the decision that they make. In other words, the decision making is within the environment of uncertainty such as the decision to opt for unsecured loan projects by commercial banks. The decision makers tend to choose a position that that will result into a highest expected utility, which is basically the sum of the products of probability and

utility over all possible outcomes. Hence the decision made depends on the agent's risk aversion and the utility of other agents. However, there is no literature to suggest the success of this theory in a dynamic and competitive environment such as in the banking sector.

## **2.9 Conceptual Framework**

This section introduces the framework of variables that the study focused on. The framework showed the relationship between the dependent and independent variables as used in the study. It also highlighted the indicators used to measure these variables.



**Figure 1: Conceptual framework of HRM and performance of commercial banks unsecured loan projects.**

From figure 1, the conceptual framework gave the relationship between the HRM and the performance of commercial banks unsecured loan projects. The HRM functions are the independent variables and the variables under this included performance management, knowledge management, forecast and planning and human resources analysis. On the other hand, the dependent is the performance of the unsecured loan projects. The relationship was such that the independent variables, which were the HRM components, have a

significant bearing on the dependant variable, which was the performance of the cooperative banks. In addition, there are factors that were also likely to affect the performance of the cooperative banks which were not part of the independent variables that this stud focussed. In this study, such a factor was organizational policies, which would vary from bank to bank, or all according to the statutes.

### **2.10 Summary and literature gaps**

As demonstrated in this section, there was a significant extent of literature dealing in theory and practice of HRM has been discussed. There was a wide range of information that had been discussed regarding the factors that affect the performance of the commercial banks unsecured loan projects insofar as HRM functions are concerned. Accordingly, the researcher identified the following as gaps from the literature search, and considered them to be addressed by this study.

**Table 2.1: Summary and literature gaps**

<b>Variable</b>	<b>Indicator</b>	<b>Author</b>	<b>Findings</b>	<b>Knowledge gap</b>
Performance management	<ul style="list-style-type: none"> <li>-Performance evaluation</li> <li>-Regular monitoring</li> <li>-Expectation setting</li> <li>-Reward structure</li> </ul>	Akman & Mishra (2010)	Human resource management in any organization is modelled to capture specific activities which include: manpower planning, recruitment, training and development, performance management, staff relations and management managements. When carried out properly, it allows for relevant information that increases the knowledge base and reduces the uncertainties in evaluating the possible risks.	While this study focused on the essence of human resource functions, it did not tie these functions to the performance of employees in terms of their expectations, and the expectations of their organizations. It did not address the manner in which individual's expectations, when in congruence or not to the organizational setting, affects delivery of the employees.
Knowledge management	<ul style="list-style-type: none"> <li>-Level of information sharing</li> <li>-Employees making new decisions</li> <li>-Level of employee training</li> <li>-Network building</li> </ul>	Befantto (2010)	Human resource management in form of e-HR from the traditional human resource management has substantially resulted in reduced operational costs and time for many human resource functions. Among these functions are mainly; acquisition, rewarding, training and	This study does not provide information of how the role of employee empowering through involvement in the making of new decisions and access to information contributes to the performance of the employees in the organization.

			development, protecting, and retention of workforce	
Human resource analysis	-Employee gender balance -Employee working hours -Employee benefit packages	Al-Tarawneh and Tarawneh (2011)	Proper human resource management ensures firms perform calculations that affect the business as a whole. The calculations include pay benefits as a percentage of operating expense, health-care costs per employee, turnover rates and costs, cost per hire, return on training, return on human capital invested, time required to fill certain jobs, and human value added	This study did not consider the success of human resource functions in terms of human resource analysis on the aspect of gender balance as a factor that may enhance performance. With the increased women in the workforce, there is need to establish if this has impact in organizational performance

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section of the research provided details on the methods that was be employed in study. The study adopted a descriptive research design using both quantitative and qualitative tools to collect the data. The target population involved employees in the banks within Nairobi county CBD. The sample size and sampling procedure highlighted on the sample of the population that took part in the study as well as the the technique that were used to obtain this sample. It is followed by data collection instruments that were used, how pilot testing was carried out and the validity and reliability of the of the data collection instruments. Data collection procedures discussed how data was be collection, followed by data analysis techniques. The ethical considerations provided for the ethical issues that the researcher put into consideration, and operationalization of variables gave meaning to the variables as used in the study.

### **3.2 Research Design**

The study employed a descriptive research using both qualitative and quantitative tools. The choice of descriptive design was to give detailed information on the current state of the subject in question. Descriptive research design was suitable for a study that uses data compared to theoretical research, considering that this study sought to determine the impact of specific HRM components on the performance of commercial banks unsecured loans in Kenya. Descriptive research was appropriate given that it provides systematic descriptions and accurately presents the facts and the true characteristics of a given phenomenon,



popular, or the area of interest (Grand Cayon University, 2018). Aside from describing what exists, descriptive research design also determines the frequency of occurrence of a given phenomenon and also categorizes information.

### 3.3 Target Population

To arrive at the target population the general population is subjected to selection criteria in order to eliminate individuals of the general population that do not qualify or cannot provide required or accurate information that is needed (Asimah, Mensah, & Oteng-Abayie, 2017). Mugenda and Mugenda (2003) describe a target population as a group the researcher intends to generalize the results from. For this study, the target population constituted the branch managers, human resource managers, customer relationship managers, finance managers, marketing managers and members of the banks within Nairobi CBD, Nairobi County. In Nairobi County, there are a total of 42 commercial banks (CBK, 2015).

**Table 3.1 Target Population**

<b>Particulars</b>	<b>Target Population</b>
Branch managers	35
Human resource managers	35
Customer relationship managers	35
Marketing managers	35
Finance managers	35
Members of the bank	60
<b>Total</b>	<b>235</b>

### 3.4 Sample size and sampling procedure

#### 3.4.1 Sample size

Mugenda and Mugenda (2013) portend that a sample size of between 10% and 30% of the population provides a reliable representation. According CBK (2015), there are a total of 42 banks in Kenya, and all have the head offices and branches within Nairobi County. The sample size was determined using Krejcie and Morgan (1990) approach.

**Table 3.2 Sample size**

<b>Category</b>	<b>Population</b>	<b>Sample</b>
Branch managers	25	15
Human resource managers	25	15
Customer relationship managers	25	15
Marketing managers	25	15
Finance managers	25	15
Members of the bank	100	67
<b>Total</b>	<b>225</b>	<b>142</b>

#### 3.4.2 Sampling procedure

To determine banks, purposive sampling was used. Purposive sampling is a non-probability sampling technique because the participants in the study are carefully selected (Palinkas, et al, 2015). The strength of purposive sampling method is that it focuses on the specific participants with particular characteristics that meet the given areas of interest (Palinkas, et al, 2015). The essence of the criteria owed to the need to have only the banks that have either had, or currently offer unsecured loan projects. All the human resource managers, branch managers, customer relationship managers, marketing managers and

finance managers of the selected banks were sampled because they are believed to have the professional expertise and role in the banks and have the role in the implementation of the HRM functions. Customers were expected to be regular customers and therefore, only those who confirm that they had using the services of the banks for a period not less than one year were allowed to take part in the study.

Before the start of the study, copies of introduction letters were sent to all the 15 banks branches requesting for permission to carry out research in the banks. However; due to different reasons such as confidentiality, security and privacy, the responses from the banks did not come all at the same time. The researcher gave each bank a duration of 2 weeks from the time this request was made to respond to the quest.

### **3.5 Data Collection Instruments**

The study utilized the responses from the selected banks. Questionnaires were administered to each of the respondents, and the questions used were both open and close ended. The close ended questions were based on the Likert scale. The researcher also used interviews to seek responses from the respondents. Specifically, the questions were seeking to establish the impact of human resources management in the performance of human resource functions in the banking sector in Kenya. The interview questions were structured to deliver consistency of the data.

### **3.5.1 Pilot Testing**

Prior to the data collection process, a pilot test was carried out on Kenya Commercial Bank, Equity and Cooperative banks branches in Ruiru town, Kiambu County in order to determine the reliability and validity of the data collection instrument. The testing of the questionnaire was however done on a smaller sample (n=25) as it is not the actual data for analysis in the study. The essence of the pilot study will also assist the researcher to be familiar with the research, especially, with regard to administering the questionnaires while identifying gaps and potential areas of limitations, cost, time and other unforeseen factors, with the view to carry out appropriate modifications on the questionnaire and approach to data collection.

### **3.5.2 Validity**

Validity denotes the extent to which a variable or a concept has been measured accurately in a quantitative study (Heale, & Twycross, 2015). It refers to the accuracy and the meaningfulness of an inference, or the extent to which the evidence used in a research supports any inferences made by the researcher. To ensure validity, data collection instruments and analysis process were reviewed by the supervisor to revise obscure questions and reword complex items. Similarly, reliability will be obtained using test-retest method and parallel forms during the pilot study. Use of parallel forms entailed having the respondents fill forms whereby only wording was changed but concerned the same questions (Zobari, 2013). This allowed for the assessment of the consistency of the findings.

### 3.5.3 Reliability

Heale and Twycross (2015) define reliability as the measure to ascertain the stability, dependability, consistency, accuracy and predictability of the data collection instruments. It is the measure of the degree with which the instruments used in research produce consistent results in all number of times the research is repeated. The first way to ensure internal validity in the study was the use of triangulation, which means collecting data using several sources such as interviews, questionnaires and observation (Zobari, 2013). It corroborates the qualitative and quantitative findings, and helps to confirm consistency in the results. Also, the study used Cronbach alpha coefficient to determine the questionnaire's internal consistency. The measure has a range of values (0-1) with 0 denoting least reliability and 1 denoting highest level of reliability. A coefficient of 0.8 and above shows the questionnaire is highly reliable while 0.6-0.7 is acceptable reliability. The Cronbach Alpha coefficient of this study was 0.758, hence the questionnaire was reliable.

**Table 3.3 Cronbach Alpha reliability**

<b>Cronbach's Alpha</b>	<b>Cronbach Alpha based on standardized items</b>	<b>Number of items</b>
.758	.738	11

### 3.6 Data Collection Procedure

The questionnaires were issued the participants of the selected branches of commercial banks. This set of questionnaire sought to gather information on HRM issues in relation to performance of unsecured loans in the commercial banks in Nairobi CBD, county. These

questionnaires will be provided on the scene of the study, meaning that that the respondents were approached at their place of work where they will be requested to respond to the survey questions. Also, the researcher will targeted random customers walking in and out of the banks, and requested them for a short interview on their views on the unsecured loans in their respective banks.

### **3.7 Data Analysis Technique**

Both quantitative and qualitative data were generated from the study. The SPSS analysis tool was used to obtain the frequency distribution, mean, standard deviation and covariance for analysis. The analysis tool also generated the inferential statistics; correlation and regression analysis, ANOVA and coefficient of variation (CV), whose analysis was interpreted to obtain the findings. The qualitative data was analysed based on the respondents verbal responses and the contents were analysed coherently categorized and presented under thematic categories.

The study applied the following regression equation

$$Y = \alpha_1 X_1 + \alpha_2 X_2 + \alpha_2 X_3 + \alpha_4 X_4 + \varepsilon$$

**X<sub>1</sub>** = Performance management

**X<sub>2</sub>** = Knowledge management

**X<sub>3</sub>** = Forecast and planning

**X<sub>4</sub>** = Human resource analysis

### **3.8 Ethical Considerations**

The researcher obtained a research authorization from the National Commission of Science, Technology and innovation (NACOSTI) and approval by the University of Nairobi. The participating banks also granted permission to allow the research interview its members. The researcher guaranteed an undertaking that the details of the information provided by the participating will not be disclosed for any purpose other than for the academic objective of the study. No information on identity and relating to any of the branches that took part in the study would be shared outside this study. Hence, the study observed required levels of confidentiality and did not use the participants' personal identities or the identities of the individual bank branches in any of its questionnaire and in the presentation of the data.

### 3.9 Operationalization of variables

**Table 3.4 Operational definition of variables**

<b>Objective</b>	<b>Variables</b>	<b>Indicators</b>	<b>Measurement scale</b>	<b>Type of analysis</b>
To determine how performance management influences the performance of commercial banks unsecured loan projects in Kenya	<b><u>Independent</u></b> Performance management <b><u>Dependent</u></b> Performance of commercial banks unsecured loan projects	-Performance appraisal. -Realistic expectation setting	Ordinal	Descriptive statistics (mean, frequency distribution, standard deviation, Co-variance) Inferential statistics (Correlation and regression analysis, ANOVA, coefficient of variation).
To establish how knowledge management system influences the performance of commercial banks unsecured loan projects in Kenya	<b><u>Independent</u></b> Knowledge management <b><u>Dependent</u></b> Performance of commercial banks unsecured loan projects	-Employee training -Employees making new idea suggestions	Ordinal	Descriptive statistics (mean, frequency distribution, standard deviation, Co-variance) Inferential statistics (Correlation and regression analysis, ANOVA, coefficient of variation).
To determine how forecast and planning affects the performance of commercial banks unsecured loan projects in Kenya	<b><u>Independent</u></b> Forecast and planning <b><u>Dependent</u></b> Performance of commercial banks unsecured loan projects	-Adequate number of employees - Paid overtime	Ordinal	Descriptive statistics (mean, frequency distribution, standard deviation, Co-variance) Inferential statistics (Correlation and regression analysis, ANOVA, coefficient of variation).
To demonstrate how human resource analysis systems influences the performance of commercial banks unsecured loan projects in Kenya	<b><u>Independent</u></b> Human resource analysis <b><u>Dependent</u></b> Performance of commercial banks unsecured loan projects	-Benefit package -Employee working hours	Ordinal	Descriptive statistics (mean, frequency distribution, standard deviation, Co-variance) Inferential statistics (Correlation and regression analysis, ANOVA, coefficient of variation).



## **CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

### **4.1 Introduction**

This chapter provides for data analysis, presentations and interpretation of the findings as regards to the research objective of this study. The study aimed at examining the influence of human resource management on the performance of commercial banks unsecured loan projects in Nairobi CBB, County.

### **4.2 Questionnaire Return Rate**

The study targeted a sample size of 142 participants drawn from the CBD of Nairobi County. A total of 110 participated fully by completing the questionnaires. This translated to a response rate of 77.46%, which excellently represented the population given that it was above the recommended 70% rate according to Mugenda & Mugenda (2003).

**Table 4.1 Questionnaire Return Rate**

<b>Category</b>	<b>Target sample</b>	<b>Actual</b>	<b>Percentage of actual</b>	<b>Percentage</b>
Branch managers	15	13	11.8	
Human resource managers	15	14	12.7	
Customer relationship managers	15	15	13.6	
Marketing managers	15	12	10.9	
Finance managers	15	13	11.8	
Members of the Banks	67	43	39.1	
<b>Total</b>	<b>142</b>	<b>110</b>	<b>100</b>	<b>77.46</b>

### **4.3: Demographic profile of the respondents**

As part of collecting relevant data, the study sought to establish the relevant profile information of the respondents. This section presents the characteristics of the respondents based on gender, age level of education, and years of service in their respective banks. The respondents in the study by gender obtained are as shown in the table 4.2

**Table 4.2 Distribution of the respondents by gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	70	63.6
Female	40	36.4
<b>Total</b>	<b>110</b>	<b>100</b>

Table 4.2 above shows the distribution of the respondents by gender. 63.6 % which accounts for 70 respondents were male while 40 respondents representing 36.4% were females.

### **4.4. Distribution of the respondents by age**

The respondents were required to indicate the age bracket as provided in the questionnaire. The essence of including age of the respondent was because of the assumption that different respondents have different opinions given their worldviews and experience that is also informed by age. The results on the age brackets of the respondents are shown in the table 4.3 below.

**Table 4.3 Distribution of the respondents by age**

<b>Age bracket</b>	<b>Frequency</b>	<b>Percentage</b>
25-34	25	22.7
35-44	32	29.1
45-54	36	32.7
55 and above	17	15.5
<b>Total</b>	<b>110</b>	<b>100</b>

From the table 4.3 above, the demographic spread of the respondents by age was 22.7% (25) between 25 and 34 years, 29.1% (32) between 35-44 years, 32.7% (36) between 45-54 years and 15.5% (17) for respondents of 55 years and above.

#### **4.5 Distribution by Level of Education**

The study also sought to determine the level of education of the respondents. Level of education was important because of the assumption that educational level informs the manner with which people approach different issues in terms of their understanding, ability to communicate and respond effectively. The distribution of the respondents by their level of education is shown in the table 4.4 below.

**Table 4.4 Distribution by level of education**

<b>Level of education</b>	<b>Frequency</b>	<b>Percentage</b>
Post-graduate	34	30.9
Bachelors degree	58	52.7
College diploma/ certificate	18	16.4
<b>Total</b>	<b>110</b>	<b>100</b>

The results on the level of education showed that respondents had a level of education with a minimum of college diploma/certificate to above post-graduate level. 30.9% (34 respondents) had post-graduate qualifications, 52.7% (58 respondents) had bachelors degree, and 16.4% (18 respondents) had college diplomas/certificates.

#### **4.6 Distribution by Years of Service**

The study also sought to establish the number of years that the respondents have worked in their corresponding banks. This information was important because of the assumption that the number of years an employee serves in an organization may inform their experience and understanding of certain aspects of the organization. Years of service was also assumed to have a bearing on the institutional knowledge of the employees and trends of performance in the market. Table 4.5 below shows the distribution of the respondents by years of service.

**Table 4.5 Distribution by Years of Service**

<b>Years of work</b>	<b>Frequency</b>	<b>Percentage</b>
Below 2 years	9	8.2
2- 4 years	43	31.9
5-7 years	45	40.9
8-10 years	13	11.8
<b>Total</b>	<b>110</b>	<b>100</b>

The above result shows that the distribution of the respondents in terms of their durations of service in the respective banks also varied significantly. 8.2% (9) of the respondents had served for below 2 years, 39.1% (43) had served for between 2 and 4 years, 40.9% (45)

had served for between 5 and 7 years, and the longest serving category for between 8 and 10 years were 13 respondents accounting for 11.8%.

#### 4.7 Descriptive statistics for Performance Management

The statements on the human resource management functions as regards performance management of the banks' staff in relation the unsecured loan projects were identified. The respondents were asked to state their position based on the Likert scale with numbers 1-5. The scale used was; 1=Strongly disagree (SD), 2=Disagree (D), 3= Neutral (N), 4=Agree, and 5= Strongly agree. From the responses gathered, descriptive statistics was used to draw interpretations and generalizations. The mean, standard deviation (SD) and coefficient of variation (CV) were used in this regard and as show in the Table 4.6 below.

**Table 4.6 Descriptive statistics for Performance Management**

<b>Performance management</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>STD</b>	<b>CV%</b>
My performance at the bank is constantly reviewed	0	34	14	26	36	3.58	1.24	34.64
The bank has set targets and expectations that are realist and I can attain	9	20	16	31	34	3.55	1.32	37.12

As seen in the table above, the statement 'my performance at the bank is constantly reviewed' is an important aspect of performance in the commercial banks unsecured loans with a mean = 3.58 and a standard deviation = 1.24. 'The bank has set targets and

expectations that are realist and I can attain' mean = 3.55 and standard deviation = 1.32. The mean of the of performance management on the performance of unsecured loans project is between 3.58 - 3.55, and indication of the extent to which the respondents agreed with the two statements.

The CV was used to analyze the spread of the responses from the respondents. A smaller CV indicates more concentrated responses and thus a thinner spread whereas a bigger CV shows that the spread was large. The responses to the two statements had a CV of 34.64% being the least and 37.12% meaning that the first statement had a smaller spread than the second statement.

#### 4.8 Descriptive statistics for knowledge management

**Table 4.7 Descriptive statistics for knowledge management**

<b>Knowledge management</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>STD</b>	<b>CV%</b>
I am undertake training to contribute towards the success of unsecured loans	0	43	36	20	11	2.99	0.99	33.11
I contribute to building new ideas on the success of unsecured loans project	0	28	28	22	32	3.53	1.16	32.86

The results from the above table indicate that the statement 'I contribute to building new ideas on the success of unsecured loans project' mean= 3.53 and SD = 1.16, is important

in the performance of the commercial banks unsecured loan projects. The statement ‘I am undertake training to contribute towards the success of unsecured loans’ mean = 2.99 and SD= 0.99 comes second as regard the knowledge management function. The mean of knowledge management function on the performance of commercial banks unsecured loan project is between 3.53 -2.99, and this shows the extent with which the respondents agreed with these two statements. The CV gives the impression on the concentration or the spread of the responses. A big covariance shows s large spread while a small covariance indicates a narrow spread/ great concentration. The statement ‘I contribute to building new ideas on the success of unsecured loans project’ has a CV= 33.86%, had a slightly smaller spread of responses compared to the second statement, which had a CV of 33.11%.

#### 4.9 Descriptive statistics for forecast and planning

**Table 4.8 Descriptive statistics for forecast and planning**

<b>Forecast and planning</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>STD</b>	<b>CV%</b>
There are adequate employees to support the success of unsecured loan projects	10	16	42	20	22	3.25	1.20	36.92
The employees are promoted on the basis of their merit on bank projects	0	39	1	48	22	3.48	1.17	33.62

From the table 4.8 above, the statement ‘The employees are promoted on the basis of their merit on bank projects’ is important considering in the forecast and planning function in the performance of commercial banks unsecured loan projects with a mean of 3.48 and

SD= 1.17. The statement ‘There are adequate employees to support the success of unsecured loan projects’ was second in importance in the forecast and planning function in the performance of commercial banks unsecured loan projects with a mean= 3.25 and SD= 1.20. The mean of forecast and planning on the performance of unsecured loans project is between 3.48 - 3.25, an indication of the extent to which the respondents agreed with the two statements. In terms of the spread of the response from the respondents, the statement ‘There are adequate employees to support the success of unsecured loan projects had a moderate spread of responses with a CV of 36.62%, which is greater than the second statement ‘The employees are promoted on the basis of their merit on bank projects’ which has concentration of responses with a CV= 32.62%. The greater the CV, the larger the spread of responses and the smaller the CV, the smaller the spread of the responses.

#### 4.10 Descriptive statistics for human resource analysis

**Table 4.9 Descriptive statistics for human resource analysis**

<b>Human resource analysis</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>STD</b>	<b>CV%</b>
I am paid for overtime hours I undertake working on unsecured loan project	22	50	19	19	0	2.32	0.99	42.67
The benefit package I receive adequately matches my input in the bank	33	26	15	26	10	2.58	1.37	53.10



From table 4.9, the statement ‘The benefit package I receive adequately matches my input in the bank’ was very important for the human resource analysis function in the performance of commercial banks unsecured loan projects with a mean= 2.58 and SD= 1.37. The second statement ‘I am paid for overtime hours I undertake working on unsecured loan project’ was second in importance for assessing the human resource analysis function in the performance of commercial banks unsecured loan projects with a mean of 2.32 and a SD of 0.99. The mean of the human resource analysis on the performance of commercial banks unsecured loans is between 2.58 – 2.32, which indicate the perspective to which the respondents agreed with the statements. As regards the CV, which analyses the spread of the responses, the two statements had a large spread of responses, with the statement ‘The benefit package I receive adequately matches my input in the bank’ have the highest CV (53.10%) indicating a larger spread of responses, that the second statement which has large spread with a CV of 42.67%.

#### **4.11 Descriptive Statistics for Performance of Commercial Banks Unsecured Loans**

Three statements regarding the performance of commercial banks unsecured loans were identified. Using the Likert scale of 1-5, the performance level was place in a scale with the possible numbers as follows, 1= 50 and below ( $\leq 50$ ), 2= 51-100, 3= 101-150, 4= 151-200, and 5= More than 200 ( $>200$ ) . The results from the performance of commercial banks unsecured loan projects are show in the table 4.10 below.

**Table 4.10 Descriptive Statistics for Performance of Commercial Banks Unsecured**

**Loans**

Performance of commercial banks unsecured loans project		≤ 50	51- 100	101- 150	151- 200	>200	Mean	STD	CV%
Estimate the number of unsecured loans applications you record in one day	of	30	4	13	15	48	3.43	1.69	49.27
Estimate the number of unsecured loans repayment you record in one day	of	13	41	24	29	3	2.71	1.07	39.48
Estimate the number of unsecured loans defaults you record in one day.	of	47	50	13	0	0	1.69	0.67	39.64

From the findings indicated in the table above shows the extent to which the participants agree with the performance of commercial bank unsecured loans project in terms of the number of unsecured loans applied in one day with a mean = 3.43 and SD = 1.69. The extent to which the participants agree with the performance of commercial bank unsecured loans project in terms of the number of unsecured loans repayments made in one day has a mean = 2.71 and a SD =1.07. And the extent to which the respondents agree with the performance of commercial bank unsecured loans project in terms of the number of defaults in the repaying the unsecured loans per day has a mean= 1.69 and a SD = 0.67.

The range of statements on the performance of commercial banks unsecured loan projects is between 1.69 and 3.43.

The coefficient of variation/Co-variance (CV) analysed the spread/variation of the responses from the respondents. The bigger the CV the larger the spread of the responses and the smaller the CV the more concentrated the responses from the respondents are. As such, the second statement has the lowest CV (39.38%), thus a concentrated response on the statement while the first statement has the highest CV (49.27), indicating the largest spread or variation in the responses.

## **4.12 Qualitative analysis**

### **4.12.1 Performance of commercial banks unsecured loans**

As part of this research, the study sought to know the views of some of the employees concerning the general performance of unsecured loans in their respective banks. The response was categorized in terms of their similarity of the responses.

### **4.12.2 Applying unsecured loans**

Employees stated that they had not accessed the unsecured loans from the banks that they worked for, stating that they were only eligible to accessing secured loan. Being members of the respective banks, the employees stated that the security for the loans they could apply would definitely come from their salaries, and the banks would carry out deductions even without notifying them. Most bank employees considered applying for unsecured loans from banks other than those they work for.

A number of customers accepted to be interviewed outside the banking halls. In terms of access to the unsecured loans, they stated that it has become easy to apply for a small quick loan with no requirements at one's convenience.

#### **4.12.3 Repaying unsecured loans**

Employees felt that loan repayment of the unsecured loan projects depended on the degree of customer loyalty and responsibility. They stated that the banks issue unsecured loans to enhance its customers' access to loans. However, the number of repayment is never the same to the number of applications, meaning that there is usually some default. Most managers indicated that the risk of default is always taken care of when a bank decides to venture into the unsecured loan projects, and a limit is usually set whereby the performance is reviewed against the objective. At this point, the managers indicated that their decision to continue with the project, or stop the project is usually reached. Some of the grounds listed for decision of either continuing or stopping the project is are; delay in repayments, increase in defaults, financial constraints, economic dimensions and other decisions by the boards of the banks. Customers had different reservations on the repayments of the loans. Some admitted to being culprits of the defaults in repayments. Customers also indicated that, sometimes their regrettable failure to repay or delay in repaying the loans were due to factors that are sometimes beyond their control. The factor listed include, forgetfulness, sickness, financial crisis after applying for the loan, No ready money to repay the loan, the level of pressure applied by the banks to repay the loans.

#### **4.12.4 Banks follow-Up on Unsecured Loan Applicants**

Managers and employees both held the view that the main challenge of the unsecured loan projects is the push to have loans repaid. Managers pointed out the review of the performance of the unsecured loans was often critical and should always be conducted continuously so as to assess the direction of the project that informs the decision to either carry on with the project or stop the projects altogether. Junior employees indicated that once the customers had been issued with loans, it was their duty to make follow-ups on repayments, and this sometimes amounted to work-related pressure. The employees raised issues with kind of leadership, the level of their participation, their motivational levels, and the levels of strains against the gains they make along this duty. This notwithstanding, there was a general consensus among the managers and employees that, if well conducted and if all applications are repaid on time, then unsecured loan are is a good source of revenue to the banking sector because it spreads across all customers with no security.

#### **4. 13 Inferential Statistics**

The study used correlation analysis using the Pearson product moment correlation analysis to find out the relationship between the variable investigated in the study. Multiple regressions were carried out to identify the predictive power of the human resource function that influence the performance of commercial banks unsecured loan projects.

#### 4.14 Correlation Analysis

Pearson correlation analysis was applied at 95% confidence interval and a 5% confidence level 2-tailed. The following result in Table 4.11 presents the product of correlation analysis.

**Table 4.11 Correction Matrix**

	Performance of unsecured loans	Performance management	Knowledge management	Forecast and planning	Human resource analysis
Performance of unsecured loans (r)	1				
(p)Sig. (2tailed)					
Performance management (r)	.370**	1			
(p)Sig. (2tailed)	.000				
Knowledge management (r)	.337**	.373**	1		
(p)Sig. (2tailed)	.000	.000			
Forecast and planning (r)	.534**	.091	.285**	1	
(p)Sig. (2tailed)	.000	.342	.003		
Human resource analysis (r)	.431**	.100	.149	.489**	1
(p)Sig. (2tailed)	.000	.301	.121	.000	

The table 4.11 above shows the dimension of correlation between the dependent variable (the performance of commercial bank unsecured loans) and the independent variables (performance management, knowledge management, forecast and planning, human

resource analysis). The results indicate that forecast and planning has the highest significant positive correlation with the performance of commercial banks unsecured loan projects  $r=.534$ ,  $p=.000$ . Human resource analysis follows with a significant positive relationship with the performance of commercial bank unsecured loan projects,  $r=.431$ ,  $p=.000$ . Performance management is third with a significant positive relationship with the performance of commercial banks unsecured loan projects,  $r=.370$ ,  $p=.000$ . This is followed by knowledge management with a significant positive relationship with performance of commercial banks unsecured loans,  $r=.337$ ,  $p=.000$ . The positive relationship indicates the dimension of correlation between human resource management and the performance of the commercial banks unsecured loan projects. Derivatively, forecast and planning function of human resource management has the highest positive correlation while knowledge management has the lowest positive correlation. All the factors had a significant p-value ( $p<.05$ ) at 95% confidence interval. This implies that all the human source functions investigated in this study had equal significance in the performance of commercial banks unsecured loan projects.

#### **4.15 Regression Analysis**

Regression analysis was conducted for the purpose of testing the relationship between the independent variables and the performance of commercial banks unsecured loans project. The table below shows the model summary of regression analysis as obtained from the SPSS.

**Table 4.12 Model Summary**

<b>Model</b>	<b>R</b>	<b>R square</b>	<b>Adjusted R square</b>	<b>Std. Error of the Estimate</b>
1	.653	.427	.405	1.93232

The above table shows the R value of .653, implying that there was a positive relationship between the independent variables and the dependent variables. The result for R<sup>2</sup> is .427, and this means that 42.7% of the dependent variable was explained by the independent variable. It therefore means that 57.3% of the dependent variable was explained by other factors other than those covered in this study. Hence, the regression model gives a strong explanation of the actual matter.

#### **4.16 Analysis of Variance (ANOVA)**

**Table 4.13 Analysis of Variance (ANOVA)**

<b>Model</b>	<b>Sum of squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	291.662	4	72.915	19.528	.000 <sup>b</sup>
Residual	392.056	105	3.734		
Total	683.718	109			

$F(4,109) = 19.428, p < 0.05$

The above ANOVA table shows that the regression model used gave a level of significance = .000, which is the p-value = .05 (value of significance). Hence, the model is statistically significant in projecting the human resource management factors that influence the performance of commercial banks unsecured loan project. Also, from the results, the F



(4,109) critical value at 5% level of significance is 2.455. Given that the F calculated (value= 19.528) is greater than the F critical (2.455), it implies that the overall model was significant. Hence, all the functions of human resource management investigated in this study; performance management, knowledge management, forecast and planning, and human resource analysis, have a significant influence on the performance of the commercial banks unsecured loan projects.

#### 4.17: Coefficients of Determination

**Table 4.14: Coefficients of Determination**

Model	Unstandardized		Standardized	t	Sig.
	coefficients				
	B	Std. Error	Beta		
(Constant)	.096	.961		.100	.921
Performance management	.298	.085	.281	3.515	.001
Knowledge management	.142	.126	.093	1.126	.263
Forecast and planning	.525	.120	.382	4.371	.000
Human resource analysis	.234	.098	.202	2.381	.039

The output presented in the above table 4.14 was generated from the SPSS and it used the following regression equation:

$$Y = \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \varepsilon$$

Therefore, from the table, the following regression equation was established using the above formula

$$Y = .096 + .298X_1 + .142X_2 + .525X_3 + .234X_4 + \varepsilon$$

Using the above regression equation,

Y = performance of the commercial banks unsecured loan projects,  $X_1$  = Performance management,  $X_2$  = Knowledge management,  $X_3$  = Forecast and planning,  $X_4$  = Human resource analysis, and  $\varepsilon$  = Error Term. It therefore means when all these four human resource management functions (performance management, knowledge management, forecast and planning, human resource analysis) held at a constant of zero, the performance of commercial banks unsecured loan projects will be at .096 (9.6%). Hence, a unit change in performance management will positively influence the performance of the commercial banks unsecured loan projects by .298 (29.6%), a unit change in knowledge management will positively influence performance by .142 (14.2%), a unit change in forecast and planning will positively affect the performance by .525 (52.5%), and unit change in human resource analysis will positively influence the performance by .234 (23.4%). From the ANOVA result, forecast and planning, performance management, and human resource analysis are positively significant at .000, .001, .039 ( $p < .05$ ) respectively, while knowledge management is positively insignificant = .263 ( $p < .05$ ) in the performance of commercial banks unsecured loan projects.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of finds obtained from the result. It also gives a discussion of these findings as regards the objective of the study and provides conclusions. The chapter also offer recommendations relating to the focus of this study and proposes areas for future research. The study objective was to examine the influence of human resource management on the performance of commercial banks unsecured loan projects.

### **5.2 Summary of Findings**

The purpose of this study was to examine the influence of human resource management on the performance of commercial banks unsecured loan projects in Nairobi CBD, Nairobi County. The study was guided by four objectives namely; the influence of performance management on the performance of commercial banks unsecured loan projects, the effect of knowledge management on the performance of commercial banks unsecured loan projects, the influence of forecast and planning on the performance of commercial banks unsecured loan projects, and the influence of human resource analysis on the performance of commercial banks unsecured loan projects. Performance of the commercial banks unsecured loan projects was the dependent variable.

On the first objective, the study sought to determine the influence of performance management on the performance of commercial banks unsecured loan projects. 65.5% of the respondent indicated that performance management improved the performance in the

commercial bank unsecured loans and as such, it remains an important human resource function on the performance of commercial banks unsecured loan projects. A majority of respondents cited having a realistic target was very important by strongly agreeing and agreeing with this factor followed by having performance appraisals. The areas are of performance management that the respondents were responding to are performance appraisal conducted by the banks and the having realistic expectation set for the employees by the banks.

The second objective was on the knowledge management as a human resource function on the performance of unsecured loan projects. Under this, 41.5% of the respondents supported the role of knowledge management as instrumental in the performance of the unsecured loans. Area of knowledge management that this study investigated are the level and frequency of employee training to improve their capacities, and the role of employees in contributing to the new idea that may contribute to the performance of unsecured loans. The findings shows that less than half of the participants strongly agreed or agreed that they undergo trainings or taking part in building new ideas towards unsecured loan projects and this was actually important in the performance of these projects.

The research showed that 56% of the respondents felt that forecast and planning was a fundamental human resource function on the performance of unsecured loan projects. Most respondents (70%) strongly agreed and agreed that they were accessing paid overtime hours relating to the unsecured loan projects and this was significant in their performance on the projects. This was followed by having adequate number of employees. A total of

42% of the respondents agreed or strongly agreed that they had adequate number of employees linked to the running that unsecured loans.

The results on human resource analysis showed that only 27.5% of the respondents considered human resource analysis as effective on the performance of unsecured loan projects. The respondents reacted to the nature of the benefit package they are entitled to and if they had having regular working hours on the projects. A majority of the respondent (72%) indicated they were not working on the projects for regular hours and this affected the performance of the projects while 59% of disagreed and strongly disagreed that that the benefit package they received were influencing how they performed on the unsecured loan projects.

Inferential statistics using Pearson product momentum correlation analysis showed that there is a significant positive correlation (.370) between performance management and performance of commercial banks unsecured loan projects, significant positive correlation (.337) between knowledge management and performance of commercial banks unsecured loan projects, significant positive correlation (.534) between forecast and planning, and performance of commercial banks unsecured loan projects, and significant positive correlation (.431) between human resource analysis and performance of commercial bank unsecured loan projects. The regression analysis showed that 42.7% of performance of unsecured loan project was influenced by human resource management. From the ANOVA, forecast and planning is the most significant (.000) human resource function on the performance of commercial banks unsecured loans, while knowledge management is

positively insignificant (.263) human resource function. This implies that, according to the respondents, knowledge management could be playing a very little role on the performance of commercial banks unsecured loan projects.

### **5.3 Discussion of Findings**

#### **5.3.1 Performance management and performance of commercial banks unsecured loan projects**

From the findings, 65.5% of the respondents held the view that undergoing performance management improved their performance as far as the performance of the commercial banks unsecured loan projects were concerned. The targets that the organizations set for the employees are very crucial in terms of how realistic they are. Majority of employees felt that they deliver on what they can and what the banks expect them to deliver. It may imply that once employees have carried out what they are assigned or expected to do insofar as the performance of commercial banks unsecured loan projects are concerned, then the outcome may not be necessarily within the role of the employees.

Also, performance appraisal plays a key role in the improving the performance of the employees with regard to the unsecured loan projects. The findings showed that a majority of employees agreed that when their performance is acknowledged by their employers, they tend to perform even more. This finding is consistent with the finding obtained by Singh, Jindal and Samin (2011), who established that human resource management is about empowering employees, and that when the performance of employees are acknowledged, they tend to improve on their respective duties.

### **5.3.2 Knowledge Management and Performance of Commercial Banks Unsecured**

#### **Loan Projects**

Knowledge management is the second human resource function that this study sought to investigate. From the findings, 41.5% of the respondents acknowledged they usually undertake part in programs or functions that either build their knowledge or allows them to share their knowledge in the banks. Participating in constructive sharing of ideas in the banking sector is important. This is one of the way in which employees transfer their knowledge to running to of the banks and improving performance. The findings showed that this is more important than just undertaking trainings going by the responses. Hence, the role of knowledge management as a function of human resource management is important in improving the performance of individual employees in an organization. In part, this finding is in agreement with the study by Oloo (2010) which established improving the performance of banks required competent staff that continuously trained, developed and incorporated in the decisions.

However, contrary to this position, this study has specifically established that while knowledge management is important in improving the overall performance, its essence on the performance of commercial banks unsecured loans may be insignificant. It therefore reveals that, while knowledge management is an important human resource function in the performance of commercial banks unsecured loan projects, this function on its own has positive impacts but is largely insignificant in influencing the manner in which commercial banks perform in their unsecured loan projects.

### **5.3.3 Forecast and Planning, and the Performance of Commercial Bank Unsecured Loan Projects**

This study investigated the influence of forecast and planning as human resource management function on the performance of commercial bank unsecured loan projects. The findings indicating the 56% of the respondents positively acknowledged the level of forecast planning in their banks. This was based on two aspects; having adequate employees in the organization, and having the overtime hours paid by their respective firms. 44% of the respondents were either not having adequate number of employees to perform the duties relating to the unsecured loan projects or were did not have any stipend for overtime hours they committed to the performance of unsecured loan projects. The employees felt that sometimes the banks running the unsecured loan projects have inadequate number of employees who also take up duties relating to these projects. This amounts to strain on a smaller workforce that is equally not rewarded for the extra time they commit to these projects. It could be assumed therefore that this situation leads to low motivational levels among the employees, an aspect that derails their performance.

The findings in this regard is in consonance with those established by Ramlall (2010) on the compensation practices by human resource managers as fundamental in explaining the performance of employees in an organization, and by extension, improve the overall performance of an organization. Compensation for work done is in part a motivational factor that influences the performance of employees. The findings also supports the study by Marathe (2013), who argued that that employees perform well when they are satisfied with the proportion of work they are assigned. Underworking or overworking employees



may result in a negative drive, and is usually a characteristic of inadequate staffing decisions.

This notwithstanding, this study has established that forecast and planning is the most significant human resource function influencing the performance of commercial banks unsecured loan projects. It therefore mean that by having adequate employs whose input is appreciated and rewarded even on overtime instances, employees would be able to drive the agenda of an organization beyond the set targets even if it involves committing more personal time and resources. This can explain better performances in some banks and low performance in other banks because all banks have different number of employees under different considerations, working conditions and compensation schemes.

#### **5.3.4 Human Resource Analysis and the Performance of Commercial Banks**

##### **Unsecured Loan Projects**

The concerns of human resource analysis as a human resource management function on the performance of commercial banks unsecured loan projects. With 27.5% responding that aspect of human resource analysis is carried out in the sense that addresses their level of performance insofar as the performance of commercial banks unsecured loans are concerned, the findings revealed it as the third most significant among the human resource functions investigated in this study. The 72% of the respondents who were either not satisfied with the benefit packages they earn or the regularity of their working hours every day could be a major reason for measure of the performance of commercial banks

unsecured loan projects. It therefore exposes the extent to which human resource analysis function may influence the performance of the unsecured loan projects.

The findings of the study on the dimension of human resource analysis and the general employee performance is in consonance with the finding of the study by Bahuguna, Kumari, and Srivastava (2009), who stated that all human resource functions are interrelated and their overall impact is more effective when there is a balance of emphasis on each function. With the findings of this study confirming that only 27% of the employees acknowledged that this function was being adequately carried out, it is possible to attribute better performances to those that practice effective human resource analysis and not-good performance to the firms that give it little concern. This position is supported the finding obtained by Ramlall (2010) on the equation between human resource management and employee performance, stating that satisfied employees display significant output, and in this case, it would affect the performance of commercial banks unsecured loan projects.

#### **5.4 Conclusion**

This study has established that human resource management has significant influence on the performance of commercial banks unsecured loan projects. Therefore, for banks to improve the performance of unsecured loan projects, human resource management department needs to emphasis its functions. Key among them is performance management, knowledge management, forecast and planning, and human resource analysis. The study also revealed that these functions are not carried out to the levels that attract performance

of the employees and as such, the performance of the commercial banks unsecured loan projects by extension. The study has also showed that forecast and planning is the most significant among the four functions, while knowledge management is least in significance.

While the findings showed a varied significance of these human resource management functions, the underlying and fundamental aspect is that all these findings had positive relationship with the performance of commercial banks unsecured loan projects. Therefore, based on this research, it can be concluded that human resource management influences the performance of commercial banks unsecured loan projects. An effective human resource management can improve the performance of commercial banks unsecured loan projects while a less effective human resource management can lead to decline in the performance of commercial banks unsecured loan projects.

## **5.5 Recommendations**

Based on the findings obtained from this study, the researcher recommends that:

1. The commercial banks engaging in unsecured loan projects should improve the functioning of the human resource management departments for the to realize or increase the profits from unsecured loan projects.
2. The human resource managers in commercial banks that engage in unsecured loan projects should carry out effective forecast and planning in order to improve the performance of the unsecured loan projects. More resources should be channelled to forecast and planning as this will inform the dimension or magnitude of other functions.

3. Knowledge management is fundamental but may not have significant impact in on the performance of commercial banks unsecured loan projects. Therefore, human resource managers should consider placing less resource on knowledge management when considering improving the performance of the commercial banks unsecured loan projects, and spread these resources on the other functions that have been proved to be very significant.

### **5.6 Suggestions for Future Studies**

This study sought to examine the influence of human resources management on the performance of commercial banks unsecured loan projects, a case of Nairobi CBD, County, Kenya. Given that most banks engage in different projects, the researcher suggests that similar studies should be conducted on the banks management/ leadership style on the performance of other commercial banks unsecured loan projects

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## APPENDICES

### Appendix I: Letter of introduction

**UNIVERSITY OF NAIROBI**

**MAIN CAMPUS**

**P.O. Box 30197, GPO, Nairobi, Kenya**

**Tel: (+254-20) 3318262/ (+254-020) 2429997**

**Fax: (+254-20) 245566**

TO WHOM IT MAY CONCERN

May 24, 2018.

Dear sir/madam,

### **RE: INTRODUCTORY LETTER- CALVIN ONYANGO ODONGO**

Calvin Onyango Odongo is a postgraduate student at the University of Nairobi undertaking a course in Masters of Arts degree in Project Planning and Management. As part of, and a requirement for the course, I am carrying out a study on the influence of Human Resource management on the Performance of Commercial Banks Unsecured Loan Projects in Nairobi CBD, Nairobi County, Kenya. In order to realize this, I require some information and it is for this reason that I am requesting you to answer the questions in this questionnaire. I undertake a guarantee that I will keep the information you provide with utmost level of confidentiality and it will not be available outside the purpose of this study. You will not be required to include your name or other personal identity in any form. Consider that your decision to participate in this study is and remains voluntary. You can choose to skip the question(s) that you are not comfortable answering.

Thank you for your cooperation.

## Appendix II: Study Questionnaire

Please complete the questionnaire to the best of your knowledge by filling in the blanks where the space is provided by placing a tick (✓) against the most appropriate answer.

### Section 1: Demographic Information

Please indicate your gender

1. Male [ ]
2. Female [ ]

What is your age bracket?

1. Below 25 [ ]
2. 25-35 [ ]
3. 36-45 [ ]
4. 46-55 [ ]
5. Above 55 [ ]

What is your highest level of education?

1. Masters or above [ ]
2. Bachelor's degree [ ]
3. Diploma [ ]
4. Certificate [ ]
5. KCSE [ ]

How long have you served as an employee in this bank?

1. 1 - 2 years [ ]
2. 3 - 5 years [ ]
3. 6 - 10 years [ ]
4. More than 10 years [ ]
5. Don't remember [ ]

### Section 2: Knowledge, use, and effectiveness of human resource management and unsecured loan projects

1. To what extent do you agree with the following states with regard to the effectiveness of human resource management? (Place a tick (✓) inside the appropriate box)

#### KEY:

1. Strongly disagree
2. Disagree
3. Neither Agree Nor Disagree (Neutral)
4. Agree

**5. Strongly agree**

1. What is your view on the performance of unsecured loans?

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2. What is your view of customers accessing unsecured loans from banks?

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3. What is your view on banks' lending unsecured loans to its customers?

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**4. Please tick inside appropriate box**

<b>PERFORMANCE MANAGEMENT</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
5	I am performing well in my job in the bank					
6	I regularly undergo performance evaluation					
7	My input to the organization is monitored regularly					
8	I have organizational target expectation to meet at work					
9	I have my personal target expectations to meet at work					
<b>KNOWLEDGE MANAGEMENT SYSTEM</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
10	I receive and share information on unsecured loans projects in the bank					
11	I contribute to new ideas and suggestions on unsecured loans in the bank					
12	I build network on ideas of unsecured loan projects in the bank					
13	I undertake trainings on how to contribute towards the success of unsecured loan projects in the bank					

14	I use performance management system to set the expectations that is required from the employees.					
	<b>FORECAST AND PLANNING SYSTEM</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
15	The number of employees meets the needs of the organization					
16	I access opportunities to internal application of new vacancies within the bank					
17	New employees are often recruited					
	<b>HUMAN RESOURCE ANALYSIS SYSTEM</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
18	Male and female employees are recruited available for the unsecured loan projects in the bank					
19	I work for regular hours every day in the bank					
20	When I work for longer hours I am rewarded for the extended hours					
21	I receive a benefit package from the organization					
22	I am happy with the benefit package I receive in the organization.					

23. How many unsecured loan applications do you receive in your branch in one day?

1.  Below 50
2.  51-100
3.  101-150
4.  151-200
5.  More than 200

24. How many unsecured loan repayments record do you receive every day?

1.  Below 50
2.  51-100
3.  101-150
4.  151-200
5.  More than 200

25. How many unsecured loan default cases record do you receive every day?

1.  Below 50
2.  51-100

3. [ ] 101-150

4. [ ] 151-200

5. [ ] More than 200

26. Briefly highlight the benefits (if any) you accrue in the implementation of unsecured loan projects in your organizations

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27. Briefly highlight the challenge (if any) you face in the implementation of unsecured loan projects in your organizations

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### Appendix III: Morgan Table for Sample Size

TABLE I  
Table for Determining Sample Size from a Given Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

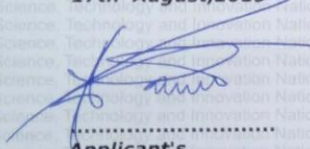
Note.—*N* is population size.  
*S* is sample size.

## Appendix IV: Research Permit


**THIS IS TO CERTIFY THAT:**  
**MR. CALVIN ONYANGO ODONGO**  
**of UNIVERSITY OF NAIROBI, 21792-505**  
**Nairobi, has been permitted to conduct**  
**research in Nairobi County**


**on the topic: INFLUENCE OF HUMAN**  
**RESOURCE MANAGEMENT ON THE**  
**PERFORMANCE OF THE COMMERCIAL**  
**BANKS UNSECURED LOAN PROJECT: A**  
**CASE OF NAIROBI CBD, COUNTY, KENYA**

**for the period ending:**  
**17th August, 2019**

  
Applicant's  
Signature


**Permit No : NACOSTI/P/18/66747/24635**  
**Date Of Issue : 20th August, 2018**  
**Fee Received :Ksh 1000**




  
Director General  
National Commission for Science,  
Technology & Innovation

**CONDITIONS**

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.

  
REPUBLIC OF KENYA

  
National Commission for Science,  
Technology and Innovation

**RESEARCH CLEARANCE  
PERMIT**

Serial No.A 20300

CONDITIONS: see back page

## Appendix V: Research letter from NACOSTI



### NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,  
2241349,3310571,2219420  
Fax: +254-20-318245,318249  
Email: dg@nacosti.go.ke  
Website : www.nacosti.go.ke  
When replying please quote

NACOSTI, Upper Kabete  
Off Wanyaki Way  
P.O. Box 30623-00100  
NAIROBI-KENYA

Ref. No. **NACOSTI/P/18/66747/24635**

Date **20<sup>th</sup> August, 2018**

Calvin Onyango Odongo  
University of Nairobi  
P.O. Box 30197-00100  
**NAIROBI.**

#### **RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on *“Influence of Human Resource Management on the performance of the commercial banks unsecured loan project: A case of Nairobi CBD, County, Kenya,”* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **17<sup>th</sup> August, 2019.**

You are advised to report to **the Chief Executive Officers of selected Commercial Banks, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.



**BONIFACE WANYAMA**  
**FOR: DIRECTOR-GENERAL/CEO**

Copy to:

The Chief Executive Officers  
Selected Commercial Banks.

The County Commissioner  
Nairobi County.



## Appendix VI: Authorization letter from the University of Nairobi



**UNIVERSITY OF NAIROBI**  
OPEN DISTANCE AND e- LEARNING CAMPUS  
SCHOOL OF OPEN AND DISTANCE LEARNING  
DEPARTMENT OF OPEN LEARNING  
**NAIROBI LEARNING CENTRE**

Your Ref:

Our Ref:

Telephone: 318262 Ext. 120

Main Campus  
Gandhi Wing, Ground Floor  
P.O. Box 30197  
NAIROBI

7<sup>th</sup> August, 2018


REF: UON/ODeL/NLC/29/076

**RE: CALVIN ONYANGO ODONGO- REG NO: L50/86886/2016**

The above named is a student at the University of Nairobi Open, Distance and e-Learning Campus, School of Open and Distance Learning, Department of Open Learning pursuing Master of Arts in Project Planning and Management.

He is proceeding for research entitled, "**Influence of Human Management on the Performance of the Commercial Banks Unsecured Loan Project: A Case of Nairobi CBD, County, Kenya.**"

Any assistance given to him will be appreciated.

  
07 AUG 2018  
**CAREN AWILLY**  
CENTRE ORGANIZER  
NAIROBI LEARNING CENTRE

## Appendix VII: Plagiarism Report

### INFLUENCE OF HUMAN RESOURCE MANAGEMENT ON THE PERFORMANCE OF THE COMMERCIAL BANKS UNSECURED LOAN PROJECT: A CASE OF NAIROBI CBD, COUNTY, KENYA

#### ORIGINALITY REPORT

<b>14%</b>	<b>7%</b>	<b>4%</b>	<b>11%</b>
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

#### PRIMARY SOURCES

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<b>3</b>	<b>www.gogetessays.com</b> Internet Source	<b>&lt;1%</b>
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<b>8</b>	<b>ir.cuea.edu</b> Internet Source	<b>&lt;1%</b>