REVIEWED JOURNAL of INTERNATIONAL SOCIAL SCIENCE & HUMANITIES [ISSN 2663-127X]

Vol. 4, Iss. 1 (2023), pp 668 – 684, November 20, 2023. www.reviewedjournals.com, ©Reviewed Journals

INSTITUTIONAL RESOURCES AND PERFORMANCE CONTRACTING IN SELECTED PUBLIC SECTOR COMMERCIAL BANKS IN KENYA

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Accepted: November 3, 2023

ABSTRACT

The general typology of organisational resources comprises both tangible and intangible and include information, organisational processes, capabilities, and knowledge that are all critical towards the successful performance by an organisation. This study aimed to examine the effect of institutional resources on performance contracting in selected public sector commercial banks in Kenya. Targeted employees included 278 employees from two selected public sector banks head offices in Kenya where 118 employees were from Consolidated Bank head office while 160 employees were from Development Bank of Kenya head office. The focus was on management team, senior, middle-level, and entry-level employees. Descriptive research design was used and the sample size of 139 employees was the proportionate stratified random sampled. Data collection was done through semi-structured questionnaires and published works. Pilot study was done with a sample size of 14 respondents to test on the validity and reliability. Quantitative data was analysed through multiple regression to assess the relationship between dependent variable and independent variables. ANOVA was used to show inferential analysis. Qualitative data was analysed through studying the data set to identify themes and patterns. There should be easily convertible asset hence high liquidity level and the cash for investments should be set aside for every financial year and actual investments to be undertaken. For the Also, emphasizes should be put on lending options for cash and cash equivalent. The procedure of downsizing should be smooth so as to not affect employees work management or the productivity. On the case of technology resources, the security features of mobile and internet which are prone to fraudsters should be enhanced. More interconnected should be done to other customers so as to make the payments faster. For smooth business seamless operations and the online banking. Hence, more integrations of the system should be undertaken to include internet and mobile banking for most clients that are yet to embrace the internet banking.

Key Words: *Institutional Resources, Performance and Commercial Banks*

CITATION: Gichohi, G., & Njoroge, J. (2023). Institutional resources and performance contracting in selected public sector commercial banks in Kenya. *Reviewed Journal of Social Science & Humanities*, 4 (1), 668 – 684.

INTRODUCTION

Organisations are primarily concerned with remaining going concerns by being profitable and outperforming their rivals. Unfortunately, many organisations are handicapped in this endeavour by resource limitations. Resource scarcity can be perceived as deficiencies in the availability of critical resources that facilitate the running of organisations (Dolmans, Van Burg, Reymen & Romme, 2014). The general typology of organisational resources comprises both tangible and intangible and include information, organisational processes, capabilities, which are all critical towards the successful performance by an organisation. Thus, whenever there is limited availability of any of these resources then this is what entails resource constraints (Desa & Basu, 2013). Organisational or institutional resources comprise tangible capital resources such as financial related; human capital aspect; and organisational capabilities which include technological resources within the control and ownership of an organisation (Othman,Aris & Arif, 2015, Njoroge, Muathe and Bula, 2015). The nature and size of an organisation can also have a significant bearing on the type and availability of resources. Smaller organisations tend to experience extreme time, financial and expertise constraints which compel them to be very frugal with their usage of these resources and deny them the possibility of exploiting certain opportunities (Jones, 2021).

One of the increasingly prominent components of performance is performance contracting. According to Kemboi (2015), a performance contract is the resultant document that stipulates expectations and responsibilities reached between parties that anticipate to attain mutually agreed outcomes. Hope (2013) referred to performance contracting as the process that enables the clarification of public service institutions' objectives and how they relate with the government, as well as focussing on results rather than compliance with bureaucratic rules and principles as a basis for evaluating performance. Ndubai (2016) opined that performance contracting is employed by public service institutions to enhance the measurement and improvement of performance holistically through the inclusion of multiple management perspectives such as finance, operations, non-financial aspects, stewardship, and service provision. Ang'anyo and Mbatha (2019) posited that owing to poor performance in the public sector, many African countries had to conduct extensive reforms, chief amongst them being the adoption of performance contracting from the 1990s onwards, borrowing largely from experiences in the private sector.

Metobo (2015) affirmed that given the primacy of financial capability to the execution of performance contracting, financial constraints can serve as a critical impediment especially considering that financial incentives are needed to act as an inducement for the effective implementation of performance contracts. Indeed, public institutions are compelled by inadequate financial resources owing to limited budgets to practice austerity measures through prudent utilisation of financial resources and ensure timely disbursement of the scarce funds to lead to effective implementation of the performance contracts. Kabuga (2021) integration of performance agreements, the assessment of performance, and appreciation of performance are critical elements of active execution of performance agreements in public institutions. In contributing to this discourse, Mwangi (2015) maintained that effective performance contracting demands for adequate human resources which in turn requires clearly defined human resource policies.

Bozzani, Mudzengi, Sumner, Gomez, Hippner, Cardenas, Charalambous, White and Vassall (2018) established that the genesis of deficiencies in financial resources in many African countries' public sectors is inadequate budgetary allocation owing to low priority listing of certain activities, tasks, projects, or components as a result of changing political objectives of the government of the day. As far as human resources' availability is concerned, this most common manifestation is the lack of proper training to upskill the staff as well as emoluments to compensate them leading to inefficiencies, demotivation and low productivity. Haider, Liu, Wang and Zhang (2018) argued that government owned banking institutions tend to suffer constraints due to the self-interested nature of politicians who tend not to consider critical elements of performance as important and also through the misappropriation of resources as well as corruption, particularly in countries where the issue of corporate governance has not been addressed appropriately. Dabla-Norris, Ji, Townsend and Unsal (2015) reported that despite evidence of financial deepening in emerging markets and low-income countries, financial inclusion has failed to match this trend given that the majority of citizens lack access to credit facilities. This has been occasioned by financial constraints on the part of some of the banking institutions such as the public ones whose ownership structure is susceptible to political interference.

Selected Public Sector Commercial Banks in Kenya

Consolidated Bank of Kenya is a commercial bank that is licensed by the CBK and fully owed by the Government of Kenya with the National Treasury holding 93.4% of the shareholding while the rest of the shares are owned by 25 parastatals as well as quasi-governmental organisations. The bank was incorporated on 7th December 1989 as an attempt by the Government to enhance the country's financial stability through the acquisition of nine insolvent entities and bringing them under one viable and well run commercial bank. It gives products and services to meet a broad range of market demands. It has endeavoured to meet the challenges of operational success in an increasingly competitive market by developing innovative financial solutions to enable their customer's business satisfaction. The bank has developed an expertise in handling SMEs and considers itself well positioned to facilitate the growth of these businesses.

Despite disruption arising from the COVID-19 pandemic the bank managed to grow its total assets by 8% to KShs 12.8 billion in 2020 from KShs 11.9 billion in 2019. Net advances grew by 15% to KShs 8.4 billion from KShs 7.3 billion while deposits grew by 5% to KShs 9.2 billion from KShs 8.8 billion the previous year. In line with CBK circular number 3 of 2020 the bank granted moratorium to facilities totalling KShs 2.8 billion which were rescheduled or granted relief as per the CBK guidelines. Commissions on loans and advances declined by 22% while transaction fees and foreign exchange declined by 11% and 8% respectively due to the business disruptions and reliefs granted to mitigate COVID-19 impact. Overall, the non-funded income declined by 22% to KShs 292 million from KShs 356 million. Total operating income however grew by 5.2% to KShs 1.297 billion from KShs 1.232 billion in 2019 due to the reduction in interest expense on borrowing arising from the redemption of the medium term note of KShs 1.52 billion in October 2019. Despite the difficult operating environment occasioned by the pandemic the Group and bank managed to reduce the loss before tax to KShs 259 million from KShs 518 million in 2019 and KShs 262million from KShs 516million in 2019 respectively.

In 1963, A non-banking financial company which is Development Bank of Kenya was formed. Its intent in Kenya was to help and advance commercially projects. In 1964 it financed development projects. Later in 1996 it shifted to commercial bank. The major shareholders of Development Bank of Kenya are ICDC with 89.3% shares and Trans Century Plc with 10.7% shares. The Bank itself was severely affected in 2016 by the closure of branches in the country resulting in the withdrawal of customer deposits from tier III banks. The bank had to resort to the CBK for support, but various strategies to deal with the challenges were also developed including corporate restructuring. As a result, the bank's capital and liquidity positions improved significantly. As at the end of December 2021, the Bank was fully compliant with the minimum benchmarks set by the regulator. During the year, the Bank's customer deposits grew by KShs. 1.1 billion while the net assets position held steady at KShs. 17.3 billion despite repaying KShs. 600 million of the debt owed to the CBK. The bank's profit before tax, at KShs. 66.6 million was significantly higher than the KShs. 20.5 million achieved in the previous year. The loan portfolio net of provisions rose slightly to KShs. 8.8 billion.

Statement of the Problem

A report by Deloitte (2021) found that following the Covid-19 pandemic, banks in the East African region faced difficult financial constraints including rise in non-performing loans (NPLs), less demand and limited purchases that made it difficult for the banks to dispose of collaterals. In fact, the NPLs ratio for banks in Kenya rose from an average of 12% in 2018 to 14% in the first quarter of 2021. The report also found that Kenyan banks experienced reduced profits between 2018 and 2020 with profit margins of 19% in 2020 compared to 28% in

2018; Return on Equity of 15% in 2020 compared to 21% in 2018; and Return on Assets of 2% in 2020 compared to 3% in 2018.

According to Muriithi and Waweru (2017), many commercial banks in Kenya are unable to attain acceptable levels of liquidity owing to their reliance on short-term investments and reduced maturity assets in order to comply with the Basel III framework of minimum stable funding base, thereby leaving them vulnerable to lower profitability. This is because the requirement for more capital and retail deposits constrains these banks from accessing borrowers, depositors and more sources of debt and equity investments. Mburu, Mwangi and Muathe (2020) determined that some commercial banks in Kenya have had financial constraints due to lending policies that were not proportionate with their size and complexity leading to a high credit risk exposure. The decreased profitability of commercial banks has led to financial constraints and budget cuts that has affected employee's financial compensation schemes such as salary increases, annual bonus, employee recognition programs hence affecting performance contracting between the employee and the employer due to lack of incentives to boost employee performance.

Opiyo and Abok (2015) opined that given the ever-increasing competitive pressures, commercial banks face human resource constraints due to the lack of appropriate HRIS which are essential for enhancing the efficiency and effectiveness of recruitment, training, payroll administration, and success planning. Ombija (2018) maintained that the nature of terms of service and working conditions tends to be the same thereby leading to dissatisfactory opportunities for advancement and career development which, in turn, pushes some employees to seek opportunities outside the industry. This high turnover of employees affects an organizations ability to have effective performance contracting in place as employees leave for other employers before their performance have been evaluated.

A study by Manali (2014) affirmed that despite the growing popularity of mobile banking as a viable channel of conducting banking transactions, a number of banks face technological constraints such as system failures and processing errors, viral attacks, network vulnerabilities, fraudulent actions, cost, and legal challenges. Mbwayo (2017) established that whilst banks in Kenya have adopted electronic payments, some of them have been constrained in a number of ways by the technology including constrained regulatory framework, old technological architecture, bad infrastructure, and connectivity concerns. This has affected effective performance contacting as employees are constrained to give their best performance due to outdated technology infrastructure.

There are gaps in the recent knowledge of this aspect. Firstly, most of the studies on performance contracting are focused on different contexts other than commercial banks, such as Nairobi City County (Nyamori & Gekara, 2016); public universities (Mwaguni, 2020); and commercial state corporations (Muruiki, 2019). . Secondly, a number of the studies on performance contracting have focused on different dependent variables such as public service delivery (Ndubai, 2016); social capital reformation (Nyamori & Gekara, 2016); and monitoring and evaluation (Mwaguni 2020). This indicated that the findings from these studies were not applicable to this study hence the need to undertake it.

Objectives of Study

The objectives of the study were;

- To determine the effects of financial resources on performance contracting in selected public sector commercial banks in Kenya.
- To determine the effects of human resources on performance contracting in selected public sector commercial banks in Kenya.
- To determine the effects of technological resources on performance contracting in selected public sector commercial banks in Kenya.

LITERATURE REVIEW

Financial Resources and Performance Contracting

Ang'anyo and Mbatha (2019) evaluated how service delivery could be impacted by performance contracting. The study was done in one of the public institutions in a Kenyan government administration Eldoret County. They looked into the effect of financial and human capital stewardship and complaints handling on service delivery. Public management and the principal agent theories were applicable. Descriptive survey was done. They discovered from the 170 respondent's data analysed via SPSS Version 24 that financial management affected service delivery. Recommendations raised were that understanding of both officers and public should be built by National Government. This study was limited to how financial and human resources affected the dependent, complaints handling on service delivery, hence the gap in the study.

Obae, G., Jagongo, A. (2022) looked into credit management practices and loan performance of commercial banks in Kenya to check credit connection of the two variables. Descriptive survey used 38 commercial banks in the country. Conclusions were that debt collection impacts loans performance. Summary was that shorter debt gathering period improves performance of commercial bank loans hence credit management practices are to be applied equally by all to minimize non-performing loans. This study focused credit management practices and its connection to dependent variable loan performance of commercial banks in Kenya hence the gap when compared to this study that looks at three independent variables.

Muriithi and Waweru (2017) focused on liquidity risk and financial performance of commercial banks in Kenya to examine the effect of liquidity risk on financial performance of banks in Kenya. Random estimator and GMM were used. Findings proved negative connection of liquidity hazard with bank lucrativeness. It was further noted that there was no existing influence of performance of similar Kenyan banks. The conclusion was that no liquidness has negatively affected financial performance. It's wise for all banks to focus its attention to the liquidity controls. This study focussed on the effects of one independent variable liquidity on dependent variable financial performance of banks hence the gap when compared to the current study that looks at three independent variables.

Dolmans *et al.* (2014) evaluated dynamics of resource limp and limitations: resource positions in action forthcoming in organization studies. Demonstration of how supposed resource situations influence entrepreneurial decisions and creativity targeted detailed study of high-tech starting. It is clear that resource is crucial and multidimensional and echo entrepreneur's insight of resources in relation to demand. Also, the positioning changes over time hence entrepreneurs feel differing resource restrictions and slack at the same time. The discoveries link view of resources to upcoming organizational resourcefulness and highlights of resource positioning and its outcome to decision. The study focusses on entrepreneurs whereas this study focusses on selected public sector commercial banks in Kenya.

Human Resources and Performance Contracting

Mwangi (2015) studied the perception of employees on determining the effectiveness of contracting of performance on service delivery in local authorities in Kenya. Correlational research design was used to conduct the study in 175 Local Authorities in Kenya as per the Ministry of Local Government. Discoveries were that leadership, financial and human handling and governances affects a firm's goals. Recommendations were good leadership, finances and human controls and applicable governance. This study was limited to local authorities in Kenya whereas the current study focusses on selected public sector commercial banks in Kenya.

Mwaguni (2020) researched on how application of evaluation and monitoring, performance contracting, capacity of human for monitoring and evaluation and research projects improves public universities in Coast Region, Kenya. Pragmatism paradigm including descriptive and causal comparative were applied. 285 populations were randomly picked to be utilized where inferential, descriptive and Shapiro-Wilk Test were opted. Establishments was a positive relationship of budget utilization and stakeholder, but no strong bond was found between such budget utilization and Research Projects. The treasurer should add more funds in public universities, staff should be educated, and regular sensitization should be carried out. This study focussed on public universities in Coast Region of Kenya whereas the current study focusses on selected public sector commercial banks in Kenya.

Hope (2013) in a study on performance contracting being a tool for performance management in the public sector in Kenya, completely assessed and analysed performance contracting as a tool for performance management. The study found out that performance contracting served as a feasible and significant choice for enlightening public sector performance. This study looks at performance contracting as a tool for performance management in Kenya whereas the current study looks at how institutional resources affects performance contracting hence the gap in the study.

Kemboi (2015) focused to link performance contracting as a strategy for enhanced employee commitment: A case of the vocational training centre Sikri, Kenya. Cross sectional design was opted. SPSS was used for analysis and stipulated outputs. Employee commitment was found to affect performance contracting. There was a positive relationship of commitment of employees and performance contracting. Hence, recommendations entailed development of policies by the institute's governors to boost employee commitments. This study focussed on a vocational training centre in Kenya whereas the current study focusses on selected public sector commercial banks in Kenya.

Technological Resources and Performance Contracting

Manali (2014) studies strategic benefits and challenges of mobile banking in Kenyan commercial banks. Descriptive survey was considered on all the Kenyan commercial banks as the target. SPSS summarized data and gave outcomes. Notably, M-banking pushes sales and minimizes distribution cost as well as grows the banks hence improved economy. Its limitation included restructuring, customer unwillingness and cost. Banks need to frequently upgrade their systems to incorporate new upcoming features on mobile banking to meet customer demands. The study focussed on one independent variable technology whereas the current study focusses on three independent variables namely technology, financial and human capital hence the gap in the study.

Mbwayo (2017) studied factors influencing adoption of electronic payments by Commercial Banks in Kenya. He aimed to prove electronic structures embracement and pick key things that promote electronic payments uptake by banks. Descriptive research was preferred for 43 banks in Kenya. Questionnaires collected was populated on SPSS and analysed descriptively and inferentially. Kenyan banks were noted to have embraced electronic payment like ATMs and mobile banking applications. To improve electronic payment systems in Kenya, the government should articulate and have regulations to offer favourable regulatory frameworks for the commercial banks electronics use. The study focussed on one independent variable technology in adopting electronic payments whereas the current study focusses on three independent variables namely technology, financial and human capital hence the gap in the study.

Desa and Basu (2013) looked into optimization or bricolage? Overcoming resource constraints in global social entrepreneurship. Two processes of mobilization and optimization of resource and bricolage were studied. Keen interest was put on antecedent conditions influencing the venture's processes selection. Theories applicable forecasted that environmental existence and organizational importance have U-shaped connection. Data from literature proved that bricolage was positively related to optimization use. Hypotheses of 202 sampled technology social ventures was picked from 42 countries and social entrepreneurship implications and broader entrepreneurship were noted. Recommendations were that optimization should be enhanced to push for bricolage hence easement of constrains of resources. This study focussed on data from the sampled technological social ventures from 42 countries whereas the current study focusses on the data from selected public sector commercial banks in Kenya.

Dolmans *et al.* (2014) focused on dynamics of resource slack and constraints: resource positions in action forthcoming in organization studies. The intent was to show how supposed resource spots influence entrepreneurial decisions and creativity. Literatures provided data that entrepreneur's imagines of resources availability and the relative demand. Moreover, such resource spots change with time hence varying resource limitations are felt. Recommendations were to link resources imaginations to the growing organizational and show how such resource spot influence decision for organizations. This study focussed on the dependent variable entrepreneur decision being influenced by resource constraints. The current study looks focusses on selected public sector commercial banks in Kenya and not entrepreneurs hence the gap in the study.

Jones (2021) studied strategies to overcome constraints for Small Business Sustainability. Foundations being theory of constraints, the qualitative study reviewed small business owner strategies that aid operations. In Georgia, six small business owners with proof of sustained business for over five years were investigated. Semi structured interviews data was analysed using Yin's five-step. Areas noted were improved operations, addressed market derivatives, and leaderships. New small business owners are advised to apply bootstrapping techniques, check demanded products and services, invest in business networks, and offer leadership chances. This study focussed on small businesses whereas the current study focusses on large organizations which is selected public sector commercial banks in Kenya.

Performance Contracting

Kabuga (2021) looked into Effect of performance contracting aspects on strategy implementation in public corporations in Kenya intending to know how strategies are altered. Theories opted were result based management and agency. 117 public corporations were picked from 168 to give opinions. Pearson's correlation brought the variables dimension connections and indications proved positivity link that performance, evaluation trigger strategies enactment. Hence, endorsements were that firms should opt performance contacting.

Metobo (2015) viewed factors influencing implementation of performance contracting in public service in Kisii County to check leadership, personnel and financials influence. Theories considered aimed at performance and 4,000 county employees were opted but only engaged 25 percent. The encounters were that the variables opted trigger implementations in Kisii hence advised for keen care on such variables for smooth execution.

Muriuki (2019) viewed role of performance contracting in strategy implementation in commercial state corporations in Kenya via descriptive and RBV and goal setting were the theories reflected. The target was 32 corporations. In this view, strategy implementation was not highly triggered by target setting even though it can lead to better results when capabilities of staff are promoted via work schedules and scales systems to keep up to date on doings of the firms

Theoretical Framework

Resource-Based View Theory

This study was underpinned by a number of theories. The first theory was Resource Based View (RBV) Theory by Edith Penrose in 1959. This theory holds that companies derive competitive advantages from the possession of difficult to imitate, transfer or purchase resources as well as unique capabilities (Barney, 2001). This theory underpinned the discussion on the three independent variables as well as the dependent variable. Firms' competitiveness comes if resources are not imitable and are exceptionally unique and any business should aim to control such resources. Such valuables boost the ability to strategize and go for the mission. It's evident that acquiring such can be a tall order especially for start-up or due to other limitations Hadjira Chigara (2021). Not all resources are significant or always lead to competitiveness and keen research is recommendable to get resources that are non-substitutable. Resources can point to intangible ones like skills and mental ability of tech know how and they offer competitiveness since they cannot be copied easily. It is crucial to protect such valuable and no substitutable resources. RBV points how to utilize the scarce fiscals and capitals to prompt optimal outcome.

According to Vincent Sabourin, (2020), The RBV theory is exposed to drawbacks like absence of generalization format to enable selection of exact resource for certain firm's competitiveness. Also, to measure intangible is non achievable. For firms to remain with the resources and avoid movability is a challenge. Operational validity is not highlighted by this theory since leaders are not guided on acquisition. RBV is useful in that theoretical basis influences search for efficient resource.

Theory of Constraints

TOC which was advanced by Goldratt in 1984, focuses on the weakest ring(s) to improve the performance of systems. Structural systems of any firm must be outlined well for clarity by workers if at all global success is the intent.

It is clear that TOC crack the structuring problems and commends methodology by which mangers apply hence varied results (Şimşit, Günay & Vayvay, 2014). Firm's systems should optimally run to achieve their goal and hence capacity building should be enacted. Constraints are models like measurement aspect or shared vision that improve entities outputs.

TOC suggest thorough analysis of a scenario before a course of action is approved. The aim is to make valid decision not via intuitions hence applicability of the theory to analyse cases and help derive specific plans. Clarity of hindrances to goals achievements is also pointed by this theory. Hence the firms are encouraged to work on such challenges to the point of elimination (Watson, K., Blackstone, J., & Gardiner, S. 2007). TOC also support firm's managers to develop objectives based on resources accessible and this calls for effective utilization of such possessions bearing their scarcity. Leaders of the firms are called to re-evaluate any possessions to avoid procrastination hence proper handling of constraints. Constraint inhibits firms to reach optimal potential as planned but we find firms exposed to at least some constraints and its therefore crucial to convert them to capacity to lower the consequences.

Theory of constraints advocates for strategies to be mixed and matched for optimal achievement. The usage of key performance measures by Goldratt's are underscored which emphasizes on inventory, throughput and operating expenditures and focus is on utilization (Puche, Ponte, Costas, Pino, De la Fuente, 2016). It is crucial to provide data in reference to strategic management for applicability of TOC which pushes firms to focus on lowering such constraints. Ways that lead to reduction of constraints involve innovation, restructuring or advancement in technology.

To conclude, this theory triggers issues that enhance performance hence boosting profit when resources are managed. Notably, interaction of various factors and identification of constraints provides ideas on their management. The theory comes in handy to this study to highlight how firms can minimize its expenditures via concrete capacity.

METHODOLOGY

This study adopted descriptive research design. This type of research design describes the situation the way it is and is thus suitable as it allows the researcher to administer questionnaires and interview schedule so as to collect data (Kumar,2018). The study focussed on a total number of 278 employees from both banks head offices in Kenya where 118 employees were from Consolidated Bank head office while 160 employees were from Development Bank head office. These were the staff who had direct or indirect interaction with the use of the institution's resources. The study applied simple random sampling to offer opportunity of the head office employees in each bank to be selected. Then proportionate stratified random sampling was used to pick 50 per cent employees from consolidated and development banks head office. This sampling was used to select a population that was representative of the total population.

Primary data was collected by use of open and close ended questionnaire. The questionnaire was administered to the 139-sample picked from the two banks. As a research tool, a questionnaire is described as a set of questions used to gather information from participants (Mugenda & Mugenda, 2003). By using a drop and pick method, respondents had enough time to read and fill out the questionnaire. Structured responses from closed ended questions were used for quantitative analysis and the qualitative data was derived from open-ended questions. The questionnaire section included one for general employee's information while the other part had three sections for the study variables. Secondary data was sourced from published articles not only in Consolidated Bank and Development Bank but also other books, magazines and journals.

Both quantitative and qualitative data was analysed. For quantitative data, descriptive and inferential statistics was applied. Descriptive Statistics was used to analyse the means, standard deviation, and percentages. Inferential analysis was used to determine the relationship between variables and significance level using SPSS software (V.24). Qualitative data was analysed by studying the data set and identifying themes and patterns and their meanings. A general format of the model adopted is shown below:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

Where:

Y = Performance Contracting

X_1 = Financial Resources

X_2 = Human Resources

X_3 = Technical Resources

β_1 to β_3 are the beta coefficients

e is the error term

β_0 is the y-intercept.

RESULTS AND DISCUSSION

Data from 59 Consolidated Bank head office employees and 80 Development Bank head office employees was scrutinized and discoveries offered. References to the empirical and theoretical literatures will be backed up.

Response Rate

Completed questionnaires from 139 respondents were inspected and the total of the accurately ones were as per the Table 1.

Table 1: Response Rate

Category	Frequency	Percentage
Response	119	85%
Non-Response	20	15%
Total	**139**	**100%**

Source: Field Data (2023)

The results in table 1 indicate 85 percent response rate of the questionnaires and 15 percent non response rate. The 85 percent conform with Mugenda and Mugenda (2003) recommended rate of above 70 percent has excellent for conclusion.

Descriptive Statistics

The three variables under investigation descriptive measures analysis was done and displayed in tables.

Financial Resource

Bankers form the two banks were requested to give average number of years their bank been affected severely by financial resources close to have of them said that between 0 to 5 years' human resources while few mentioned that the effect has lasted for over 10 years. Average response was that financial strain was felt fort 10 years 5-10 years

Table 2: Descriptive Measures on Financial Resource

Statements	N	Minimum	Maximum	Mean	Std. Deviation
The bank has easily convertible asset hence high liquidity level	119	1	5	2.68	1.26
The behaviour of the bank lending affect cash and cash equivalent	119	1	5	2.35	0.99
Cash for investments are set aside for every financial year and actual investments are undertaken	119	1	5	2.39	1.07
Average	**119**			**2.48**	**1.10**

Source: Researcher (2023)

Table 2 showed values range between 1 and 5 with average of 2.48 mean and 1.10 SD. This implies that bankers disagreed close to moderate that the banks had set financial resources as per the viewed statements. Closeness in the mean points that banker's views were almost similar. Close to moderate the bankers from the two banks said that the bank has no easily convertible asset hence high liquidity level by 2.68 mean and 1. SD. It is not the actual state of either of the bank that the cash for investments are set aside for every financial year and actual investments are undertaken as pinned by 2.35 mean and 0.99 SD. For the two banks, bankers slightly disagree that the behaviour of the bank lending affect cash and cash equivalent as pointed by 2.35 mean and 0.99 SD.

Findings agree slightly with Obae, G., Jagongo, A. (2022) which looked into credit management practices and loan performance of commercial banks in Kenya to check credit connection of the two variables. The shorter debt gathering period improves performance of commercial bank loans hence credit management practices are to be applied equally by all to minimize non-performing loans.

Human Resource

There was need to identify the rate at which the banks under study could experience human resource labour turnover. Most of the bankers felt that they lost their colleagues to other industries at an average rate of between 20 to 30 percent. A slight number felts that their co-workers left the bank to join other industries or banks. Below 10 percent of the top management employees think it's unlikely for them or their workers to leave the banking career once one has grown to it.

Table 3: Descriptive Measures on Human Resource

Statements	N	Minimum	Maximum	Mean	Std. Deviation
There is cash available for interbank overnight exchanges	119	1	5	2.5	0.9
Downsizing extent affects remaining employees work management hence reduced productivity	119	1	5	2.7	1.0
Employee's skills gap sizes make their current ability and mind set to achieve the performance	119	1	5	2.2	1.0
Your bank employee retention rate is high hence continued performance	119	1	5	2.3	1.2
Average	**119**			**2.4**	**1.0**

Source: Researcher (2023)

Table 3 showed values range between 1 and 5 according to the scale applied meaning bankers had opinions within the range. The highest mean is 2.7 while least is 2.2 showing nearness in the responses hence resulting to average mean of 2.4. Standard deviation ranged between 0.9 to 1.0 hence an average of 1.0. Most supported statement that is close to moderate is that ddownsizing extent affects remaining employees work management hence reduced productivity with 2.7 mean and 1.0 SD. There was just a slight disagreement that there is no cash available for interbank overnight exchanges as proved by 2.5 mean and 0.9 SD. Bankers were very honest to disagree that their bank employee retention rate was high hence continued performance where mean of respondents was 2.3 with 1.2 SD. Finally, there was no support on the statement that employee's skills gap sizes make their current ability and mind set to achieve the performance by low mean of 2.2 and 1.0 SD.

It can be clearly pointed that above findings slightly differ with Mwangi (2015) who studied the perception of employees on determining the effectiveness of contracting of performance on service delivery in local authorities in Kenya. Discoveries were that leadership, financial and human handling and governances affects a firm’s goals. Recommendations were good leadership, finances and human controls and applicable governance.

Technological Resources

The employees from the study banks were very vocal on both mobile and internet banking is the most technological resources and communication platform hat is most affected as it is very prone to fraudsters. ATM interruptions was also reported to a high level where bankers felt people were scammed to give their credentials hence money is being withdrawn without their awareness. Bankers however felt that the bank always mitigates such cases even though they raise consistently.

Table 4: Descriptive Measures on Technological Resources

Statements	N	Minimum	Maximum	Mean	Std. Deviation
The bank has integrated the system to include internet and mobile banking	119	1	5	2.0	1.0
The bank systems are seamless and the online banking is secured with level of security	119	1	5	2.4	1.0
Bank operation systems are Interconnected making payment faster	119	1	5	2.9	1.4
Average	**119**			**2.4**	**1.1**

Source: Researcher (2023)

Table 4 values range between 1 and 5 meaning that the bankers had opinions within the scale range. The highest mean is 2.9 while least is 2.0 which proves nearness in the responses and hence an average mean of 2.4. Standard deviation ranged between 1.0 to 1.4 hence an average of 1.1. The two banks employees agree moderately that Bank operation systems are interconnected making payment faster by mean of 2.9 and 1.4 SD. The bank systems are not always seamless and the online banking had been reported many times not secured with level of security especially when in the hands of the customer with 2.4 mean and 1.0 SD. Not for all cases that the bank has integrated the system to include internet and mobile banking for most clients that are yet to embrace the internet banking possibly due to security threats. This was backed by 2.0 mean pointing disagreement to the statement and 1.0SD.

Similar discoveries were picked by Manali (2014) on studied strategic benefits and challenges of mobile banking in Kenyan commercial banks. Notably, M-banking pushes sales and minimizes distribution cost as well as grows the banks hence improved economy. Its limitation included restructuring, customer unwillingness and cost. Banks need to frequently upgrade their systems to incorporate new upcoming features on mobile banking to meet customer demands.

Performance Contracting

The two banks performance levels were indicated by the employees to be progressive and they pointed ways like pay increase, bonuses as well as exclusive office organized events as indicators that there are improved performances.

Table 5: Descriptive Measures on Performance Contracting

Statements	N	Minimum	Maximum	Mean	Std. Deviation
The banks departments operate effectively	119	1	5	3.1	1.1
Performance data are timely available to relevant users	119	1	5	2.5	0.9
The reports show the desired bank outcomes.	119	1	5	2.8	1.0
Average	**119**			**2.8**	**1.0**

Source: Researcher (2023)

Table 5 values of 1 and 5 indicate that the bankers had opinions within the scale range. The highest mean is 2.8 while least is 2.5 which proves nearness in the responses and hence an average mean of 2.8. Standard deviation ranged between 0.9 to 1.1 hence an average of 1.0. The bankers from the two banks studied were for the opinion that the bank reports show somehow the desired bank outcomes for some years by close to moderate mean of 2.8 and 1.0 SD. When the four levels targeted in thi study were asked about efficiency, few of them agree that the banks departments operate effectively by 3.1 mean and 1.1 SD.

Kabuga (2021) who looked into effect of performance contracting aspects on strategy implementation in public corporations in Kenya intending to know how strategies are altered discoveries were backed. Pearson's correlation brought the variables dimension connections and indications proved positivity link that performance, evaluation trigger strategies enactment. Hence, endorsements were that firms should opt performance contacting.

Inferential Statistics

Inferential statistics indicates how variables connect to each other. Regression analysis is provided below with significant importance on the R^2

Regression Analysis

Multiple regression analysis is opted for analysing of performance contracting impact from technological resources, human resources, financial resources. Table 6 present analysis results.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.394[a]	.155	.133	.47947

a. Predictors: (Constant), Technological resources, Human resources, Financial resources

Source: Researcher (2023)

From the table above, R-squared value was 0.155 and it indicated that 15.5 percent of performance contracting variability can be explained by technological resources, human resources, financial resources. The remaining 84.5% is explained by other variables outside the model. The model is fit can be applied for further inferential statistics.

ANOVA

The results of ANOVA aimed to view regression model fitness.

Table 7 display of the outputs.

Table 7: ANOVA Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.857	3	1.619	7.043	.000[b]
	Residual	26.437	115	.230		
	Total	31.295	118			

a. Dependent Variable: Performance Contracting
b. Predictors: (Constant), Technological Resources, Human Resources, Financial Resources

Source: Field Data (2023).

The regression model fitted the data since it was statistically significant at F-ratio (3,115) was 7. 043.The probability value was 0.000 and was lower than the adopted threshold of 0.05. indicating that technological resources, human resources, financial resources affect the performance contracting.

Coefficients

The relationship between the technological resources, human resources, financial resources and the performance contracting was sorted to prove existence as well as identify if for sure they affect the dependent variable

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.524	.227		11.110	.000
	Financial Resources	.249	.064	.348	3.896	.000
	Human Resources	.095	.060	.138	1.578	.003
	Technological Resources	.005	.057	.008	0.087	.001

a. Dependent Variable: Performance Contracting

Source: Field Data (2023).

The regression analysis points out that when the three dimensions of performance contracting are held at zero constant, performance would be at 2.524

The regression equation

Y = 2.524+ 0. 249X1+ 0. 095X2+ 0. 005X3+ ε

Where, Y = Performance Contracting

X_1= Financial Resource

X_2 = Human Resource

X_3 = Technological Resource

Financial Resource

The study aimed to determine the effects of financial resources on performance contracting in selected public sector commercial banks in Kenya.

Table 8 has β= 0.348 t=3.896 p=0. 000.The value 0.249 represent effect by which one unit of financial alters performance contracting in in selected public sector commercial banks in Kenya. The t-values (t= 3.896, $p<0.05$), prove influence between financial and performance contracting.

Findings of Ang'anyo and Mbatha (2019) who evaluated how service delivery could be impacted by performance contracting are backed up. They looked into the effect of financial and human capital stewardship and complaints handling on service delivery. They discovered from the 170 respondents were that financial management affected service delivery. Recommendations raised were that understanding of both officers and public should be built by National Government.

Human Resource

The researcher wanted to determine the effects of human resources on performance contracting in selected public sector commercial banks in Kenya.

Table 8 has β= 0.138 t=0.087, p=0. 003.The value 0.095 represent effect by which one unit of financial alters performance contracting in in selected public sector commercial banks in Kenya. The t-values (t= 1.578, $p<0.05$), prove how the human resources influence performance contracting.

There was similarity with Mwaguni (2020) who researched on how application of evaluation and monitoring, performance contracting, capacity of human for monitoring and evaluation and research projects improves public universities in Coast Region, Kenya. Establishments was a positive relationship of budget utilization and stakeholder, but no strong bond was found between such budget utilization and research projects.

Technological Resource

The aim was to determine the effects of technological resources on performance contracting in selected public sector commercial banks in Kenya,

Table 8 has β= 0. 008 t=1.578, p=0. 001.The value 0. 005 represent effect by which one unit of technological resources alters performance contracting in in selected public sector commercial banks in Kenya. The t-values (t= 0.087, $p<0.05$), prove how the technological resources influence performance contracting.

Mbwayo (2017) study on factors influencing adoption of electronic payments by Commercial Banks in Kenya is in line with these findings. He aimed to prove electronic structures embracement and pick key things that promote electronic payments uptake by banks. Kenyan banks were noted to have embraced electronic payment like ATMs and mobile banking applications. To improve electronic payment systems in Kenya, the government should articulate and have regulations to offer favourable regulatory frameworks for the commercial banks electronics use.

CONCLUSIONS AND RECOMMENDATIONS

First objective aimed to determine the effects of financial resources on performance contracting in selected public sector commercial banks in Kenya. Almost half of the bankers targeted form the two banks said that human resources affected performance between 0 to 5 years. They disagreed close to moderate that the banks had set financial resources as per the viewed statements. Close to moderate the bankers from the two banks said that the bank has no easily convertible asset hence high liquidity level. It is not the actual state of either of the bank that the cash for investments are set aside for every financial year and actual investments are undertaken. For the two banks, bankers slightly disagree that the behaviour of the bank lending affect cash and cash equivalent.

Second objective wanted to determine the effects of human resources on performance contracting in selected public sector commercial banks in Kenya. Most of the bankers felt that they lost their colleagues to other industries at an average rate of between 20 to 30 percent. Close to moderate agreement was that downsizing extent affects remaining employees work management hence reduced productivity. There was just a slight disagreement that there is no cash available for interbank overnight exchanges. Bankers were very honest to disagree that their bank employee retention rate was high hence continued performance. Finally, there was no support on the statement that employee's skills gap sizes make their current ability and mind set to achieve the performance. Hence human resources had influence on the performance contracting of the banks under study

Third objective aim was to determine the effects of technological resources on performance contracting in selected public sector commercial banks in Kenya. The employees from the study banks were very vocal on both mobile and internet banking is the most technological resources and communication platform that is most affected as it is very prone to fraudsters. The two banks employees agree moderately that bank operation systems are interconnected making payment faster. The bank systems are not always seamless and the online banking had been reported many times not secured with level of security especially when in the hands of the customer. Not for all cases that the bank has integrated the system to include internet and mobile banking for most clients that are yet to embrace the internet banking possibly due to security threats.

The study looked into institutional resources and performance contracting in selected public sector commercial banks in Kenya

Qualitative and quantitative data analysis findings facilitate the drawing of conclusions. Statistical analysis results illustrated that independents and dependent variables were significantly related. All the tested resources affected the performance contracting of each of the banks under the study. The bankers from the two banks studied were for the opinion that the bank reports show somehow the desired bank outcomes for some years by close to moderate. When the four management levels targeted in this study were asked about efficiency, few of them agree that the banks departments operate effectively.

The banks should consider measures that promote the financial resources so as to enhance the performance. There should be easily convertible asset hence high liquidity level and the cash for investments should be set aside for every financial year and actual investments to be undertaken. For the Also, emphasizes should be put on lending options for cash and cash equivalent. The procedure of downsizing should be smooth so as to not affect employees work management or the productivity.

On the case of technology resources, the security features of mobile and internet which are prone to fraudsters should be enhanced. More interconnected should be done to other customers so as to make the payments faster. For smooth business seamless operations and the online banking. Hence, more integrations of the system should be undertaken to include internet and mobile banking for most clients that are yet to embrace the internet banking.

Suggestions for Further Studies

The outcome and inferences of this study were inhibited to three resources and performance contacting of only two selected banks. Future and further researchers can be conducted in resources or factors and other sectors to ensure that the outcomes and conclusions of this research were validated. In addition, More studies can be carried on different evaluation of institutional resources on performance of tourism performance.

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