Employee Involvement and Participation on Corporate Financial Performance of Commercial Banks in Kenya

Philip Kibwage Ondiba¹, Prof. Thomas Cheruiyot², and Prof. Timothy Sulo³

¹(PhD student, Department of Finance and Accounting, Moi University, Eldoret Kenya)
²(Department of Management Science Moi University, Eldoret, Kenya)
³(Department of Agricultural Economics & Resource Management Moi University)

ABSTRACT: Banking sector has in the recent past experienced corporate financial performance challenges that led to dismissal of several bank top managers and even closure of some banks. Banks in Kenya must make changes on structures, operations and in the strategies used to meet customers’ needs and demands. The strength of commercial banks in Kenya significantly depend on the internal practices employed such as human capital practice. This study sought to examine the effects of human capital practices on corporate financial performance of commercial banks in Kenya as moderated by financial incentives. The objective of the study was to determine effect of employee participation on corporate financial performance of commercial banks. In this study, explanatory research design was adopted. The study targeted 869 employees from 42 commercial banks operating in Kenya according to the CBK supervisory report in 2014. Simple random sampling method was used to select 267 employees. Structured questionnaire was used to collect data. Cronbach alpha was used to test Reliability, while factor analysis was used to test validity. The study findings showed that Employee participation (β = 0.185, p<0.05) thus, the study infers that employee participation and involvement as one of the human capital practices is major determinants of corporate financial performance in banks. Thus, it is important for supervisors to allow employees to contribute in decision making.

I. BACKGROUND TO THE STUDY

Corporate financial performance has been considered one of the most important critical factors behind economic success of both developed and developing countries due to their multiple contributions in economic growth, employment generation and innovations (Kongolo, 2010). Firm performance is related to the ability of the firm to gain profit and growth in order to achieve its general strategic objectives. Business performance is the result of the interplay between actions taken in relation to competitive forces that allow the firm to adapt to the external environment, thereby integrating the efficiency and effectiveness (Asian Productivity Organization, 2011).

Corporate financial performance is the focus of any business and only through performance are organizations able to grow and progress (Gavrea et al., 2011). Similarly, the survival of a business is to accomplish set goals and objectives (Muduenyi et al., 2015). According to Yazdanfar (2013), one of the important preconditions for long-term firm survival and success is firm profitability. Corporate financial performances the achievement of a firm’s strategic goals and objectives (Almatrooshi, Singh, & Farouk, 2016). The banks’ management effectiveness and efficiency in making use of resources is highly reflected by high performance and this in turn contributes to the country’s economy at large (Naser & Mokhtar, 2014).

In any industry, the success of an organization is extremely dependent on its human resources skills. Although there are many other factors that play a key role, a company must have effective employees in order to stay financially solvent and competitive. In order to maintain this valuable commodity, organizations must be aware that human capital practices enhance satisfaction and retention (Lindholm, 2013). Previous studies have shown that effective human capital practices would contribute to improved organizational performance (Ebitimobowei, Felix, & Wisdom, 2012) and it is a subject of ongoing debate in the human resource management literature and financial studies. According to Gyang, (2011) the world attention is now being focused on the importance of human capital as panacea stock of a nation which depends to a considerable degree on human capital development. According to Chambers (2014), human capital lies at the heart of firm performance and competitive advantage.

According to Chambers (2014) employees’ developmental needs must be consciously linked with the organization’s workforce needs as well as its strategic direction. “In today’s ‘lean and mean’ business climate, development is a necessary survival strategy: it helps companies position themselves so that they can adjust to rapid changes in their environment. It is further noted that many companies have come to realize that developing people is central to financial performance. It is also a key factor as organizations compete for human resources.
that are skilled and scarce. In response to this challenge, there has been a stream of initiatives and ideas, which have sought to promote ways in which human capital can be better integrated with the development of the organization and form part of the corporate strategy (Elena, 2010).

Chambers (2014) indicated that the rate of change is not going to slow down anytime soon. According to chambers, competition in most industries will probably speed up even more in the next few decades. In his study chambers was addressing the factors that drive human capital which lies in the organizational performance and competitive advantage. A similar view was held by Silzer and Dowell, (2010) cited human capital as being among the key factor that influence a firm performance. Catalyst, (2015) indicated that there are several factors that make human capital vital to organizational performance. The most significant driver of value in organizations today is the perceived shift to a knowledge economy, which makes the knowledge, skills, and competencies of employees a competitive advantage. Human capital programs should contain the three “ Cs” core workplace competencies, contextual framework within which the organization conducts its business and corporate citizenship (Chambers , 2014).

However, Shelton (2011) has noted that there is no single formula for creating a human capital program, but there are some important components that should be considered. A truly effective human capital program should include learning, career planning, goal setting, and evaluation. These areas will help the program to be beneficial to the employees who utilize and to the organization that provides it. Without them, the human capital reverts back to being simply job training. Based on the findings of Moses (2010), human capital programs must not only achieve its objectives, but it must have positive outcomes for the organization and individuals within the organization. Caliskan (2010) notes that, a portion of the program must be evaluating outcomes. The main purpose of human capital; in the work situation, is to develop the abilities of the individual and to satisfy current and future manpower needs of the organization.

However, the effect of human capital practices on corporate financial performance might be affected by some other factors such as financial incentives. Financial incentives frequently are suggested as a method for motivating and improving the performance of persons who use and are affected by accounting information (Zimmerman, 2010), and their use in organizations is increasing (Wall Street Journal, 2009). Further, researchers have been encouraged to employ financial incentives in their studies so that subjects are sufficiently motivated and participate in a meaningful fashion (from example, Chiaburu, 2010). Anecdotal and empirical evidence, however, indicates that financial incentives have widely varying effects on effort and, consequently, oftentimes do not improve performance (Pearson, et al., 2010, Babcock, et al., 2010). Consistent with this, financial and accounting studies examining the effects of financial incentives on individual performance find mixed results with regard to their effectiveness (Al-Nsour, 2012; Naldöken et al., 2011; Berger and Berger, 2015). However, the moderating effect of financial incentives on human capital and corporate financial performance is yet known.

Ongore and kusa (2014) noted that Commercial banks play a vital role in the economic resource allocation of countries. They channel funds from depositors to investors continuously. They can do so, if they generate necessary income to cover their operational cost they incur in the due course. In other words, for sustainable intermediation function, banks need to be profitable. Ongore and Kusa indicated that beyond the intermediation function, the corporate financial performance of banks has critical implications for economic growth of countries. It is further noted that, corporate financial performance analysis of commercial banks has been of great interest to academic research since the Great Depression Intern in the 1940’s.

Banking is a knowledge intensive, skills-based and relationship-rich industry”. In a progressive, complex and a more liberalized environment, competitiveness of banks will depend significantly on the quality of human resource and the extent to which the industry is able to enhance these talents. To compete effectively, banking institutions need professionals with the ample skills and expertise at all functional areas. Thus, the banking sector gives more priority to strengthen their intellectual human resources and the competency of them (Zeti Akhtar Aziz, 2005). In an earlier study by Al-Tamimi, (2010) it was noted that the performance of commercial banks can be affected by internal and external factors. These factors can be classified into bank specific (internal) and macroeconomic variables. The internal factors are individual bank characteristics which affect the bank’s performance. These factors are basically influenced by the internal decisions of management and board. The external factors are sector wide or country wide factors which are beyond the control of the company and affect the profitability of banks. It is clearly indicated from these studies that most work that has been done in the area of banks and their performance has focused on other issues surrounding the banks, no specific study has focused specifically on the role played by human capital practices applied by the banks to build the capacity of the employees and hence establish the effect that these human capital practices have on the corporate financial performance of these banks. This study therefore seeks to critically examine the role of human capital practices on the corporate financial performance of the commercial banks in Kenya.

1.2 Statement of the Problem

Adequate corporate financial performance of banks is of crucial importance to their customers, investors and other stakeholders. In the last one decade, competition in the banking industry in Kenya has increased significantly as a result of new entrants in the market and the increasing demands of the customers (Hancott,
This rapid growth in the Banking industry has posed several challenges. Banking sector has in the recent past experienced corporate financial performance challenges that led to dismissal of several bank top managers and even closure of some banks. Some banks have recorded poor financial performance. In the year 2015, several banks recorded a less than 20 per cent net profit decline as high operating expenses and one-time restructuring costs weighed on its profitability (CBK, 2016). In addition, out of the more than 42 commercial banks operating in Kenya only 11 banks are listed on the Nairobi securities exchange making one to question the whereabouts of the rest of the banks. In order to survive in the banking industry and to ensure a continued increase in its profitability, Banks in Kenya must make changes to its structures, operations and in the strategies used to meet customers’ needs and demands. The strength of commercial banks in Kenya significantly depends on the internal practices employed such as human capital practices.

However, most studies in the area of banking since liberalization have focused on financial related factors as being major contributors to the low performance of the banks. In addition, previous studies (Dhamodharan, Daniel, & Ambuli, 2010; Gubbins, Garavan, Hogan, & Woodlock, 2006) only provided link between human capital practices and corporate financial performance. Less attention given relates to human capital practices and corporate financial performance especially among financial institutions such as commercial banks. In addition, Studies that have been done to examine the effect of employee development did not consider financial incentives as moderating factor leaving a gap in the services sector and particularly financial institutions. Thus, the need to understand the effect of employee’s related factors in assessing the corporate financial performance of commercial banks. It was also necessary for the current study to be undertaken to examine how the financial incentives moderate human capital practices-corporate financial performance relationship in Kenya banking industry.

1.3 Objective
To establish the effect of employee participation on corporate financial performance of commercial banks.

II. REVIEW OF LITERATURE

Concept of Corporate Financial Performance

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished (Claudiu-Marian, 2011). It is the process of measuring the results of a firm’s policies and operations in monetary terms. It is used to measure firm’s overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Casstek & Pokorna, 2013). “Financial performance is scientific evaluation of profitability and financial strength of any business concern” according to Kennedy and Macmillan financial statement analysis attempt to unveil the meaning and significance of the items composed in profit and loss account and balance sheet. The statements assist the management in the formation of sound operating and financial policies. Financial performance can be defined “in terms of maximizing the owners’ wealth” (Borbá, 2005, p. 39). Assaf Neto (2010) asserts that organizations are focused on value creation in order to maximize the owners’ wealth. Burksattiene (2009) explains that Economic Value Added (EVA) is a value creation measure. Tsai, Lu and Yen (2012) add that, due to its purpose regarding value creation, intangible assets evaluation has received more attention.

Hult et al. (2008) propose that there are 3 key areas in which corporate performance can be monitored – (1) financial performance, (2) operational performance and (3) overall effectiveness. While financial performance measures to which extent financial goals, either accounting-based or market-based, are achieved, operational performance focuses on nonfinancial indicators, and overall effectiveness, whose measurement is very complicated, concentrates on perceived performance or reputation. Částek & Pokorná (2013) claim that it is the financial performance which is predominantly used by researchers. This thesis zeroes on the corporate financial performance as well, as it “highlights the efficiency with which firms transform their revenue into income that can be afterwards distributed to shareholders” and is the result of “productivity, efficiency, effectiveness, performing management, proper corporate governance, innovation” and external factors (Claudiu-Marian, 2011, p. 193).

As Orlitzky et al. (2003) specifies that there are 3 types of corporate financial performance measures – (1) market-based, which are concerned with investor returns, (2) accounting based, reflecting internal efficiency, and (3) perceptual. The perceptual measures are based on surveys, often gain qualitative characteristics, and this thesis therefore does not take them in consideration any further. The accounting-based and market-based measures, including those sometimes regarded as hybrid (e.g. Částek & Pokorná, 2013), are more closely discussed below.

Employee Participation and Corporate Financial Performance

Employee Participation is generally defined as a process in which influence is shared among individuals who are otherwise hierarchically unequal (Stavrou et al. 2004). It is a method where, a large number of subordinates share a degree of decision-making power with their superiors. Participatory management practices balance the involvement of managers and their subordinates in information processing, decision making and problem-solving endeavors. Previous research has shown that employees are more motivated when they know
what is going on in the firm. Sharing of information on, for example, strategy and company performance conveys to the employees that they are trusted. Further, it is important that employees know what is going on in a firm so that they can use the knowledge that resides in the firm to its fullest potential. This is expected to improve the performance of the employees since they feel as part of the organization.

Companies intending to gain a sustained competitive advantage should help their employees participate actively decision-making processes and involve them in the day-to-day problems. Putting in place employee involvement program afford employees with opportunities to reflect their own attitudes and work experiences, as well as their own hopes for the future (Bratton and Gold, 2007). Batt (2002) states that high-involvement practices may influence organizational performance and that employees’ involvement in problem-solving and self-directed teams may increase autonomy and satisfaction.

According to Rhoades, Eisenberger, & Armeli (2001), workers’ participation creates an atmosphere in which employees have an impact on decision and events that affect their jobs. Employee participation is not the objective in the organization but rather it involves employee’s participation is an organization and leadership where people are enabled to donate skills and to an organization for enhancement of performance. Stavrou et al. (2004) identified employee participation in decision making as an important high performance EDP practice which enhances corporate financial performance in an organization. This study established that employee participation in decision making can have a significant effect on employee satisfaction and performance at work. Kato & Shay, (2006) believe that employees’ participation is directly associated with their performance. Similarly, Colvin, and Keefe, (2002) found an indirect relationship between employee participation in decision making and employee turnover rate hence performance. Research on Employee Participation has been emphasized in relation to job satisfaction. This study has further shown that employee participation is positively related to their performance, satisfaction, and productivity. The current study sought to establish whether employee participation affects corporate financial performance in the banking sector based on the hypothesis that; corporate financial performance has a significant effect on the performance of employees in the banking sector.

From another perspective, participation may enhance employee–employer co-operation through team working, communication and other ‘supportive human resource polices’ (Colvin, and Keefe, (2002). It is frequently assumed in the management literature that the informational effects of participative forms of work organization lead not only to more worker participation in organization decision making, but also, as a consequence, to greater job satisfaction, higher employee motivation and a harmonious labour relations climate. Another argument in favour of management’s enforced move towards increased employee participation, and the assumed changes it brings about in employee behaviour, is the growing emphasis placed on customer service, which calls on committed employees rather than coerced labour to provide. According to Colvin, and Keefe, (2002) service requires employee internalization of a management-designed culture of commitment if it is not to be based on exhausting and expensive supervision. Colvin, and Keefe, (2002) also noted that there is evidence that both financial and work-related participation can deter or delay quits from the company and lower absenteeism rates. A decrease in labour turnover was reducing recruitment and job training costs for the organization. Cost savings may result from reductions in absenteeism rates. Furthermore, a more harmonious labour relations climate is also claimed to reduce costs to the company of industrial disagreements and to permit the faster acceptance and implementation of organization change. This eventually creates stability in the organization and hence leads to high performance.

Stavrou et al (2004) noted that impressive body of work that has found no association, or a negative association, between participation and company performance. Even some of the literature endorsing participation as a means to improved performance offers qualified support. It was also noted that the different outcomes for different forms of participation, firms demonstrated a (small) rise in productivity, whereas participation had no discernible effect on productivity in ‘participatory capitalist firms. It is established that though there is a series of work on corporate financial performance in relation to participation, there are glaring gaps in the service industry and particularly the banking sector. The current study seeks to fill this gap by examining the relationship between employee participation and employees work performance in the banking industry. Jarventaus (2007) established that both at international and local organizations there is a relationship between job training and organization performance. It was also noted that the presence of human capital practices may make the organization appear supportive and dependable, thus eliciting a reciprocal response from expatriates of more organization commitment.

In another study on job training and organization commitment, Jarventaus (2007) found that among the expatriate’s, the development of employees is positively related to affective commitment. Arago’n-S’a’nezh et al. (2003) concluded that employees’ perception of career-related practices influences their psychological attachment to the organization. Therefore, it is reasonable to assume that employees were interpreting organization actions such as investment in human capital programs as indicative of the personified organization’s commitment to them. Employees reciprocate accordingly by showing an increased level of loyalty and strive towards the realization of organization performance.
Studies into the significance of representative participation to the work environment are quite conclusive when it comes to the physical work environment: there is a clear and positive connection between organized labour, the existence of health and safety committees, etc. and the health and safety standard (Walters and Frick 2000). Results are much more inconclusive when it comes to the psychosocial work environment. Most research points to the incapacity of representative H&S bodies to deal with these matters as, in most cases; they are connected to managerial issues on which H&S bodies have no say (Christensen & Smith-Hansen 2007). On the other hand, studies of works council’s ability to influence the psychosocial work environment are non-existent or inconclusive.

A study conducted by Topolnytsky et al. (2002) found a very strong positive correlation between affective commitment and employees’ job involvement. Torka (2003) established similar results to this study amongst Dutch metal workers. The results indicated that employee participation leads to more affective and normative commitment to the department as well as to the organization. Participation is a useful way of involving employees to use their skills in problem solving. Chen and Tjosvold (2006) studied participation and its importance among American and Chinese managers working in China. Their research reveals that participation management is about involving employees in the decision-making process where the employees feel that they have the opportunity to discuss problems and can influence organizational decisions. The overall impact of participation is increased employee job performance and low turnover. Further, Lam et al. (2002) suggest that organizations can act to increase or decrease the levels of these mediator variables within their personal and potentially strengthen the positive performance effects of employee participation.

Strauss (2006) said that participation is a process that allows employees to exercise some control over their work and the conditions under which they work. It encourages employees to participate in the process of making decisions, which have a direct impact on work environment. Substantial employee participation in management is vital for cross-functional integration and efficient working. Strauss (ibid) further noted that direct participation can be thought of as three dimensions. The first deals with the employee voice, second deals with the actual influence of employees have over decisions and third deals with providing with relevant information to employees.

Cox, Zagelmeyer and Marchington (2006) found no support for the idea that the mere presence of employee participation is associated with positive employee perceptions of participation practices. They suggested that the number and mix of practices is the key issue in the participation and commitment relation. Research indicates that participation is not usually needed to gain commitment toward objectives but having employee participation in the planning can be an effective means of fostering commitment with the organization. Hales, (2000) indicated that participation can be particularly helpful in developing plans for implementing goal. For these reasons managers often include subordinates in goal setting and in the subsequent planning of how to achieve the goal. It is observed that employee’s commitment to the organization is strong among those whose leaders allow them to participate in decision making. The need for employees to be more involved in decisions that affect their work has been a center of argument in current management issues.

III. CONCEPTUAL FRAMEWORK

This study conceptualizes corporate financial performance as the dependent variable in terms of; Quality of output, Quantity of output, Customer Satisfaction and Improved time management. While employee participation is an independent variable.

IV. RESEARCH DESIGN

In this study, explanatory research design was adopted. The primary purpose of explanatory research is to explain why phenomena occur and to predict future occurrences. Explanatory studies are characterized by research hypotheses that specify the nature and direction of the relationships between or among variables being studied. Probability sampling is normally a requirement in explanatory research because the goal is often to generalize the results to the population from which the sample is selected. The data are quantitative and almost always require the use of a statistical test to establish the validity of the relationships (Creswell et al., 2011)

Target Population

The study targeted 869 Employees from the three levels of management; strategic, tactical and financial drawn from 42 commercial banks operating in Kenya according to the CBK supervisory report in 2014. There were 27 local private commercial banks and 3 local public commercial banks which accounted for 64 per cent and 5 per cent of the total assets respectively. A total of 13 commercial banks were foreign owned and accounted for...
31 per cent of the sector’s assets and they accounted for a total net asset of Ksh. 3.2 trillion as at 31st December 2014. The 869 Employees from the two levels of management; top level, and middle level who have been working in the banks for the last three years were sampled. Three years was considered because it was thought that the employees were able to relate to human capital practices and performance in the banking industry.

Target Population

<table>
<thead>
<tr>
<th>Target Population</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level</td>
<td>256</td>
</tr>
<tr>
<td>middle level</td>
<td>613</td>
</tr>
<tr>
<td>Total</td>
<td>869</td>
</tr>
</tbody>
</table>

Source: CBK, 2018; Bank HR database, 2018

Sample Size

The sample size determines the statistical accuracy of the findings. Sample size is a function of change in the population parameters under study and the estimation of the quality that is needed by the study (Wegner, 2000). The sample size of this study was computed based on the following formula as proposed by Borg and Gall (2014):

\[ n = \frac{NZ^2 \times 0.25}{[d^2 \times (N-1)] + [z^2 \times 0.25]} \]

\[ = \frac{869 \times 1.96^2 \times 0.25}{[0.05^2 \times (869-1)] + [1.96^2 \times 0.25]} = \frac{835}{3.13} = 267 \]

Sample Size

<table>
<thead>
<tr>
<th>Target Population</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level</td>
<td>79</td>
</tr>
<tr>
<td>Middle Level</td>
<td>188</td>
</tr>
<tr>
<td>Total</td>
<td>267</td>
</tr>
</tbody>
</table>

The study used simple random sampling to select the employees who participated in the study.

Response Rate

Response rate also known as completion rate in survey research refers to the number of respondents who answered the survey divided by the sample size. Babbie (2007) posits that a survey response rate is viewed as an important indicator of survey quality and it is presumed that a higher response rate ensures more accurate survey results. The study distributed 267 questionnaires to employees from the three levels of management; strategic, tactical and financial drawn from 42 commercial banks operating in Kenya. Out of the 267 questionnaires, 242 were returned. However, of the 242 returned, a total of 239 were reasonably and adequately completed representing approximately 89.5% response rate (Table 4.1). This response rate falls within the confines of a large sample (n ≥ 30). Additionally, the response rate was deemed satisfactory as suggested by Fowler (1993) who recommends 75% as a rule of the thumb for minimum responses.

Employee Participation

Employee participation is a process in which influence is shared among individuals who are otherwise hierarchically unequal (Stavrou et al. 2004). From the results in table 4.5, the supervisor always considers the employees’ views any time they give them (mean = 4.33, SD = 0.818). Employees therefore have a sense of belonging in the organization since their views are considered essential by the supervisors.

Besides, there is a lot of information sharing with the supervisors (mean = 4.27, SD = 0.771). This means that employees’ input is considered important by supervisors. Thus, employees are actively involved in decision making which encourages them to come up with creative ways to spur corporate financial performance. Specifically, the supervisors are always ready to listen to the juniors’ views (mean = 3.66, SD = 1.396). Moreover, the seniors encourage work group members to solve problems together (mean = 3.78, SD = 0.927). Group members can therefore work well together in an integrated way, with a high level of awareness and appreciation of the inherent strengths of each group member.

As well, there is active participation of the employees in top decision making (mean = 3.91, SD = 0.884). Employees are therefore an important asset in the organization because they are actively involved in top decision making. Also, the guidance and encouragement from the supervisors motivate the employees to make suggestions (mean = 3.68, SD = 0.913). Employees are further motivated by the fact that the organization structure is flexible and they are allowed to offer suggestions (mean = 3.64, SD = 0.876). The implication is that, irrespective of whether an employee is a junior or a senior, they are valuable assets to the banks in terms of decision making.

<table>
<thead>
<tr>
<th>My supervisor always considers my views any time I give them</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.33</td>
<td>0.818</td>
<td>-1.153</td>
<td>1.229</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>There is a lot of information sharing with my supervisor</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.27</td>
<td>0.771</td>
<td>-1.399</td>
<td>3.651</td>
</tr>
</tbody>
</table>
My supervisor is always ready to listen to the juniors’ views. 3.66 1.396 -0.78 -0.646
My seniors encourage work group members to solve problems together. 3.78 0.927 -0.35 -0.429
There is active participation of the employees in top decision making. 3.91 0.884 -0.113 -0.81
The guidance and encouragement from the supervisors motivate the employees to make suggestions. 3.68 0.913 -0.421 0.167
Flexible organization structure, allows employees to offer suggestions. 3.64 0.876 -0.449 -0.107
Participation 3.6746 0.73399 -0.887 1.338

Firm performance

This section of the analysis highlights the results on firm performance. Basing on the results in table 4.8, the bank has been outstanding in achieving market share (mean = 4.01, 0.87). The results suggest that the targeted banks are market leaders and they have effectively done so through investing in their human capital in terms of training and compensating them adequately. The bank has also been outstanding in sales growth (mean = 4.13, SD = 0.95) and profitability (mean = 4.07, SD = 0.74). The rate of growth and profit levels have even made it possible for the banks to reduce the cost of attraction with customers (mean = 4.01, SD = 0.90). By doing so, the banks get to grow their market share and at the same time satisfying both the needs of customers and those of employees.

However, the bank is yet to be successful at generating revenues from new product (mean = 2.36, SD = 1.42). It could be that the customers are not receptive to the use of new products thereby affecting the revenue collected from these products adversely. Besides, the bank has been outstanding in growth in income (mean = 3.49, SD = 1.14), capital (mean = 4.23, SD = 1.16) and investment returns (mean = 4.25, SD = 0.80). Evidently, the banks have achieved significant growth and this could be attributed to the efforts made by the bank towards ensuring that employees are well oriented with different bank operations, are well trained, actively involved in decision making and are adequately compensated for the work done.

Firm performance

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our bank has been outstanding in achieving market share.</td>
<td>4.01</td>
<td>0.87</td>
<td>-0.92</td>
<td>0.68</td>
</tr>
<tr>
<td>Our bank has been outstanding in sales growth.</td>
<td>4.13</td>
<td>0.95</td>
<td>-0.74</td>
<td>-0.32</td>
</tr>
<tr>
<td>Our bank has been outstanding in profitability.</td>
<td>4.07</td>
<td>0.74</td>
<td>-0.86</td>
<td>1.50</td>
</tr>
<tr>
<td>Our bank has been reducing a cost of transaction with customers.</td>
<td>4.01</td>
<td>0.90</td>
<td>-0.61</td>
<td>0.08</td>
</tr>
<tr>
<td>Our bank has been successful at generating revenues from new products.</td>
<td>2.36</td>
<td>1.42</td>
<td>0.30</td>
<td>-1.66</td>
</tr>
<tr>
<td>Our bank has been outstanding in growth in income</td>
<td>3.49</td>
<td>1.14</td>
<td>-0.63</td>
<td>0.01</td>
</tr>
<tr>
<td>Our bank has been outstanding in growth in capital</td>
<td>4.23</td>
<td>1.16</td>
<td>-1.56</td>
<td>1.57</td>
</tr>
<tr>
<td>Our bank has been outstanding in growth in investment returns</td>
<td>4.25</td>
<td>0.80</td>
<td>-1.69</td>
<td>4.40</td>
</tr>
<tr>
<td>firm performance</td>
<td>3.71</td>
<td>0.57</td>
<td>-0.80</td>
<td>1.35</td>
</tr>
</tbody>
</table>

Source : (Field Data, 2018)

Factor Analysis for Employee participation

Factor analysis was carried out on employee participation. The extraction method was principal component analysis and the rotation method was varimax with Kaiser Normalization and the findings were presented in the Table. The findings in the table showed that all the items related to employee participation were significantly loaded on their respective factors thus all were retained for analysis. Furthermore, all three factors accounted for 72.283% of the total variation in employee participation. Sampling adequacy was tested using the Kaiser- Meyer- Olkin (KMO) Measure of sampling adequacy. As shown in Table 4.12, KMO was greater than 0.5 (0.632), and Bartlett’s Test was significant, $\chi^2 (28) = 568.238$, p-value < 0.000.

Factors Analysis for Employee participation

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>My supervisor is always ready to listen to the juniors’ views.</td>
<td>0.847</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
My seniors encourage work group members to solve problems together. 0.779
The top management encourages us to exchange information with one another. 0.787
There is active participation of the employees in top decision making. 0.805
The guidance and encouragement from the supervisors motivate the employees to make suggestions. 0.722
Flexible organization structure, allows employees to offer suggestions. 0.783
My supervisor always considers my views any time I give them. 0.835
There is a lot of information sharing with my supervisor. 0.825

Total Variance Explained: Rotation Sums of Squared Loadings

<table>
<thead>
<tr>
<th>Total</th>
<th>% of Variance</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.272</td>
<td>28.4</td>
<td>28.4</td>
</tr>
<tr>
<td>2.012</td>
<td>25.144</td>
<td>53.544</td>
</tr>
<tr>
<td>1.499</td>
<td>18.739</td>
<td>72.283</td>
</tr>
</tbody>
</table>

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy. 0.632
Bartlett's Test of Sphericity; Approx. Chi-Square 568.238
Df 28.000
Sig. 0.000

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 5 iterations.

Factor Analysis for Firm performance

Factor analysis was also carried out on firm performance. The findings in Table 4.15 showed that other than the bank has been successful at generating revenues from new products, all the items related to firm performance were significantly loaded on their respective factors thus were retained for analysis. Furthermore, factor 1 and 2 account for a cumulative variance of 61.187% of the total variation in firm performance. Sampling adequacy was tested using the Kaiser-Meyer-Olkin (KMO) Measure of sampling adequacy. As shown in Table 4.15, KMO was greater than 0.5 (0.733), and Bartlett’s Test was significant, χ² (28) = 799.274, p-value < 0.000.

Factor Analysis for Firm performance

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our bank has been outstanding in achieving market share.</td>
<td>0.836</td>
<td></td>
</tr>
<tr>
<td>Our bank has been outstanding in sales growth.</td>
<td>0.848</td>
<td></td>
</tr>
<tr>
<td>Our bank has been outstanding in profitability.</td>
<td>0.715</td>
<td></td>
</tr>
<tr>
<td>Our bank has been outstanding in growth in investment returns</td>
<td>0.712</td>
<td></td>
</tr>
<tr>
<td>Our bank has been reducing a cost of transaction with customers.</td>
<td></td>
<td>0.735</td>
</tr>
<tr>
<td>Our bank has been outstanding in growth in income</td>
<td></td>
<td>0.739</td>
</tr>
<tr>
<td>Our bank has been outstanding in growth in capital</td>
<td></td>
<td>0.837</td>
</tr>
<tr>
<td>Our bank has been success at generating revenues from new products.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Variance Explained: Rotation Sums of Squared Loadings

<table>
<thead>
<tr>
<th>Total</th>
<th>% of Variance</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.598</td>
<td>32.479</td>
<td>32.479</td>
</tr>
<tr>
<td>2.297</td>
<td>28.708</td>
<td>61.187</td>
</tr>
</tbody>
</table>

KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy. 0.733
Bartlett’s Test of Sphericity Approx. Chi-Square 799.274
Df 28
Sig. 0.000

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
V. CONCLUSION AND RECOMMENDATIONS

The results on employee participation indicated that supervisors always consider the employees’ views any time they give them. Besides, there is a lot of information sharing with the supervisors. This means that employees’ input is considered important by supervisors. Further, the supervisors are always ready to listen to the juniors’ views. Moreover, the seniors encourage work group members to solve problems together. As well, there is active participation of the employees in top decision making. Besides, the guidance and encouragement from the supervisors motivate the employees to make suggestions. Employees are further motivated by the fact that the organization structure is flexible and they are allowed to offer suggestions.

Employee participation was found to have a positive and significant effect on corporate financial performance ($β = 0.185, p<0.05$). Therefore, active involvement of employees in decision making enhances financial performance of commercial banks. The results conform to that of Stavrout et al. (2004) which indicated that employee participation in decision making enhances corporate financial performance in an organization. Similarly, Kato & Shay, (2006) are of the opinion that employees’ participation is directly associated with their performance. On the same note, Colvin, and Keefe, (2002) found that employee participation is positively related to their performance, satisfaction, and productivity. Further support to the study findings is by Chen and Tjosvold (2006) who established that involving employees in decision making process gives them an avenue to discuss problems thereby influencing organizational decisions. Consequently, employee participation increases employee job performance. In a similar vein, Strauss (2006) elucidated that employee participation encourages them to participate in making decisions which have a direct impact on the work environment. From the previous studies, it is evident that employee participation indirectly affects corporate financial performance. The study has therefore added valuable insights on the direct link between employee participation and corporate financial performance. Future scholars can conduct a longitudinal study.

REFERENCES


