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The Effect of Employee Competence on Performance of Microfinance Institutions in Nakuru Town, Kenya

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Abstract

The study was carried out to establish the effect of employee competence on the performance of microfinance institutions in Nakuru CBD. The study is significant to the MFI in that it will benefit management and staff of MFI and the government understudy by gaining insights into how their institution can effectively deal with the problems that they encounter in managing their clients and to ensure they grow their business. A survey design was used for the study. The target population comprised of 35 respondents. These were Branch managers, Chief Credit officer/s and the IT support of the MFI in Nakuru CBD. The study used census method as the small size of the target population could easily be managed. A questionnaire containing closed-ended questions was used as the data collection instrument for the study. Descriptive statistics, including percentages and frequencies, was adopted for data analysis Results were presented in the form of charts, tables and graphs. The study established that the level of employee competence affects the implementation of online banking to a large extent. Based on this finding the researcher recommended that microfinance institutions should have some training programs to help improve on the customers level of skills because some consumers do not have the required skills and facilities needed to do online banking and this will allow for the smooth running of operations.

Key Terms: Employee competence, performance, Microfinance institutions, online banking.

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Introduction

The compounded annual growth in the internet banking industry has been 80 per cent since 2014. Currently, more than 100 million households worldwide bank online, and 25 per cent of American households have adopted internet banking (Polatoglu, & Ekin, 2001). Internet banking has gained ground as a new opportunity for banking institutions in a world that is becoming increasingly globalised through the use of the Internet and the World Wide Web. These new openings and hurdles have produced new competitors in the global banking market (Suganthi, & Rajaram, 2017).

According to the World Bank, in the development of microfinance institutions, Africa as a continent has been left behind, thus tending to be smaller and less advanced compared to those in Asia and Latin America. However, the goal of microfinance programs globally has a common factor. Microfinance programs are often designed for the poor, the majority of which are women and youth (Cheston, & Kuhn, 2002).

Online banking provides banks with the opportunity to provide services through computer networks and customers to access services without physical contact with bank branches, based on the internet. On banking, it was regarded as a portal & Banking services delivery and usage. Online banking involves a number of services provided by the bank and consumed through the internet by the client. Such services can be provided. Generally, services, request services, transfer of third-party payments funds and investment are categorised. Online account services include self-service technology that allows customers to open, modify, close and retrieve information without physical contact from their account (Cheston, & Kuhn, (2002).

Third-party payment facilities enable clients to instruct their banks to make electronic payments on their fund transfer services from one account to another. In contrast to traditional online transfers, inter-or intra-bank transfers. Transfers, where clients visit bank branches to finish forms, online banking, allow them to do so without physical contact via the internet. Customers can access account data at any moment, day or night through online banking, and this can be achieved from anywhere. Online banking has enhanced the effectiveness of banking in rendering customer services.

Different researchers have argued that small-scale entrepreneurs in democratic societies have a right to the participatory role and full ownership of MFI organisations, including planning, management and decision-making (Shakya, 2016). The foundation of the argument Unknown to formal specialists, entrepreneurs, has access to local understanding. The followers of this school of thought asserted that MFI should not be run by organisations of the public sector, but should be handed over to small farmers in order to create a feeling of ownership among small-scale farmers, extensive experience and study have demonstrated the significance of savings and credit services for bad, micro and tiny businesses. This puts emphasis on the sound development of MFI as vital ingredients for investment, employment and economic growth. There is considerable potential for using Kenya's institutional credit and other financial services to alleviate poverty (Omino, 2005). Historically, microfinance has succeeded in achieving the excluded population from the conventional financial system. The microfinance organisations focused their efforts on economic and institutional sustainability. Tools have been created to assess economic performance, but social performance has been taken for granted.

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There is limited understanding of the effect of online banking on the performance of microfinance institutions in Nakuru CBD. Such factors have been conducted in Kenya with very little studies. Nearly all MFIs provide their members with loans and many offer deposit insurance and other services. Since MFI customers have reduced incomes and frequently have restricted access to other financial services, however, most customers did not move to online banking due to absence of knowledge of the presence of these facilities or absence of staff skills, lack of price technology and safety systems, MFIs ' policies and regulations do not permit individual clients to withdraw certain quantities of cash in a day or month. Therefore, most MFIs moved to internet banking and those who moved a few clients use online banking. This study, therefore, aimed to remedy the lack of knowledge and critical understanding of the effect of online banking on the performance of microfinance institutions in Nakuru CBD.

LITERATURE REVIEW

Daniel (1999) defined electronic banking as providing banking services to clients through Internet technology in his research on the provision of electronic banking in the UK. Other writers like Bhattacharya and Thakor (1993) discovered that banks have the option to offer their banking services through multiple digital channels such as Internet technology, video banking technology, cell banking technology, and WAP technology.

Several surveys show that internet bankers are banks ' most lucrative and richest segment (Nyangosi, Arora, & Singh, 2009). Therefore, electronic banking provides many advantages for both banks and clients. However, in global terms, the majority of private bankers are still not using electronic banking channel. There are several explanations for this. Above all, to use the service, clients need to have access to the internet. Furthermore, new online users need first to learn how to use the service. Secondly, nonusers often complain that electronic banking has no social dimension, i.e. you are not served in the way you are in a face-to-face situation at the branch (Mattila et al., 2016). Customers were finally scared of safety problems (Hu, & Sathye, 2015). This scenario is changing, however, as the electronic banking channel has proved safe to use and the media in Finland have not reported any misuse.

Kagan et al. (2005) examined the effect of online banking apps on the performance of community banks in America in their research on internet banking and community bank results. The research used a model of the structural equation to produce an index of online banking and an econometric model to assess bank performance. A study was performed with ten community banks. Once the pilot survey was deemed acceptable, all community banks with combined assets of less than one billion U.S. dollars working in Iowa, Minnesota, Montana, North Dakota and South Dakota were defined using the structural equation model to assess the different factors recognised and used to examine whether the index explains variations in the performance of the community bank. The results indicated that banks that provide extensive online banking services tend to perform better than those who lag behind. The findings showed that companies providing comprehensive online banking facilities tend to perform better than those lagging behind. Furthermore, online banking enables community banks to enhance their income capacity as measured by equity return and enhance the quality of assets. Since the study was carried out in a highly technologically advanced economy, this study sought to find out how the counterparts perform in developing countries such as Kenya.

The connection between e-banking and the efficiency of Kenyan banking schemes was explored by Aduda and Kingoo (2012). The research used secondary data gathered from the target banks ' annual accounts to evaluate the information using both descriptive and inferential

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statistics. The research disclosed a favourable connection between e-banking and bank performance since e-banking has brought services nearer to the performance of bank clients, thus enhancing the efficiency of the banking industry. Since the study was limited to commercial banks operating primarily in urban regions, it would be essential to extend the study to microfinance organisations as contemporary innovations are directed at marginalised regions and non-commercial bank clients. This research examined whether banking services in commercial banks can be adopted and work for other financial institutions such as DTMs.

Muriuki, Maru and Namusonge (2015) recognised the factors affecting MFIs ' acceptance of e-banking in Kenya. The study's goal was to evaluate the factors affecting MFIs ' implementation of e-banking in Kenya and rank the significance of such variables. A descriptive research design was adopted, and information gathered using a questionnaire given to each respondent. Organisational factors, perceived technological factors and perceived external factors were among the variables. Results show that it is more probable to be adopted by MFIs with powerful assistance and dedication to top management e-banking. MFIs that have the IT and company resource (infrastructure and abilities) required for e-bank implementation are better opportunities for e-bank adoption. Specifically, for quick service delivery, MFIs are not exempt from technological development and therefore stay important and reap the advantages of technology, including enhanced economic results.

In the banking industry in Kenya, Ombati et al. (2010) attempted to create the connection between technology and quality of service. The study was conducted through a cross-sectional study design that questioned e-banking services participants. The study population represented bank clients primarily within Nairobi's central business district with a sample size of 120. Using frequency, proportion, means, and correlation analysis, data was evaluated. The results disclosed that there is a direct connection that can translate into bank performance between technology and service quality. The various dimensions of electronic banking services such as security in adopting internet banking, effectiveness, the accuracy of documents, comfort and accuracy of transactions are critical, and therefore the impact of adopting e-banking on economic results must be measured.

Employee Competence

Early adopters who have internet access and understanding of equipment like those supplied by an internet bank usually pick up any fresh technology (Ayuma, 2011). However, some consumers have no idea what becoming an online banking user entails, while others do not have the required skills and facilities needed to do online banking (Ayuma, 2011). Mokoro and Magutu (2010) noted that a few consumers have enhanced banking technology and computer software use capabilities for managing money than others. Customers with increased computation ability may adopt online banking more easily, and their ability may also improve their efficiency in the use of online banking. In addition, efficiency in less time and money to learn online banking is needed (Mokoro & Magutu, 2010). Skills enhance the capacity of individuals to satisfy their requirements, expand the range of choices available to them in all fields of their life. People's abilities can also increase their feeling of self-worth, safety, and belonging. We live in a community where technology makes access to data and skills more essential. An inclusive society will progressively involve strong abilities and expertise from everyone. These skills include training and education, together with skills necessary for daily life activities.

The acceptance of online banking services is considerably affected by individuals who are competent and always use the internet. The use of online banking facilities will be

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influenced by users who are knowledgeable in using pcs and the internet. Online banking helps MFI to save costs, boost client base, allow mass customisation for e-business services, expand marketing and communication channels, find fresh innovation services, and explore and create non-core businesses. However, the capacity of clients to subscribe to online banking services depends on several variables such as user-friendly interface, web experience level, attitude and perception kinds of services, access and shipping time, and internet experience. In addition, the same users who don't have good knowledge about security risks or perhaps because they know that there is a danger or just ignore the risk.

In spite of this, people want to use and benefit of technology, but cannot ignore the risks that may result from it, however, remains lack of skills of an obstacle to the use of technology customers can also find some difficulties with the service and personal computer and the internet such as security and safety concerns complexity and distrust of regulations and standard and traditional principles. Consumers who have no experience and skills in the use of banking technology and computer may not recognise the benefits of online banking. However, these clients may hesitate to embrace online banking as they need to spend more time and money to learn online banking (Mokoro, & Magutu, 2010) several scientists addressed the virtual computer property requirement and internet adoption operational abilities.

For instance, Centeno (2004) states that online banking needs a minimum amount of internet abilities for the consumer. This may explain why some elderly clients are hampered by the absence of computer abilities and the need for online banking to be educated on fundamental web features (Al-Alawi, & Al-Ali, 2015). The writers pointed out in the research of Lichtenstein and Williamson (2018) that the internet self-efficiency of a person, such as internet abilities, will influence the choice of whether or not to embrace internet banking. In general, internet users expressed trust in their capacity to use the Internet. This confidence was likely acquired from numerous positive experiences and enhanced familiarity with the internet channels (Lichtenstein, & Williamson 2006).

The outcome shows that online banking services non-users have lower internet skills, lack of access, and lack of experience (Lichtenstein, & Williamson 2006). The writers demonstrate that the internet banking understanding and abilities of customers are small; the rate of acceptance will be low. The more a consumer acknowledge and skills a consumer possesses about online banking, the easier it is for the consumer to utilise online banking (Polatoglu, & Ekin, 2001).

METHODOLOGY

The study adopted a survey research design. The target population comprised of 35 respondents, these were branch managers, Chief Credit officer/s and the IT support of the MFI in Nakuru CBD. The sampling frame of this study was established based on the respondents' relevancy to the topic under study. The study identified 10 microfinance institutions which had a population of 35 employees in the relevant departments of the Branch managers, Chief Credit officer/s and the IT support of the MFI in Nakuru CBD. The study used census method so as the small size of the target population could be easily managed. The study used primary data to gather information from the respondents. Primary data was obtained using a structured open-ended questionnaire. The researcher subjected 10% (4) of the draft questionnaires to a pilot test on the residents of KenGen Naivasha. The pilot test was conducted to ensure that the questionnaire is logically organised, and all the necessary questions are included. A pilot study of five questionnaires was used to test the reliability of the instrument where the questionnaires were randomly distributed to employees in the relevant departments to that of the study population. Descriptive statistics was used in the analysis of the

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research data. Data was calculated and computed into percentages to explain and show the various variables being investigated. Explanations were given to make data have a clear meaning for anybody who would wish to use its presentation. Findings were presented using tables.

ANALYSIS AND PRESENTATION OF THE FINDINGS

Effects of level of Employee competence on the performance of Online Banking

The study wanted to establish whether the level of Employee competence affects the performance of online Banking in MFIs. The findings are as illustrated in figure 1.

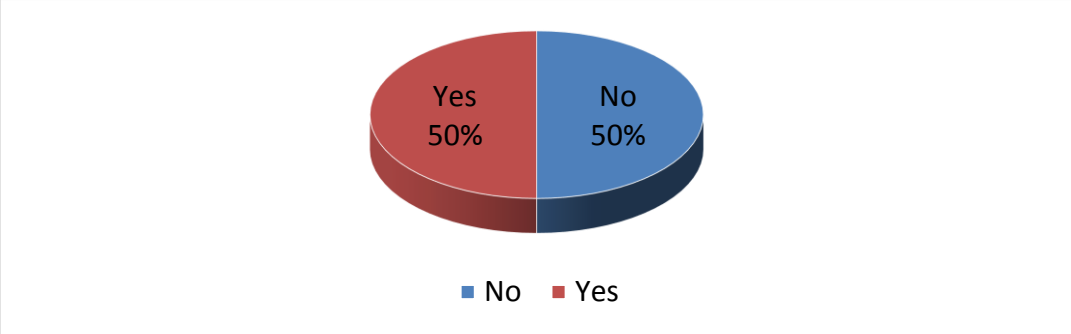

Figure 1: Level of Employee competence (Source: Research Data, 2019)

According to the findings, 50% of the respondents agreed that the level of Employee competence affects the performance of online Banking in MFIs and 50% disagreed. None of the Respondents said they don't know. This implies that the level of Employee competence affects the performance of online Banking; it also implies that technology is usually picked up by the early adopters who have internet access and knowledge about facilities. The findings also imply that some consumers do not have the required Employee competence and facilities needed to do online banking.

Extent that level of Employee competence affects the performance of online Banking in MFIs

The study wanted to determine the extent to which level of Employee competence affects the performance of online Banking in MFIs. The findings are as illustrated in table 1.

Table 1: Extent that level of Employee competence affects the performance of online Banking in MFIs

Extent	Frequency	Percentage (%)
Large extent	12	40
Undecided	0	0
Small extent	6	20
Very small extent	0	0
Very large extent	12	40
Total	30	100

Source: Research Data (2019)

According to the findings, 40% said that level of employee competence affect the performance of online banking at a large extent, 20% of the Respondents said it would affect at a small extent, 40% said at a very large extent, 0% said at a very small extent, and 0% were undecided. This implies that the level of Employee competence affects the performance of online Banking at a large extent.

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Effects of level of Employee competence on the performance of online Banking in MFIs

The study wanted to find out the effects of the level of employee competence on the performance of online Banking in MFIs. The findings are as illustrated in table 2.

Table 2: Effects of level employee competence on the performance of Online Banking

	Strongly Agree	Agree	Disagree	S Disagree	Disagree
	F %	F %	F %	F %	F %
Technology is usually picked up by the early adopters who have internet access and knowledge about facilities	12 (40%)	18(60%)	0 (0%)	0 (0%)	0 (0%)
Some consumers do not have the required skills and facilities needed to do online Banking	10 (33%)	17 (47%)	3 (20%)	0 (0%)	0 (0%)
Consumers who have no experience and skills in the use of banking technology and computer may not recognise benefits of online Banking	15 (50%)	15 (50%)	0 (0%)	0 (0%)	0 (0%)

Source: Research Data (2019)

On whether technology is usually picked up by the early adopters, who have internet access and knowledge about facilities, 40% strongly agreed, 60% agreed, 0% Disagreed 0% strongly Disagree, and 0% Don't know. Concerning to weather some consumers do not have the required skills and facilities needed to do online Banking 33% strongly agreed, 47% agreed, 20% Disagreed 0% S. Disagree and 0% Don't know. Regarding whether a consumer who has no experience and skills in the use of Banking technology may not recognise the benefits of online Banking, 50% Strongly agreed, 50% agreed.

CONCLUSION

The researcher sought to find out the effects level of skills on the performance of online Banking in the MFIs, according to the findings, 50% of the respondents agreed that level of skills affects the performance of online Banking in MFI, and 50% Disagreed and none of the respondents said that they do not know. These results show that it can either affect or not. Concerning to whether some consumers do not have the required employee competence and facilities needed to do online Banking 33% strongly agreed, 47% agreed 20% Disagreed, and none of them strongly disagreed or said they do not know. This implies that the majority, 47% agreed. Regarding whether a consumer who has no experience and employee competence in the use of banking technology may not recognise benefits of online banking, 50% strongly agreed, 50% agreed, and none of them Disagreed, strongly Disagreed or said they don't know. This implies that the majority 50% strongly agreed.

RECOMMENDATIONS

The researcher further recommended that microfinance institutions should have some training programs to help improve on the customers level of skills because some consumers do not have the required skills and facilities needed to do online banking and this will allow for the smooth running of operations.

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