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Human Resource Management Practices and Performance of State-Owned Banks in Kenya

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ABSTRACT

Purpose: The purpose of this study was to determine the influence of human resources management practices on the performance of State-owned banks in Kenya. The was guided by the following specific objectives; To establish the influence of training and development, performance management, reward management and succession planning on performance of state owned banks in Kenya. The study was anchored on Abraham Maslow's theory, Herzberg's Two-factor theory, Equity theory and Instrumentality theory.

Methodology: The study applied a descriptive research design to collect quantitative. The target population includes 350 employees from middle management and lower level management. The study employed stratified sampling sample size of 184. This study employed questionnaires as an instrument for collecting data. The study used descriptive statistics to analyze the data using percentiles, the mean and standard deviation for qualitative and inferential statistics which include correlation and regression analysis.

Findings: The findings showed that training and development, performance management, reward management and succession planning had a positive influence on performance of state-owned banks in Kenya. However, reward management had insignificant influence on performance of state-owned banks in Kenya. Therefore, the concluded that training and development, performance management and succession planning as aspects of HRM practice in improving performance of state-owned banks in Kenya, while reward management was adequate to improve performance of state-owned banks in Kenya.

Unique Contribution to Theory, Policy and Practice: The findings thus recommends enhancing training and development programs to better align with employees' career progression and evolving industry requirements. Banks should also strengthen appraisal systems by ensuring transparency, goal alignment, and continuous feedback mechanisms, to review and restructure their incentive systems to ensure they effectively motivate employees and align with organizational goals and establish structured leadership development programs that identify and nurture high-potential employees so as to significantly influence performance of state-owned banks in Kenya.

Keywords: *Performance, Training and development, Performance management, Reward management, Succession planning*

INTRODUCTION

Background of the Study

In the contemporary financial landscape, state-owned banks play a pivotal role in the economic stability and development of nations. These institutions are tasked not only with the provision of financial services but also with the implementation of governmental economic policies and support for socio-economic development. Given their dual mandate of commercial viability and public service, the performance of state-owned banks becomes a critical area of study. Many organizations aim to excel in the marketplace, as Dien (2020) has noted. Typically, those that achieve their targets exhibit strong performance outcomes, as supported by Bilan et al. (2020). Consequently, setting clear goals becomes a critical component of performance evaluation. In many instances, these targets are defined financially, ensuring that there is a balance between expenses and revenues to support the organization's overall aims. While an organization's financial success usually serves as a key performance indicator, not-for-profit entities must also consider non-financial factors. As a result, these organizations have broadened their criteria for what constitutes effective performance.

Human management resources (HRM) practices are integral for the performance of organizations including state-owned banks. Effective HR practices contribute to the general organization of higher motivations, better service delivery, and efficiency of employees. In the state-owned banks context, HR practices adopt more importance to the unique challenges of these institutions, such as bureaucratic inertia, political interference, and the need to balance social obligations with commercial goals. In general, the concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical and capital resources, for the purpose Alchian and Demset (2018). Barney et al., (2019). Those providing assets will only commit them to the organization so longs they are satisfied with the value receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the criterion of value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist. Therefore, value creation as defined by the resource provides, is the essential overall performance criteria for any organization.

Global Perspective on Performance of State-owned Banks

In Europe and Australia, the concept of human resources was an ideological framework for effective and efficient management of work, toolkits and management professionals at the end of the 1972s. Since then, it has been increasingly adopted all over the world (Suzan, 2019). Human resource management as defined by (Ayesh et al., 2019) consists of guidelines, practices and systems that influence employee behavior, attitudes, and performance. This study focused on seven variables of HR management practices: training and development, performance assessment, empowerment, compensation, duties rotation, decision-making and participation in selection systems. Based on emailed surveys by K.M et al, (2020) analyze the relationships between human resource outsourcing of human resource activities, namely training and payroll and the organizational performance. A sample of 94 manufacturing firms represent 16 two digits sic code industries in southern Western states in the U.S.A. using descriptive statistical and correlations, results indicate that both training and payroll outsourcing have implications for organizational performance.

Regional Perspective on Performance of State-owned Banks

In their 2018 study, Okpara and Pamela investigated the degree to which Nigerian organizations use a range of practices and perceived challenges and the views of these. This data was collected by 253 managers from 12 selected companies in 10 cities. Research indicates that human resource management (HRM) practices such as employee training, staff attitudes, reward systems, and performance evaluations continue to play a significant role in organizational effectiveness. However, challenges such as tribalism, HIV/AIDS, corruption, and inadequate training and development initiatives remain prevalent in the Nigerian HRM context.

In a related study conducted in Ghana, Makhamara (2021) found that the implementation of high-quality HRM practices, including staff training, participative management, and robust performance evaluation systems, was positively associated with improved organizational performance in state corporations. Similarly, Kipkebut (2020) examined HRM practices at the University of Liberia and discovered that institutions with well-structured recruitment processes, consistent training programs, and effective performance appraisal systems reported enhanced financial outcomes and overall operational efficiency.

Local Perspective on Performance of State-owned Banks

In Kenya, in the year 2015 annual company of the year award ceremony, Kenya petroleum refineries limited came up tops in the practice of best human resource management practices. The company of the year event is organizing annually by the Kenya institute of management in recognition of companies and individuals which have demonstrated excellence in various management and leadership categories which can be bench marked on a global scale as a world class practices. Specifically, Kenya Petroleum Refineries Limited was recognized for its well documented system of job rotation, induction, on job training hours per employees per year with clearly demonstrated processes of how Kenya petroleum refinery limited staff are developed and groomed for senior positions throughout the company.

Ngugi and Mwirigi (2021) conducted a study examining the influence of human resource management (HRM) functions on the performance output of commercial banks in Kenya. Their findings demonstrated that core HRM practices such as employee training and development, performance management, and staff involvement had a positive and significant impact on the financial performance of these institutions. The study further highlighted a strong correlation between effective HRM practices and improved financial outcomes, with banks that actively invested in HR initiatives reporting superior financial performance compared to those that did not.

Nyaoga, Simeon, and Omari (2022) explored the influence of human resource management (HRM) practices on employee productivity within Kenya's sugar industry. Their findings revealed that key HRM practices such as training and development, employee participation, and performance management play a critical role in enhancing both employee productivity and overall organizational performance. The study emphasized that effective HRM strategies, including employee involvement, retention initiatives, and continuous performance monitoring, lead to improved financial outcomes, reduced employee turnover, and long-term organizational success. Consequently, prioritizing comprehensive HRM frameworks is crucial for Kenyan organizations seeking sustainable competitive advantage and enhanced operational efficiency.

The current study aims to expand on this body of knowledge by examining the relationship between HRM practices and organizational performance within state-owned banks in Kenya. A cross-sectional research design will be employed to achieve this objective. In today's dynamic and highly competitive banking sector, comprehending the influence of human resource management (HRM) practices on organizational performance is vital for achieving long-term success. Investigating critical aspects of HRM such as employee participation, training and development, performance management, and compensation and rewards provides valuable insights into how these practices drive efficiency, employee satisfaction, and overall institutional growth (Armstrong & Taylor, 2020). The study therefore seeks to provide insights into optimizing HRM practices for enhanced performance of state-owned banks in Kenya.

Statement of the problem

Contemporary banking institutions face significant challenges in managing human resources due to factors such as globalization, rapid technological advances, and evolving legislation. Odunga (2022) explains that many of the issues observed in Kenyan banks arise from multiple causes including a lack of adherence to HR best practices, ineffective planning and control mechanisms, and misaligned organizational culture and strategy. In addition, Adegoroye and Moruf (2022) argue that bank personnel are under pressure to enhance customer satisfaction and meet shareholder demands for operational efficiency, all while navigating an ever-changing regulatory landscape. Genga (2024) further notes that lack of a standardized HRM guideline within Kenya's banking sector has led each bank to formulate its own policies, underscoring the need for an ongoing reassessment of HRM practices in state-owned banks.

Despite their critical role in Kenya's financial landscape, many state-owned banks continue to face performance challenges, such as inefficiency, low employee productivity, and suboptimal financial outcomes (Kennedy, 2019). Research further indicates that only around 30% of employees in these banks express job satisfaction a low engagement level that correlates with reduced productivity and higher turnover rates. Moreover, the elevated turnover rate in state-owned banks in Kenya

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intensifies these operational challenges and this has been reported to be around 20% which is significantly higher than the industrial average. High labor turnover disrupts service continuity and increases recruitment costs (Kigen, 2022). The performance of these banks is crucial not only for their sustainability but also for the broader economic stability and development of the country. According to Kenya National Bureau of Statistics (KNBS), the percentage of adults with access to formal financial services rose from 26.5% in 2006 to over 83% in 2021 largely due to state-owned banlks in Kenya. Additionally, between 2015 and 2020, lending from state-owned banks increased by an average of 15% annually contributing to the fianancing of various infrastructure projects. This growth correlates with a rise in GDP, which grew from 5.65% to 7.5% in 2017. However, there is a growing concern that existing human resource management practices in these banks may not be effectively contributing to their performance.

However, Kyalo (2019) argues that in the absence of reliable data and actionable insights, it becomes difficult for policymakers and bank managers to design and implement evidence-based HRM strategies aimed at boosting organizational performance. Consequently, state-owned banks in Kenya may continue to exhibit suboptimal performance, thereby restricting their contribution to national economic growth. This study, therefore, seeks to examine the impact of HRM practices on the performance of state-owned banks in Kenya. Specifically, it aims to identify the HRM elements that significantly influence their operational efficiency and financial results. Gaining such insights is essential for improving HRM effectiveness and fostering competitiveness among state-owned banks within Kenya’s financial sector.

General Objective

To determine the influence of human resource management practices on performance of state owned banks in Kenya

Specific Objectives

(i) To establish the influence of training and development on performance of state owned banks in Kenya.

(ii) To determine the influence of performance management on performance of state owned banks in Kenya.

(iii) To establish the influence of reward management on performance of state owned banks in Kenya.

(iv) To determine the influence of succession planning on performance of state owned banks in Kenya.

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LITERATURE REVIEW

Theoretical Framework

Abraham Maslow Hierarchy of Needs Theory

According to Maslow's Hierarchy of Needs, this theory suggests that human motivation is organized in a sequential order from basic physiological necessities to the pursuit of self-actualization. Maslow (1954) also suggest that individuals first focus on satisfying fundamental needs such as food, shelter, and safety. Once these are secured, higher-level needs like social belonging, esteem, and ultimately self-fulfillment become the primary drivers of behavior. This layered approach underscores that motivation evolves as individuals' basic needs are met, thereby influencing their engagement in personal and professional domains (Maslow, 1954; Wren, 1995).

In the Kenyan state-owned banking sector, the application of Maslow's hierarchy of needs provides critical insights for advancing human resource management practices. Addressing essential employee needs such as ensuring safe working conditions, providing fair compensation, and securing job stability the banks establish a foundation where employees feel both secure and valued. This secure base enables HR strategies to further promote a sense of community, recognize contributions, and offer opportunities for both personal and professional development. Ultimately, this holistic approach is likely to enhance employee morale and engagement, which in turn drives higher customer satisfaction and overall operational efficiency, leading to improved bank performance (Maslow, 1954; Wren, 1995).

Herzberg's Two-Factor Theory

According to Herzberg's Two-Factor Theory, employee motivation is shaped by two distinct categories of factors: motivators and hygiene factors. Motivators including recognition, career advancement opportunities, and engaging work actively promote job satisfaction and inspire employees to surpass performance expectations. In contrast, hygiene factors such as competitive salaries, clear organizational policies, and healthy interpersonal relationships are crucial for avoiding job dissatisfaction, though they do not inherently boost positive motivation. Essentially, while the presence of motivators can propel outstanding performance, the lack or inadequacy of hygiene factors may lead to disengagement and unfavorable outcomes (Herzberg, 1959; Herzberg et al., 1959).

Nevertheless, in the context of state-owned banks in Kenya, Herzberg's framework still offers valuable insights for shaping effective human resource management strategies and improving organizational performance. Ensuring that hygiene factors such as competitive salaries, safe and efficient working conditions, and clear administrative policies are adequately addressed, these banks can prevent employee dissatisfaction and the negative consequences that come with it. At the same time, strategically investing in motivator factors through professional development programs, performance-based recognition, and the provision of challenging assignments state-owned banks can boost intrinsic motivation and foster a more engaged workforce. This dual approach not only mitigates the risks of employee disengagement but also creates an environment that promotes high performance and service excellence (Herzberg, 1959).

Equity Theory

Equity Theory, introduced by J. Stacy Adams in the 1960s, is a motivational framework that emphasizes the importance of fairness in interpersonal and organizational exchanges. The theory posits that individuals assess the fairness of their relationships by comparing the ratio of their inputs such as effort, skills, and time to their outputs, which include rewards like salary, recognition, and other benefits. When individuals perceive that their input–output ratio is unequal compared to that of their peers, feelings of distress arise, prompting them to adjust their behavior to restore balance. This dynamic process underlines the emotional consequences of perceived inequity, where under-rewarding typically induces anger and over-rewarding may generate feelings of guilt (Adams, 2015; Mark la, 2014; Orkele, 2011).

When applied to the human resource management practices in state-owned banks in Kenya, Equity Theory offers valuable insights into employee motivation and overall organizational performance. These banks often operate within strict bureaucratic and regulatory frameworks, making equitable treatment both in terms of salary and non-monetary rewards crucial for maintaining employee satisfaction. A perceived imbalance, where employees feel under-rewarded relative to their contributions, can lead to dissatisfaction, reduced performance, and even increased workplace hostility. By implementing transparent compensation policies and instituting regular recognition programs, state-owned banks can foster a work environment that promotes fairness and equity. Such practices not only enhance employee morale but also contribute to improved productivity and organizational performance (Adams, 2015; Mark la, 2014; Orkele, 2011).

Instrumentality theory

Instrumentality theory has its roots in the scientific management methods of Taylor (1911), who wrote: ‘It is impossible, through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in their pay.’ Instrumentality theory posits that actions and behaviors are driven by the anticipation of rewards; essentially, it maintains that if a specific action is taken, a corresponding outcome typically monetary in nature will follow. In its simplest form, the theory suggests that people work primarily for money, with their motivation hinging on the clear linkage between their performance and the rewards or penalties that result. This perspective is rooted in the scientific management principles advanced by Taylor (1911), who argued that a significant and sustained increase in pay was necessary to spur workers to perform beyond the average level.

In the context of state-owned banks in Kenya, the application of Instrumentality Theory offers a valuable perspective for understanding how human resource management practices can shape

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organizational performance, particularly in aligning employee behaviors with organizational goals. HRM strategies that incorporate performance-based reward systems such as bonuses, promotions, and other monetary incentives are designed on the premise that clearly defined and contingent rewards can drive higher levels of employee productivity and efficiency. However, while such practices may help in establishing accountability and a results-oriented culture within the often-hierarchical structures of state-owned banks, they must be complemented by non-monetary incentives. Incorporating elements like career development programs, recognition schemes, and work-life balance initiatives have the potential to influence a wide range of employee motivation factors, thereby promoting a more comprehensive and sustainable strategy for improving performance (Greenhaus & Allen, 2021).

Conceptual Framework

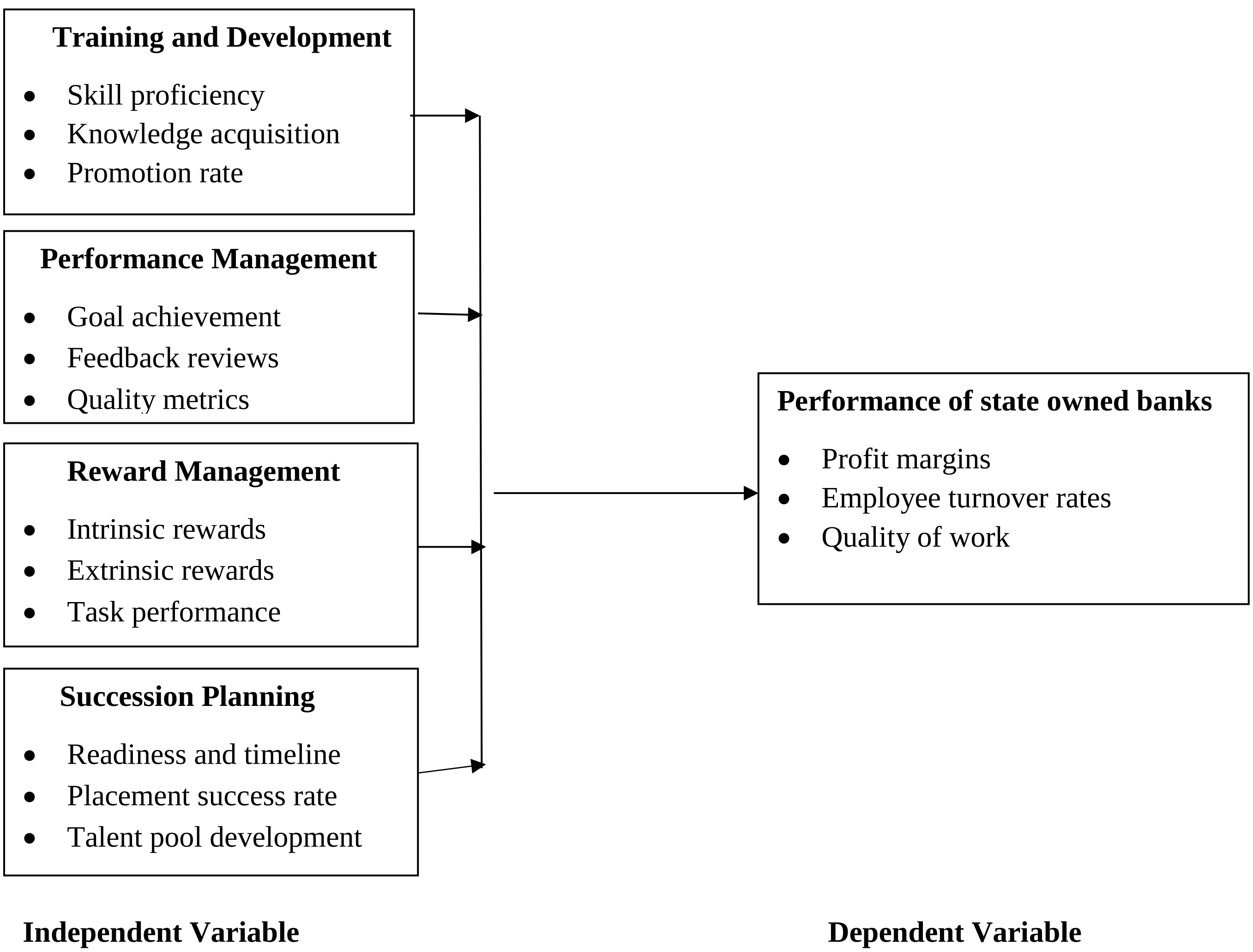

Figure 1: Conceptual Framework

Review of Literature

Most of the research studies done indicate that Human resource management has become one of most significant segments in the organization, which facilitates the able manpower to strive to reach organizational performance and achievements of its goals. It has been considered as a function and an asset as activities undertaken in the organization cannot thrive without manpower. (Peter roxall, 2015) emphasizes the fact that organizations are dependent on human resources that belong to people. He explains that without ongoing access to people with the kind of talent they need, organizations are simply not viable.

Training practices in the banking sector has been a major breakthrough especially to employees whose commitments and attitudes have aligned to the organizational goals and also performance. According to (Valerie I. sessa, 2015) continuous training for organizations is very risky to top managers as thoughts of employees having to think critically, question the status quo and come up with better ideas may seem challenging. Despite that fact, the improvement and development of an organization is based on those pillars where addition of knowledge, skill and ability is what fuels the organization to perform and become productive. (Dam, 2018) talks about the need to align training and development with organizational strategies to empower performance and productivity. There is further emphasizes that a learning strategy seeks to support professional development and build capabilities across the organization on time. (Valerie, 2015) emphasizes on the need for continuous leaning in the organization bases on teams, individuals and the organization as a whole. In addition to this communication about the rapid pace of change in business, an intensely competitive global environment and also the realization that knowledge is a competitive advantage. In the case of Co-operative Bank of Kenya, they recognize continuous improvement of an individual’s skillset as knowledge for them is key to ensuring that employees in the company advance their careers to the next level. Through this knowledge and study of the research it is evident that training practices in the Kenyan commercial banking sector has had a positive and lucrative influence on organization performance and productivity.

On reward management, it explores the aspects of delivering on value proportion of employees and targeting total compensation and total reward of employee’s efforts in the organization. According to (John shields, 2015) the reward concept is considered as anything tangible or intangible that an organization provides to the employee either intentionally or unintentionally in exchange for the employee’s potential in work contribution. In addition to that he explains that reward systems maintained by work organization are set on three objectives that mainly involve attraction of the right people, retaining of the best people by recognizing and rewarding their efforts and lastly motivating employees to contribute to their best capabilities. (Wilton, 2019) describes reward as a key determinant of a positive psychological contract not least because it represents an explicit indicator of an employee’s worth to the employer.

The basis of reward management is concerned with the creation and implementation of various strategies and guidelines that target to reward employees in the organization fairly, consistently and equally. According to (Wilton, 2019) reward is implicit in the construction of the notion of fairness, equity and trust and demonstrates any incongruence between expectations of the two parties. In the case of Co-operative bank of Kenya, the same is emphasized.

On performance management, (John shields, 2015) highlights work performance to being a system comprised of elements such as inputs which include employee knowledge, skill and competencies and outputs that consist of the outcomes from work behavior. Historically, performance management was considered as a once-a- year event where supervisors and managers passed their judgement on the efforts of their subordinates. Performance management facilitates employee development as it may involve the process of generation of feedback on recent performance that include determining the areas of improvement and identification of strengths of employees. According to (John shields, 2015) performance management involves reviews that are major in identifying deficits in employee knowledge, skills and abilities that may require remediation. (Wouter Van Dooren, 2015) describes performance management to outputs and outcomes as the output or outcome labels do not talk much about the substantive content of performance. In addition to this, (Wouter Van Dooren, 2015) views performance management as the realization of public values.

The study felt that some of these variables are important to an organization such as training, reward management and performance management. Its integrated employee training, rewarding and performance management as some of the main human resource management practices, which were identified as predictors of organization performance.

RESEARCH METHODOLOGY

The study employed descriptive research design for the purpose of collecting quantitative and qualitative data. Accordingly, the research concentrated on state-owned banks in Kenya as its primary population of interest. The unit of analysis consisted of three state-owned banks namely: National Bank of Kenya, Co-operative bank and Post bank of Kenya.

Table 1: Target Population

Cadre	**No. of Employees**
Middle level management	180
Lower level management	170
Total	**350**

The study employed a stratified random sampling method because the target population consisted of diverse cohorts within the HRM practice. In this study, the target population of interest was composed of various cadres, that is, the middle-level management and other human resource management function staffs. For this study, 350 employees formed the sampling frame. The study further used Yamane's formula (1972) to calculate the sample size. Therefore, using Yamane's formula, the sample size was 184 respondents which represented the target population.

$n = \frac{N}{1+N(e)^2}$ $\quad n = \frac{350}{1+350(0.05)^2}$ $\quad n = 184$

Where;

n= is the required sample size (184)

N= is the population size (350)

E- Sets the accuracy of the sample proportions (set to 0.05).

Table 2: Sample Size

Cadre	No of Employees	Sample Size
Middle-level management	180	95
Lower-level management	170	89
Total	350	184

In this study, questionnaires were used to capture data necessary for analyzing the study's objectives. The questionnaire was developed in line with the research objectives, employing closed-ended questions based on a 1-to-5 Likert scale. Quantitative data was analyzed using the Statistical Package for Social Sciences (SPSS) version 28. The study used descriptive statistics to analyze the data using percentiles, the mean and standard deviation for qualitative data. The study also analyzed the data using inferential statistics which include correlation and regression analysis. Pearson R colleration was used to measure the strength and direction of linear relationship between variables. If the correlation coefficient is zero, then this indicates variables are not related, if the value is ±1, then the variables are strongly associated (Archey, 2020). The researcher also used Multiple linear regression model to determine the relationship between the dependent and the independent variables. In addition, researcher used the ANOVA test to determine the statistical differences between the means of the data collected.

RESEARCH FINDINGS AND DISCUSSIONS

Response Rate

The response rate was presented from where the respondents were drawn. The response rate was analyzed as per questionnaire order and presented in Table 3.

Table 3: Response Rate

Strata	Frequency	Response Rate
Total Questionnaire Distributed	184	100
Total Returned Questionnaires	148	80.4

Out of the 184 questionnaires distributed to employees across three state-owned banks; National Bank of Kenya, Co-operative Bank, and Post Bank of Kenya 148 were returned, resulting in a response rate of 80.4%. This high response rate was achieved through proactive measures, including daily visits to research sites by the researcher and the assistant, personal reminder calls, and the use of the drop-and-pick-later method for respondents who were not immediately available.

Descriptive Statistics

Descriptive statistics were used to give a meaningful description of the quantitative and qualitative data of the variables under study before exploring their effect in relation to the expectations of the research design.

Table 4: Descriptive Statistics for Training and Development

		SD	D	N	A	SA	Mean	Std. Dev
The bank offers training programs that enhance employees' skill proficiency.	%	4.1	18.2	33.1	0.0	44.6	3.63	1.32
We feel that training initiatives by the bank effectively address skill gaps within their roles.	%	0	37.8	12.8	10.1	39.2	3.51	1.34
The bank offers training and development programs that foster significant knowledge acquisition.	%	10.1	38.5	10.8	5.4	35.1	3.17	1.50
Training programs update employees with industry knowledge through regular training sessions provided by the bank.	%	33.8		12.8	0.0	53.4	3.73	1.40
The bank offers training and development programs that contribute to higher promotion rates.	%	9.5	40.5	27.7	5.4	16.9	2.80	1.22
Employees who participate in training programs are more likely to be considered for promotions at the bank.	%	29.1	25	17.6	9.5	18.9	2.64	1.47
Training and development							**3.25**	**1.10**

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The descriptive statistics indicate that state-owned banks provide training programs that employees find beneficial, particularly in enhancing industry knowledge and skill development. However, to maximize effectiveness, these training initiatives should be better aligned with career progression and promotion opportunities, ensuring that employees perceive tangible benefits beyond skill enhancement (Mean = 3.25, SD = 1.10)

Table 5: Descriptive Statistics for Performance management

		SD	D	N	A	SA	Mean	Std. Dev
The bank's performance management system effectively supports employees in achieving their goals.	%	0.0	37.2	6.1	9.5	47.3	3.67	1.39
Performance management processes at the bank provide clear and actionable feedback to employees during reviews.	%	2.7	18.9	10.1	0.0	68.2	4.12	1.33
The bank's performance evaluation includes feedback reviews that foster continuous improvement among employees.	%	0.0	29.1	33.1	13.5	24.3	3.33	1.14
Quality metrics used in the bank's performance management system align with organizational objectives.	%	12.8	25.0	24.3	8.8	29.1	3.16	1.41
The bank effectively uses quality metrics to assess and enhance employee performance.	%	2.7	43.2	31.8	0.0	22.3	2.96	1.20
Performance management at the bank ensures alignment of individual achievements with broader organizational goals.	%	2.7	52.7	0.7	0.0	43.9	3.30	1.52
Performance management							**3.42**	**0.93**

The descriptive statistics indicate that performance management in state-owned banks received a moderate overall rating (Mean = 3.42, SD = 0.93), suggesting that while employees recognize the importance of structured performance evaluations, there may still be gaps in implementation or perceived effectiveness.

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Table 6: Descriptive Statistics for reward management

		SD	D	N	A	SA	Mean	Std. Dev
The bank's reward management system effectively promotes intrinsic rewards such as personal growth and job satisfaction.	%	8.8	35.1	25.7	0.0	30.4	3.08	1.39
Employees feel motivated by intrinsic rewards like recognition and appreciation provided by the bank.	%	14.2	25.0	32.4	0.0	28.4	3.03	1.40
The bank offers competitive extrinsic rewards such as bonuses and salary increments to acknowledge employee contributions.	%	8.8	40.5	18.2	8.8	23.6	2.98	1.34
Extrinsic rewards provided by the bank align with employees' performance levels and organizational goals.	%	56.1	18.9	8.8	0.0	16.2	2.85	1.13
The reward management system enhances task performance by recognizing employees for achieving set targets.	%	2.7	35.8	26.4	0.0	35.1	3.29	1.34
Employees believe that rewards offered by the bank improve their task performance and overall productivity.	%	0.0	46.6	17.6	0.0	35.8	3.25	1.36
Reward management							**3.08**	**0.87**

The descriptive statistics indicate that reward management in state-owned banks received a moderate rating (Mean = 3.08, SD = 0.87), suggesting that employees have mixed perceptions regarding the effectiveness of the system in enhancing motivation and performance. While some employees may find existing reward structures beneficial, others may perceive them as inadequate or misaligned with their expectations and contributions. This variability in perception highlights potential gaps in the design and implementation of reward systems, which could affect overall employee satisfaction and productivity.

Table 7: Descriptive Statistics for Succession planning

		SD	D	N	A	SA	Mean	Std. Dev
The bank has a clear readiness and timeline for succession planning, ensuring smooth leadership transitions.	%	4.7	35.1	15.5	18.9	25.7	3.26	1.30
Employees are aware of the bank's succession planning timeline and feel prepared for potential leadership roles.	%	0.0	44.6	25.7	0.0	29.7	3.15	1.27
The bank's succession planning efforts result in a high placement success rate for internal candidates in leadership roles.	%	4.7	25.7	43.9	18.9	6.8	2.97	0.95
Internal candidates have a high chance of successfully being placed in leadership positions due to effective succession planning at the bank.	%	0.0	53.4	12.8	6.8	27.0	3.07	1.30
The bank actively develops a talent pool to ensure a continuous supply of qualified leaders for future roles.	%	0.0	27.7	37.8	0.0	34.5	3.41	1.22
The bank's talent pool development initiatives are effective in preparing employees for future leadership positions.	%	14.2	38.5	15.5	6.8	25.0	2.90	1.42
Succession planning							**3.13**	**0.88**

The descriptive statistics indicate that succession planning in state-owned banks received a moderate rating (Mean = 3.13, SD = 0.88). This suggests that while some employees recognize the presence of structured succession planning efforts, concerns remain regarding awareness, internal promotions, and the readiness of leadership development initiatives. The variability in responses highlights the need for greater transparency and communication in succession planning processes to ensure employees understand the opportunities available for career growth and leadership development.

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Correlation Analysis

Correlation analysis analysis employs Pearson Correlation Coefficients (r) to assess the strength, direction, and significance of these relationships.

Table 8: Correlation Analysis

		BP	T&D	PM	RM	SP
Bank performance (BP)	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	148				
Training and development (T&D)	Pearson Correlation	.441**	1			
	Sig. (2-tailed)	0.000				
	N	148	148			
Performance management (PM)	Pearson Correlation	.328**	0.101	1		
	Sig. (2-tailed)	0.000	0.222			
	N	148	148	148		
Reward management (RM)	Pearson Correlation	-.269**	0.011	0.038	1	
	Sig. (2-tailed)	0.001	0.894	0.651		
	N	148	148	148	148	
Succession planning (SP)	Pearson Correlation	.444**	0.021	.205*	.288**	1
	Sig. (2-tailed)	0.000	0.796	0.012	0.000	
	N	148	148	148	148	148

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Findings from Table 8 showed that training and development exhibit a positive and significant correlation with bank performance ($r = 0.441$, $p < 0.01$), suggesting that higher levels of training and development are associated with higher bank performance. Performance management shows a positive and significant correlation with bank performance ($r = 0.328$, $p < 0.01$), indicating that an effective performance management system contributes to improved bank performance. This suggests that banks with structured performance evaluations and feedback mechanisms experience better operational outcomes.

Reward management has a negative and significant correlation with bank performance ($r = -0.269$, $p < 0.01$). This implies that current reward structures may not be effectively motivating employees to enhance bank performance. It may also reflect a misalignment between employee incentives and organizational goals. Succession planning demonstrates a positive and significant correlation with bank performance ($r = 0.444$, $p < 0.01$), suggesting that well-structured succession planning enhances overall performance. This could indicate that proactive leadership development and

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talent management contribute to organizational stability and long-term success. Thus, the findings highlight the importance of performance management and succession planning in driving bank performance, while also suggesting the need for a critical review of training and reward management practices.

Regression Analyses

Multiple regressions was used to determine the combined effect of Performance Appraisal (namely training and development, performance management, reward management and succession planning) on performance of state-owned banks. The presented model summary, ANOVA, and coefficient of estimates are in tables 9-11.

Table 9: Multiple Regression Model Summary for HRM Practices on Performance of State-Owned Banks

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805a	0.647	0.637	0.45029

a Predictors: (Constant), Succession Planning, Training And Development, Performance Management, Reward Management

The multiple regression model assessing the influence of human resource management practices on the performance of state-owned banks in Kenya yielded an R-squared (R^2) value of 0.647. This indicates that approximately 64.7% of the variation in the performance of state-owned banks can be explained by the combined effect of succession planning, training and development, performance management, and reward management.

Table 10: ANOVA for HRM Practices on Performance of state-owned banks

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.227	4	13.307	65.627	.000b
	Residual	28.995	143	0.203		
	Total	82.223	147			

a Dependent Variable: bank performance

b Predictors: (Constant), Succession planning, training and development, Performance management, reward management

The ANOVA results presented in Table 10 indicate that the regression model is statistically significant, since the p-value is less than 0.05, the findings confirm that HRM practices collectively account for a significant proportion of the variation in the performance of state-owned banks. This further reinforces the model's goodness of fit, suggesting that a substantial portion of bank performance can be attributed to the examined HRM practices. (F-test = 65.627, p = 0.000).

Table 11: Coefficients for HRM Practices and Performance of state-owned banks

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	3.751	0.216		17.383	0.000
	Training and development	0.334	0.035	0.477	9.548	0.000
	Performance management	0.214	0.038	0.286	5.601	0.000
	Reward management	-0.355	0.043	-0.423	-8.162	0.000
	Succession planning	0.389	0.040	0.517	9.765	0.000

a Dependent Variable: performance of state-owned banks

The findings indicate that training and development have a positive and statistically significant effect on the performance of state-owned banks ($\beta = 0.334$, $p = 0.000$). This suggests that investing in employee training contributes to enhanced productivity and overall institutional performance. Collins and Holton (2021) and Phillips (2022) emphasize that well-structured training programs help employees acquire the necessary skills, competencies, and knowledge to perform their tasks more effectively.

The study found that performance management has a positive and statistically significant impact on bank performance ($\beta = 0.214$, $p = 0.000$). This indicates that an effective performance management system enhances employee motivation, accountability, and overall organizational success. Blignaut (2022) asserts that performance management systems provide a structured approach to evaluating employee contributions, offering feedback, and linking performance outcomes to rewards and career growth.

The results indicate that reward management has a negative and statistically significant relationship with bank performance ($\beta = 0.355$, $p = 0.000$). This suggests that well-structured reward systems motivate employees and enhance their productivity. Shore & Shore (2021) and Buchanan (2020) highlight that fair compensation and recognition improve employee satisfaction and commitment, ultimately leading to higher performance levels.

The study findings reveal that succession planning has the strongest positive effect on performance among all HRM practices ($\beta = 0.389$, $p = 0.000$). This indicates that structured leadership development and talent pipeline strategies play a crucial role in ensuring long-term institutional success. Avanesh (2011) and Helmich & Gilroy (2012) highlight that organizations with well-established succession plans experience greater stability, reduced uncertainty, and improved leadership continuity.

CONCLUSION AND RECOMMENDATIONS

Conclusions

Based on the findings, the study concludes that training and development is key in enhancing the performance of state-owned banks. Employees benefit from structured training programs that equip them with relevant skills and industry knowledge, ultimately improving their efficiency and service delivery. However, for training programs to have a lasting impact, banks should align them with career growth opportunities and evolving industry demands. The study also concludes that performance management plays a crucial role in improving bank performance. A well-structured performance appraisal system that includes clear goals, regular feedback, and employee evaluations contributes to better motivation and accountability.

Additionally, the study finds that reward management significantly influences employee motivation and performance. However, the effectiveness of current reward structures remains a concern, as they may not fully align with employee expectations or organizational goals. To improve performance, banks should adopt incentive programs that recognize and reward employee contributions fairly and transparently. Finally, the study concludes that succession planning is a critical factor in sustaining long-term bank performance. A well-defined leadership development strategy ensures that organizations have a strong talent pipeline, reducing disruptions during leadership transitions.

Recommendations

Based on the conclusions, the study recommends enhancing training and development programs to better align with employees' career progression and evolving industry requirements. State-owned banks should integrate targeted training initiatives that not only improve technical skills but also provide clear pathways for career growth. To improve performance management, banks should strengthen appraisal systems by ensuring transparency, goal alignment, and continuous feedback mechanisms. Establishing clear performance expectations and providing regular, constructive feedback can enhance employee motivation and accountability.

Regarding reward management, banks should review and restructure their incentive systems to ensure they effectively motivate employees and align with organizational goals. Lastly, to enhance succession planning, banks should establish structured leadership development programs that identify and nurture high-potential employees. By implementing mentorship initiatives, leadership training, and internal promotions, organizations can ensure a steady pipeline of qualified leaders.

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