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Knowledge Sharing and Performance of Commercial Banks in Nyeri Town, Kenya

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Abstract: *Evidence suggests that knowledge management has a positive effect on the performance of an organization. One of the most important part of knowledge management is knowledge sharing, which is the prerequisite for the process of knowledge collection, transfer and reconstruction. This study sought to determine the effect of knowledge sharing on the performance of Commercial Banks in Nyeri Town. This study used both descriptive and explanatory research methods. Commercial banks in the town of Nyeri were the focus of this research. Heads of sections were the respondents in the study. This included regional managers, branch managers, credit managers, operations managers, marketing managers and supervisors. A total of 61 heads of sections in the banks took part in the study by filling and returning the questionnaires distributed. Data for this study was collected using a questionnaire which the respondents filled themselves. Quantitative data collected in this study was analysed using descriptive and inferential statistics which for the qualitative data, content analysis was used. Results were presented using tables. The study found that knowledge sharing practices in the banks were perceived positively, except for the item regarding employees working in groups to share knowledge. Knowledge sharing ($p<0.00$) was significant. The study concluded that knowledge sharing has a significant positive effect on the performance of commercial banks in Nyeri Town, and that banks should prioritize this practice to improve their performance. It was therefore recommended that banks should establish formal and informal channels for knowledge sharing, such as mentorship programs, communities of practice, and knowledge-sharing platforms.*

Keywords: *Commercial banks, knowledge, Knowledge management, knowledge sharing, performance*

1. Introduction

Knowledge management is defined as the capturing of the knowledge from past decision-making for application to current decision-making with the express purpose of improving organizational performance (Jennex & Zyngier, 2007). Many scholars have been interested in the effect of knowledge on the performance of organizations. Knowledge Management practitioners argue that knowledge is a modern organization's most important resource, the only resource not readily replicated by rivals, and therefore the source of its uniqueness or competitive advantage (Schiuma et al., 2012).

The practice of knowledge management lies in building a mechanism to stimulate an employee's participation and to utilize knowledge system to cultivate corporate innovation and group creativeness. García-Fernández (2015) posits that there are several dimensions to KM and the most popular framework distinguishes between tacit knowledge and explicit knowledge. The basic difference between explicit knowledge and tacit knowledge is that explicit knowledge is already codified, whereas tacit knowledge is rooted in the mind. According to Schiuma et al. (2012), KM involves the following practices; knowledge capture, acquisition, creation, storage and retrieval. The practices of knowledge management selected for this study include knowledge creation, knowledge sharing, knowledge acquisition, and knowledge storage.

Evidence suggests that knowledge management (KM) has a positive effect on the performance of an organization (Valmohammadi, & Ahmadi, 2015). Organizations use Knowledge Management (KM) to identify, select, organize, dynamically learn about, and make decisions about the most essential knowledge and expertise they need to carry out their work (Adjei, & Dei, 2015). Business, governance, accounting, and marketing all rely heavily on the efficiency and efficacy of the information and knowledge systems they employ. Mainly, Uurlu and Küzdela (2012) say that knowledge management in banking is hindered by difficulties in defining how to transform people's knowledge into dispersed and shared information that can be applied throughout the whole institution.

Ji and Zhou (2017) indicate that the most important part of knowledge management is knowledge sharing, which is the prerequisite for the process of knowledge collection, transfer and reconstruction. Knowledge sharing is the voluntary process of transferring or disseminating knowledge from one person to another person or group in an organization. Knowledge sharing and learning behaviors in the workplace are believed to be very important to the success of firms (Law & Ngai, 2008). It is an important means for organizations to gain a competitive advantage. Knowledge sharing can be tacit or explicit. According to Astorga-Vargas et al. (2017), The difference between both types of knowledge is that explicit knowledge is objective and rational, that is encoded and can be stored in various physical and electronic formats. While tacit knowledge is the individual's own experience, reflection, interiorization, or talents, which is difficult to express Sharing of explicit knowledge can be done by means of books, manuals, video clips, databases and expert system, as well as through formal training. Tacit knowledge sharing is argued to be a product of socialization and dialectic debate among employees and it requires face-to-face interactions (Pangil & MohdNasurddin, 2013).

One of the most important facets of the financial system is the banking sector. Commercial banks' financial health is a hot subject because of its significance to the economy (Ongore& Kusa, 2013). One may say that an institution's performance is an accurate reflection of the way in which its resources are put to use in order to meet its objectives. There was weak economic performance in 2019 as a background to global political concerns, including trade between the US and China and anxiety about Brexit, according to EY Global Banking & Capital (2020). At 9.6% below the usual 12 percent target for banks' capital expenditure, equity returns (ROE) are below the industry's return to sustainable profitability levels, according to Deloitte (2019).Available data shows that bank profitability in Kenya has stagnated and customer satisfaction and investor confidence in the sector has declined. Imperial, Dubai, and Chase banks all went into receivership between 2015 and 2020, a record number of bank failures. A rise from 12.3 percent in December 2017 to 12.7 percent in December 2018 was seen in the gross non-performing loan ratio (CBK, 2019). According to Cytonn (2020), the gross non-performing loan (NPL) ratio increased by 0.9 percentage points to 11.3 percent in Q1'2020 from 10.4 percent in Q1'2019, indicating a decline in asset quality. The banking industry has also seen a decrease in customer satisfaction. An analysis of existing studies clearly shows that a lot of studies have been carried out in the area of knowledge management however contextual, knowledge and methodological gaps exist. It was important to understand KM practices among commercial banks and how these practices affect performance so that banks can apply knowledge management in their strategy for better performance. This study therefore sought to determine the effect of knowledge sharing on the performance of Commercial Banks in Nyeri Town.

H_{01} Knowledge sharing has no significant effect on the performance of Commercial Banks in Nyeri Town.

2. MATERIALS & METHODS

2.1. Research Design

Research design is the blueprint for the collection, measurement, and analysis of data (Cooper & Schindler, 2014). This study employed a descriptive and explanatory research designs. Descriptive design enabled the study describe the knowledge management practices among banks. Explanatory research design was useful in the study in explaining how knowledge management practices affects performance of commercial banks.

2.2. Target Population

In this study, commercial banks in Nyeri town comprised the unit of analysis while heads of sections in the participating banks were the unit of observation. As of June, 2022, there were 10 commercial banks in the study area. Heads of sections were the respondents in the study. This included regional managers, branch managers, credit managers, operations managers, marketing managers and supervisors. These persons were selected because they are in supervisory roles and are in charge of implementation and evaluation of knowledge management processes and activities. These managers were also resourceful persons regarding the performance of their respective banks.

Table1. *Target Population*

Name of Bank	Population of heads of sections
Absa Bank	7
Consolidated Bank	7
Cooperative Bank	7
Equity Bank	7
Family Bank	7
Kenya Commercial Bank	7
Kingdom Bank	7
National Bank of Kenya	7
Sidian Bank	7
Standard and Charted Bank	7
Total	70

A census of all the commercial banks in Nyeri town was conducted. This was because the total number of commercial banks in Nyeri town is small. As such, all 10commercial banks were involved in the study. Purposive sampling was used to sample respondents in the study. Heads of sections in the banks were purposively recruited in the study. This included regional managers, branch managers, credit managers, operations managers, marketing managers and supervisors. Therefore, from each of the 10 banks, 7 respondents participated in the study. As such, the study had 70 respondents.

2.3. Data Collection

The respondentsfilled out a semi-structured questionnaire that they completed on their own. There was pre-testing done in Murang'a County's commercial banks. Ten percent of the main sample should be used for the pre-test sample, according to Zientek et al. (2016). Therefore, a total of 7 people from three commercial banks in Murang'a county participated in the pre-test. This sample is equal to ten percent of the main sample as recommended by Orodho (2005). There was use of Statistical Package for the Social Sciences (SPSS) to input data. For this study, three types of validity was used; face validity, content validity and construct validity. Pretest data was subjected to scale analysis to check for reliability using Cronbach alpha.The general rule of thumb is that a Cronbach’s alpha of .70 and above is good, .80 and above is better, and .90 and above is best (Bonnett & Wright, 2015). In this study therefore, a coefficient of 0.7 and above was accepted as recommended by Taber (2018).As shown in Table 3.2, a Cronbach alpha coeffcient of 0.825 was obtained and all variables in the study had coefficient of 0.7 and above.

Table2. *Reliability Results*

Variable	Number of items	Cronbach Alpha
Knowledge Creation	7	0.741
Knowledge Sharing	8	0.83
Knowledge Acquisition	7	0.881
Knowledge Storage	7	0.779
Performance	4	0.894
Total	33	0.825

The researcher first obtained authorization and research permit from Kenyatta University and National Commission for Science, Technology, and Innovation (NACOSTI). The researcher then contacted individual banks to acquire permission to collect data. This was done by email and telephone calls. After acquiring permission, the researcher sought informed consent from the respondents. Where consent was given, the researcher left the questionnaire with the respondent for 5 days to fill. This was to give the respondents ample time to fill the questionnaire thereby enhancing response rates. The data collection exercise took two weeks.

2.4. Data Analysis and Presentation

The project collected quantitative and qualitative data. Descriptive and regression analysis were used to examine quantitative data. Descriptive statistics included the following: frequencies, percentages, the mean, and the standard deviations. In addition, a multiple regression analysis was carried out.Results of the study were presented in form of tables.

2.5. Ethical Considerations

In order to conduct the research, Kenyatta University's School of Business issued a letter of authorization. NACOSTIutilized this letter to grant a research permission Furthermore, each bank was asked for permission to gather data. Respondents were welcomed to participate in the study, but informed consent was necessary. Special codes was used to identify particular banks and responders in order to ensure anonymity. Coded and encrypted data was input into a password-protected computer. The data was accessible only to the researcher and her supervisor. The study's findings wasonly utilized for educational reasons.

3. Results & Discussion

A total of 61 heads of sections in the banks took part in the study by filling and returning the questionnaires distributed to them as shown in Table 4.1. This represents a 87.1% response rate which is considered high enough as it is above 70% recommended by Mugenda and Mugenda (2012).

3.1. Demographic Characteristics of Respondents

The study collected respondents' demographic characteristics in order to describe the sample. This included the gender, age, education and working experience of the respondents. Majority (63.9%) of the respondents in the study were male. As shown in Table 4.3, 41% and 29.5% were aged between 31 and 40 years and between 41 and 50 years respectively. Majority (80.3%) of the respondents had a bachelor's degree as their highest level of education. The results also show that 41% of the respondents were in the accounting profession while 19.7% were in human resource and 18% in other professions. These results demonstrate that the respondents in the study were well educated and well experienced to provide resourceful information on knowledge haring and performance of the banks from where they were drawn.

Table3. *Demographic Characteristics of Respondents*

Demographic Characteristic	Categories	Frequency	Percent
Gender	Male	39	63.9
	Female	22	36.1
	Total	61	100.0
Age	21-30	11	18.0
	31-40	25	41.0
	41-50	18	29.5
	>51	7	11.5
	Total	61	100.0
Education	Bachelor's degree	49	80.3
	Postgraduate degree	12	19.7
	Total	61	100.0
Profession	Accountant	25	41.0
	Marketing	9	14.8
	IT	4	6.6
	Human Resource	12	19.7
	Others	11	18.0
	Total	61	100.0

3.2. Knowledge Sharing

The study sought to find out how knowledge is shared in the participating in the study in order todetermine the effect of knowledge sharing on the performance of commercial banks in Nyeri Town. The data shows that the respondents strongly agreed that new employees are taken through an orientation program with a mean of 1.0 and a standard deviation of 0.000. However, for the item "Members of staff are usually rotated in various functions", the respondents were uncertain with a mean of 2.9 and a standard deviation of 1.237. For "Employees are willing to share learnt knowledge and experience", the respondents were uncertain with a mean of 2.8 and a standard deviation of 1.183. Additionally, the respondents were also uncertain about the item "Employees work in groups to share knowledge" with a mean of 2.4 and a standard deviation of 1.369. The respondents agreed that knowledge sharing is done through seminars and workshops with a mean of 1.9 and a standard deviation of 1.082. They also agreed that there is diversity of channels used in knowledge sharing in this bank with a mean of 2.0 and a standard deviation of 0.812. Furthermore, the respondents agreed that new developments are shared through internal memos with a mean of 1.8 and a standard deviation of 0.721. Finally, the respondents strongly agreed that knowledge sharing increases performance with a mean of 1.78 and a standard deviation of 0.830. Overall, the study suggests that knowledge sharing practices in the banks are perceived positively, except for the item regarding employees working in groups to share knowledge. This result is similar to findings of Aming'a (2013) study which found the participation of staff in various meetings, workshops, seminars and the use of notice boards and mobile phones were noted as major ways through which knowledge was shared at Kisii University. It is similar to Muhoya (2016) findings whereby employees are encouraged to share the acquired knowledge, to improve their capabilities and increase their responsiveness to customer needs. New knowledge created and shared by employees helps responsiveness as well as reliability of the services offered. It is also similar to Karani (2015) where lessons learned are shared routinely with fellow teammates and members of the organization in that order.

Table4. *Knowledge Sharing*

	Mean	Standard deviation
New employees are normally taken through an orientation program	1.0	0.000
Members of staff are usually rotated in various functions	2.9	1.237
Employees are willing to share learnt knowledge and experience	2.8	1.183
Employees work in groups to share knowledge	2.4	1.369
Knowledge sharing is done through seminars and or workshops	1.9	1.082
There is diversity of channels used in knowledge sharing in this bank.	2.0	0.812
New developments are shared through internal memos	1.8	0.721
Knowledge sharing increases performance	1.78	0.830
Average	2.07	0.904

3.3. Performance

Results in Table 5 shows the performance of the banks in the study as indicated by profitability, returns on assets, non-performing loans as well as customer satisfaction. The vast majority (96.7%) of the respondents agreed that the bank has been achieving profit in the last 4 financial years. Majority (88.5%) of the respondents agreed that the bank has been achieving profit in the last 4 financial years. Slightly above half (54.1%) of the respondents agreed that the bank's ratio of non-performing loans is within acceptable range in the last 4 financial years. In addition, 60.7% of the respondents agreed that the bank has registered high customer satisfaction in the last 4 financial years. These results suggest that majority of the banks in the study were performing highly.

Table5. *Performance*

	Agree	Uncertain	Disagree
The bank has been achieving profit in the last 4 financial years	96.7	0.0	3.3
In the last 4 financial years, the bankhas been generating profits from its total assets (return on assets)	88.5	0.0	11.5
The bank's ratio of non-performing loans are within acceptable range in the last 4 financial years	54.1	6.6	39.3
The bank has registered high customer satisfaction in the last 4 financial years	60.7	3.3	36.1

3.4. Effect of Knowledge Sharing and Performance

The hypothesis of the study stated that knowledge sharing has no significant effect on the performance of Commercial Banks in Nyeri Town. Regression analysis was conducted between the score of knowledge sharing items and the total score of performance responses. Results indicated that knowledge sharing was significant ($p=<0.001$). This shows that knowledge sharing had a significant association with performance. The hypothesis is therefore rejected and the study concludes that knowledge sharing has a significant effect on the performance of Commercial Banks in Nyeri Town. This result similar to finding of Ji and Zhou (2017) who indicated that the most important part of knowledge management is knowledge sharing, which is the prerequisite for the process of knowledge collection, transfer and reconstruction. It is similar to finding of Osome (2018) study which established that knowledge sharing significantly influenced firm performance. Elsewhere, this finding is similar to results of Islam (2017) who established a positive impact of information sharing on individual performance in terms of jobs performance, creative performance, professional performance, team performance and UUM academics' organizations performance.

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	-.645	1.613		-.400	.691
	Sharing	.343	.023	.892	15.144	.000

4. Conclusion

The study aimed to determine the effect of knowledge sharing on the performance of commercial banks in Nyeri Town. The results demonstrated that commercial banks in Nyeri Town endeavoured to share knowledge using various methods and channels in order to enhance performance. The regression results showed that knowledge sharing had a significant positive effect on the performance of commercial banks in Nyeri Town. Therefore, it can be concluded that knowledge sharing has a significant positive effect on the performance of commercial banks in Nyeri Town, and that banks should prioritize this practice to improve their performance. It is therefore recommended that banks should establish formal and informal channels for knowledge sharing, such as mentorship programs, communities of practice, and knowledge-sharing platforms. Banks should also provide incentives for staff to share knowledge and encourage a culture of knowledge sharing within the organization.

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