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Abstract

Purpose: The study aimed to examine the determinants of determinants of staff competency on the effectiveness of debt collection in commercial banks.

Methodology: The research was carried out through descriptive survey design. The total population of the study was 1118credit managers/supervisors or branch managersof the 37 commercial banks. A sample size of 118 respondents was selected through random sampling technique, which represents a 10% of the population. The study used both secondary and primary data specifically the study used a questionnaire as the preferred data collection tool. The questionnaire had close ended questions only. Secondary data on the level of Nonperforming loans/Gross loans was also collected. This study used the quantitative method of data analysis. Quantitative methods of data analysis included inferential and descriptive statistics. Descriptive statistics included frequencies and measures of tendency mainly mean. Inferential statistics include correlation and regression analysis. The tool for data analysis was Statistical Package for Social Sciences (SPSS) version 20 program. The results were presented using tables and pie charts to give a clear picture of the research findings.

Results: It was possible to conclude that staff competence was highly emphasized in the banks. Results led to a conclusion that all employees received induction training and all the learning was incorporated on the job training. Results revealed that on the job training was important and effective in improving employee performance; training had improved the employees' knowledge gap about the bank, which helped them to adjust comfortably to the work environment. It was also possible to conclude that the bank encouraged staff exchange programs with other employees who improve work knowledge and productivity and the bank offers short training in form of seminars to improve staff competency.Correlation results led to conclusion that that the relationship between staff competency and non-performing loans is negative and significant. The findings imply that staff competency has a significant effect on non-performing loans in the banks.

Policy recommendation:it is recommended that staff competence be emphasized in the banks as it has an effect on the overall achievement of effective debt collection practices. Therefore the management is urged to encourage sharingofpotentially sensitive information on costs, quality, and productivity on financial performance with other employees.

Keywords: *Staff Competency,Debt Collection*

1.1 Background of the Study

Olufunso, Herbstand and Lombard (2009) did an investigation into the impact of the usage of debt on the profitability of small and medium enterprises in the Buffalo city municipality, South Africa and concluded that the usage of debt has a significantly negative impact on the profitability of SMEs. The study however did not link debt collection practices and profitability of commercial banks.

Nelson and Kalani (2009) conducted a study on commercial banking crises in Kenya: cause and remedies‘. The statement of the problem for the study is many financial institutions that collapsed in Kenya since 1986 failed due to non-performing loans. This study investigated the causes of nonperforming loans, the actions that bank managers have taken to mitigate that problem and the level of success of such actions. Using a sample of 30 managers selected from the ten largest banks the study found that national economic downturn was perceived as the most important external factor. Customer failure to disclose vital information during the loan application process was considered to be the main customer specific factor. The study further found that lack of an aggressive debt collection policy was perceived as the main bank specific factor, contributing to the non performing debt problem in Kenya.

Collection policies and procedures will apply equally to all members regardless of their professional or social standing. It is an object of the bank to be in compliance with applicable national and regional regulations, to follow Board approved procedures and guidelines, to adequately train staff to perform their duties, and to properly document loan files (Rajan, 2005). Under special and pre-authorised circumstances, loan officers may collect loan payments from the field. Under such circumstances, when outside the office, the loan officer should use common sense in accepting payments for delinquent loan. If a decision is made to accept a payment, always provide a receipt for the borrower and get here/his signature verifying the amount (Rajan, 2005).

1.2 Statement of the Problem

Financial institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management, or lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a bank’s counterparties (Gil &Diaz, 1994). In unstable economic environments, interest rates charged by banks are fast overtaken by inflation and borrowers find it difficult to repay loans as real incomes fall, insider loans increase and over concentration in certain portfolios increases giving a rise to credit risk. Bank failures in Mexico were attributed to improper lending practices, lack of experience, organizational and informational systems to adequately assess credit risk in the falling economy (Gil &Diaz, 1994). The same can be said about of banking crisis in Kenya in the 1980s and in Spain in the 1990s. The problem that this study wishes to address is that debt collection is a pertinent managerial problem that if not addressed would lead to lower profitability and in extreme cases bank failure. Do effective debt collection practices really matter to commercial banks? If they do, then they should significantly contribute to profits as high profits are expected to enhance shareholder value.

Several studies have analyzed the effect of debt collection management practices on profitability. Olufunso, Herbstand and Lombard (2009), Nelson et al. (2009) and Musyoki and Kadubo (2011) analyzed the impact of credit risk management on the financial performance of Banks in Kenya for the period 2000 – 2006 and concluded that default rate, bad debts costs and cost per loan asset have an inverse impact on banks' financial performance, however the default rate is the most important determinant of bank financial performance vis-à-vis the other indicators of credit risk management. The research had a gap since it did not address the effect of debt collection management practices on profitability. Looking at the emphasis that is laid on effective debt collection management in Kenyan commercial banks, the level of contribution of this factor to profits has not been sufficiently analyzed. There is scarcity of studies done on determinants of effective debt collection in Kenyan commercial banks. Most studies on commercial banks have looked at the effect of credit risk management on performance of banks. It is therefore for these research gaps that this study wishes to establish the determinants of staff competency on the effectiveness of debt collection in commercial banks.

1.3 Purpose of the Study

The purpose of this study was to determine the determinants of staff competency on the effectiveness of debt collection in commercial banks?

1.4 Research Questions

1.4.1 To what extent does staff competency affect the effectiveness of debt collection in commercial banks?

2.0 LITERATURE REVIEW

2.1 Empirical Review

2.2 Effect of Staff Competency on Effectiveness of Debt Collection

According to Boyatzis (2007), a competency is defined as a capability, ability or an underlying characteristic of an individual which is casually related to effective or superior performance. It is a set of related but different sets of behaviour organized around an underlying construct, which we call the "intent". The behaviors are alternate manifestations of the intent, as appropriate in various situations or times. It is important to clarify the difference between the concepts of "competence" and "competency"; competence refers to areas of work in which the person is competent and competency refers to the dimensions of behaviour underlying competent performance (Kagaari & Munene, 2007; Palan, 2003). However, for purposes of this study, competency (and its related plural form) is adopted from Armstrong (2000) as a hybrid term containing the two aspects of competence and competency. Thus, the concept of competency is used to refer to applied knowledge and skills, performance delivery, and the behaviours required getting things done very well (Armstrong & Baron, 1995).

2.2.1 Theory of Competence

Initially described as "Four Stages for Learning Any New Skill", the theory was developed at the Gordon Training International by its employee Noel Burch in the 1970s. It has since been frequently attributed to Abraham Maslow, although the model does not appear in his major works. The Four Stages of Learning provides a model for learning. It suggests that individuals

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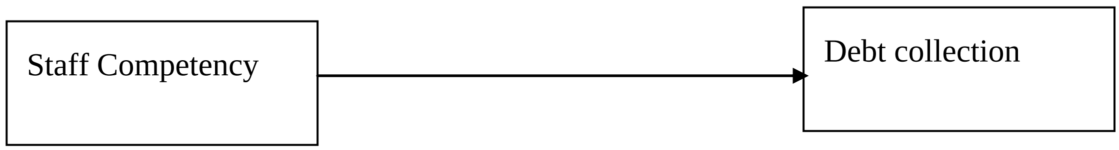
are initially unaware of how little they know, or unconscious of their incompetence. As they recognize their incompetence, they consciously acquire a skill, then consciously use it. Eventually, the skill can be utilized without it being consciously thought through: the individual is said to have then acquired unconscious competence. Several elements, including helping someone 'know what they don't know' or recognize a blind spot, can be compared to some elements of a Johari window, although Johari deals with self-awareness, while the four stages of competence deals with learning stages (Flower, 1999).

2.3: Conceptual Framework

Independent Variables **Dependent Variable**



3.0 METHODOLOGY

The research was carried out through descriptive survey design. The total population of the study was 1118credit managers/supervisors or branch managersof the 37 commercial banks. A sample size of 118 respondents was selected through random sampling technique, which represents a 10% of the population. The study used both secondary and primary data specifically the study used a questionnaire as the preferred data collection tool. The questionnaire had close ended questions only. Secondary data on the level of Nonperforming loans/Gross loans was also collected. This study used the quantitative method of data analysis. Quantitative methods of data analysis included inferential and descriptive statistics. Descriptive statistics included frequencies and measures of tendency mainly mean. Inferential statistics include correlation and regression analysis. The tool for data analysis was Statistical Package for Social Sciences (SPSS) version 20 program. The results were presented using tables and pie charts to give a clear picture of the research findings.

4.0 RESULTS FINDINGS

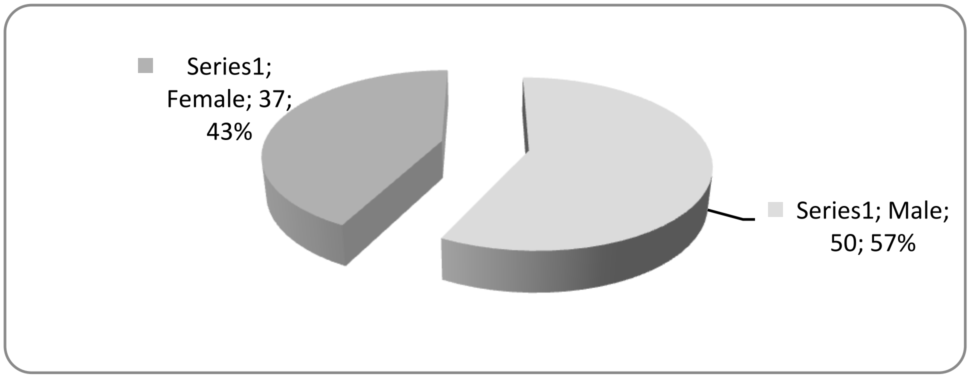
4.1 General Information

This section presents the general information of the respondents such as gender, level of education, length of employment and position held in the bank. A total of 87responses/Questionnaires were received out of a possible 118 Questionnaires. This gives translates to a response rate of 73%. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of 50 % or more is ideal for data analysis. Babbie (2004) also asserted that return rate of 50% is acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars 73% response rate is adequate for the study

4.1.1 Gender of the Respondents

The study sought to find out the gender of the respondents. The majority of the respondents were male (57%) followed by female (43%). The findings are presented in Figure 4.1. The findings imply that the bank sector is a male dominated field. According to Ellis, Cutura, Dione, Gillson, Manuel and Thongori (2007), in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 74%:26%.

Figure 1: Gender of the Respondents

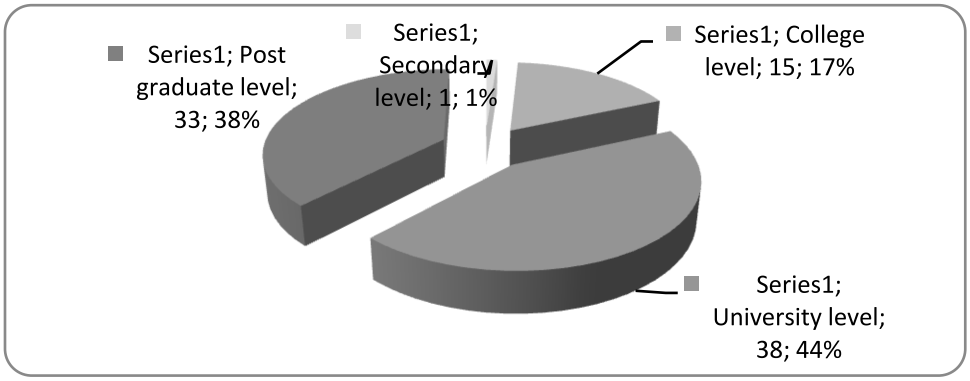


Source: Author (2014)

4.1.2 Level of Education

The study sought to find out about the education level of the respondents. Study findings in Figure 4.2 indicate that 82% of the respondents had attained university level or post graduate level of which 44% had reached university level. The findings imply that the respondents had high level of education in this sector and perhaps this observed level of education may have had a bearing on the quality of our responses.

Figure 2: Level of Education



Source: Author (2014)

4.1.3 Length of Employment

The study sought to find out the number of years that the respondents had been in current employment. Table 4.1 indicated that a majority of employees (67.8%) had worked for a period of over 5 years and 21.8% had worked for a period between 3 to 5 years. The finding implies that the respondents were appropriate and may impact positively on the coherence of the data obtained as they had worked for the Banks long enough for them to be well aware of the determinants of effective debt collection in Kenyan commercial banks.

Table 1: Years of Service

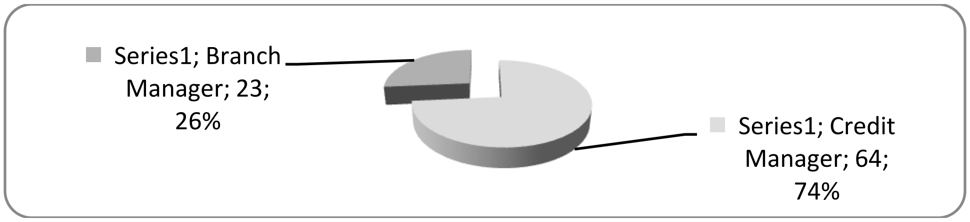
Period	Frequency	Percent
Less than 2 years	9	10.3
3 to 5 years	19	21.8
Over 5 years	59	67.8
Total	**87**	**100**

Source: Author (2014)

4.1.4 Position Held in Bank

The study sought to find out the position the respondents held in their banks. Figure 4.3 indicates that majority of the respondents (74%) were credit managers and 26% were branch managers. The findings imply that the respondents were well aware of the issues the researcher sought to find out hence accurate responses.

Figure 3: Position in the Bank



Source: Author (2014)

4.2Staff Competency and Effective Debt Collection Practices

4.2.1 Employees Receive Induction Training

The respondents were asked to indicate whether every new employee receives induction training, 51.5% of the respondents strongly agreed and 32.2% agreed bringing to a total of 83.9% of those who agreed. Ten point three percent disagreed while 2.3% strongly disagreed and 3.4% of the respondents were neutral. The results are presented in table 2 below.

Table 2: Induction Training

Statement		Frequency	Percent
Every new employee receives induction training	Strongly disagree	2	2.3%
	Disagree	9	10.3%
	Neutral	3	3.4%
	Agree	28	32.2%
	Strongly agree	45	51.7%

Source: Author (2014)

4.2.2 Learning about Duties during Induction Training

The respondents were asked if learning about the duties of the job was included in the induction training, forty seven point one percent of the respondents agreed and another 20.7% strongly agreed bringing to a total of 67.8% of those who agreed. Eighteen point four percent of the respondents disagreed while 5.9% strongly disagreed and 6.9% of the respondents were neutral. Results are presented in table 3 below.

Table 3: Learning about the Duties of the Job

Statement		Frequency	Percent
Learning about the duties of the job is included in the induction training	Strongly disagree	6	6.9%
	Disagree	16	18.4%
	Neutral	6	6.9%
	Agree	41	47.1%
	Strongly agree	18	20.7%

Source: Author (2014)

4.3.3 On Job Training

The respondents were asked to indicate if on the job training was important and effective in improving employee performance. Table 4.5 indicates that 41.4% of the respondents strongly agreed and another 36.8% agreed bringing to a total of 78.2% of those who agreed. Eight percent of the respondents disagreed while 8.0% strongly disagreed and 5.7% were neutral. Results are presented in Table 4 below.

Table 4: On the Job Training

Statement		Frequency	Percent
On the job training is important and effective in improving employee performance	Strongly disagree	7	8.0%
	Disagree	7	8.0%
	Neutral	5	5.7%
	Agree	32	36.8%
	Strongly agree	36	41.4%

Source: Author (2014)

4.3.4 Training Improves Knowledge Gap

The study sought to find out whether training has improved the knowledge gap about the bank, which has helped the respondents adjust comfortably to the work environment. A majority (44.8%) of the respondents strongly agreed and another 37.9% agreed bringing to a total of 82.7% of those who agreed, 8% strongly disagreed and another 5.7% disagreed. Only 3.4% of the respondents were neutral. Results are presented in Table 5 below.

Table 5 : Training Improves Knowledge Gap

Statement		Frequency	Percent
Training has improved my knowledge gap about the bank, which has helped me adjust comfortably to the work environment.	Strongly disagree	7	8.0%
	Disagree	5	5.7%
	Neutral	3	3.4%
	Agree	33	37.9%
	Strongly agree	39	44.8%

Source: Author (2014)

4.3.5 Staff Exchange Programs

The study sought to find out whether the bank encourages staff exchange programs with other employees which improves work knowledge and productivity. A majority (47.1%) of the respondents agreed and another 39.1% strongly agreed bringing to a total of 86.1% of those who agreed, 5.7% disagreed. Only 8% of the respondents were neutral. Results are presented in Table 6 below.

Table 6: Staff Exchange Programs

Statement		Frequency	Percent
The bank encourages staff exchange programs with other employees which improves work knowledge and productivity	Strongly disagree	0	0.0%
	Disagree	5	5.7%
	Neutral	7	8.0%
	Agree	41	47.1%
	Strongly agree	34	39.1%

Source: Author (2014)

4.3.6 Offering of Short Term Training

The study sought to find out if the bank offers short training in form of seminars to improve staff competency, forty point two percent of the respondents agreed and another 35.6% strongly agreed bringing to a total of 75.8% of those who agreed. Seventeen point two percent of the respondents disagreed and 6.9% were neutral. Results are presented on Table 7 below.

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Table 7: Employee Satisfaction on Working Environment

Statement		Frequency	Percent
The bank offers short training in form of seminars to improve staff competency	Strongly disagree	0	0.0%
	Disagree	15	17.2%
	Neutral	6	6.9%
	Agree	35	40.2%
	Strongly agree	31	35.6%

Source: Author (2014)

4.3Non Performing Loans

Table 4.20 indicates that there was a slight increase of the non performing loans in the year 2011 to the year 2012 and a decline in the following year from 1132735 to 1008214. This implies that the banks had put effective measures on debt collection hence the decline in the number of amount of the non performing loans.

Table 8: Descriptive Statistics for Non Performing Loans

Year	Minimum	Maximum	Mean	Std. Deviation
2011	0	9342775	1008214	1656600
2012	0	10475335	1132735	1796020
2013	0	9342775	1008214	1656600

Source: Author (2014)

4.4 Inferential Statistics

4.4.1 Bivariate Correlation

The correlation results between banks profitability and independent variable are presented. Table 9 displays the results of correlation test analysis between the dependent variable (non performing loans) and independent variables (staff competency,Results on Table 9 show that non performing loansisnegatively correlated with all the independent variables. This reveals that any negative change in staff competency, led to increased number of nonperforming loans in the commercial banks.

Table 9: Bivariate Correlation

Variable		AverageNPL	StaffCompetency	Resources	InformationManagement
AverageNPL	Pearson Correlation	1			
	Sig. (2-tailed)				
StaffCompetency	Pearson Correlation	-0.424	1		
	Sig. (2-tailed)	0.000			

Source: Author (2014)

4.4.2 Regression Analysis

In order to establish the statistical significance of the independent variables on the dependent variable (non performing loans) regression analysis was employed. The regression equation took the following form.

$Y = \beta_0 + \beta_1 X_1 + \mu$

Where

Y = Non Performing Loans

X_1 = Staff Competency

In the model, β_0 = the constant term while the coefficient β_ii= 1….3 was used to measure the sensitivity of the dependent variables (Y) to unit change in the predictor variables. μ is the error term which captures the unexplained variations in the model.

Regression analysis was conducted to empirically determine whether staff competency, resources and information managementwere significant determinant of non performing loans in commercial banks. Regression results in Table 4.22 show that the coefficient of determination also called the R square is 41.9%. This means that the combined effect of the predictor variables (staff competency, r) explains 41.9% of the variations in nonperforming loans. The correlation coefficient or R of 64.7% indicates that the combined effect of the predictor variables has a strong and positive correlation with non-performing loans.

Table 10: Regression Model Fitness

Indicator	Coefficient
R	0.647
R Square	0.419
Std. Error of the Estimate	1310091

Source: Author (2014)

Analysis of variance (ANOVA) on Table 10 shows that the combined effect of staff competency, resources and information management was statistically significant in explaining changes in non-performing loans. This is demonstrated by a p value of 0.000 which is less that the acceptance critical value of 0.05.

Table11: ANOVA

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.03E+14	3	3.42E+13	19.939	0.000
Residual	1.42E+14	83	1.72E+12		
Total	2.45E+14	86			

Source: Author (2014)

Table 11 displays the regression coefficients of the independent variables. The results reveal that staff competency, resources and information management was statistically significant in explaining non-performing loans. Regression results indicate that staff competency and non-performing loans had a negative and significant relationship (beta= -3942193, p value 0.000). The findings imply that an increase in staff competency by one unit leads to a decrease in non-performing loans by 3942193units.

Table 12: Regression Coefficients

Variable	Beta	Std. Error	t	Sig.
Constant	7089303	1239821	5.718	0.000
StaffCompetency	-3942193	659273	-5.98	0.000

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

One of the study objectives was to determine the effect of staff competence effectiveness of debt collection in commercial banks. Results indicated that majority of the respondents agreed with the statements that every new employee receives induction training, learning about the duties of the job was included in the induction training, on the job training was important and effective in improving employee performance, training has improved my knowledge gap about the bank, which has helped me adjust comfortably to the work environment, the bank encourages staff exchange programs with other employees which improves work knowledge and productivity and **t**he bank offers short training in form ofseminars to improve staff competency**.** This implied that staff competence was emphasized in the bank by providing proper training to staff. The relationship between staff competence and non-performing loans is negative and significant (r= -0.420, p=0.000). This implies that an increase in the effectiveness of staff competence influences the non-performing loans negatively.

5.2 Discussion

5.2.1 Staff Competence and Debt Collection Practices

The study objectives was to determine the effect of staff competence effectiveness of debt collection in commercial banks. Results indicated that majority of the respondents agreed with the statements that every new employee receives induction training, learning about the duties of the job was included in the induction training, on the job training was important and effective in improving employee performance, training has improved my knowledge gap about the bank, which has helped me adjust comfortably to the work environment, the bank encourages staff exchange programs with other employees which improves work knowledge and productivity and the bank offers short training in form of seminars to improve staff competency. This implied that staff competence was emphasized in the bank by providing proper training to staff. The relationship between staff competence and non-performing loans is negative and significant (r= -0.420, p=0.000). This implies that an increase in the effectiveness of staff competence influences the non-performing loans negatively.

The findings agree with those in Iqbal, Latif and Nasser (2012) who revealed the relationship between person job fit, job satisfaction and job performance in their research paper, the Impact of person job fit on job satisfaction and its subsequent impact on employees' performance. Their paper studied and analyzed the responses of 251 respondents from various universities in twin cities i.e. Islamabad and Rawalpindi. Results indicated that there exists relationship between person job fit and job satisfaction and job performance and the result is positive. While the relationship between job satisfaction and job performance is also positive.

The findings also concur with those in Ruitenberg and Beer (2012) who, in their research study the impact of attitudes and work preferences on Dutch mothers' employment, argued that relatively variable work preferences act as a mediating factor between more stable gender and work attitudes and actual labour market behaviour. With a path analysis of a representative survey among 940 Dutch mothers, the study demonstrates that the effect of gender and work attitudes on mothers' labour market behaviour is largely mediated by the variable work preference, which influence on actual labour participation appears much larger than the influence of objective background characteristics. The analysis supports the claim that more or less stable gender and work attitudes have a balancing effect on otherwise more flexible work preferences.

The findings corroborate with those of Wanyama and Mutsotso (2010) who concluded that, capacity building and employee productivity is positively correlated to organizational performance. Therefore they recommended, the firms through the Human Resource Departments should plan and execute training programmes that are in line with objectives of the firm and those that match employees' abilities and skills to enhance effective organizational performance. Human Resource Development practitioners should consider desired work-related attitudes such as organizational motivation, employee turnover, employee productivity, punctuality, organizational performance, job satisfaction and motivation to be an additional outcome of employee productivity and capacity building. Since employee productivity depends on the amount of time an individual is physically present at a job and also the degree to which he or she is mentally present or efficiently functioning while present at a job.

5.3 Conclusions

5.3.1 Staff Competency and Debt Collection Practices

One of the study objectives was to determine the effect of staff competency on effectiveness of debt collection in commercial banks. It was possible to conclude that staff competence was highly emphasized in the banks. Results led to a conclusion that all employees received induction training and all the learning was incorporated on the job training. Results revealed that on the job training was important and effective in improving employee performance; training had improved the employees' knowledge gap about the bank, which helped them to adjust comfortably to the work environment. It was also possible to conclude that the bank encouraged staff exchange programs with other employees which improve work knowledge and productivity and the bank offers short training in form of seminars to improve staff competency.Correlation results led to conclusion that that the relationship between staff competency and non-performing loans is negative and significant. The findings imply that staff competency has a significant effect on non-performing loans in the banks.

5.4 Recommendations

5.4.1 Staff Competency and Debt Collection Practices

In line with study results, it is recommended that staff competence be emphasized in the banks as it has an effect on the overall achievement of effective debt collection practices. Therefore the management is urged to encourage sharingofpotentially sensitive information on costs, quality, and productivity on financial performance with other employees. The study recommends that the management encourages the developed clarity regarding goals, clear work procedures and clarity in all areas of responsibility.

Following study results, it is recommended that employee satisfaction practices be emphasized in the bank as it has an effect on the overall achievement of effective debt collection practices. Therefore the organization is urged to ensure that employees' are satisfied on recruitment and selection systems, compensation package and job security.

It was recommended that the management ensures that career growth, training anddevelopment on reward and motivation are emphasized. Finally, the study recommends that the management ensures that employees are satisfied on job design and responsibilities, working environmentand management style.

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