

Human resource risk transfer practices and performance of commercial banks in Kenya

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ABSTRACT

With a penetration of more than 70% among Kenyans, commercial banks are a strong force behind the Kenyan economy, contributing more than 5% of the country's Gross Domestic Product [GDP]. As the primary cash custodians and financiers of the major economic activities, commercial banks need to be protected through fostering a risk-tolerant corporate environment. The main challenge is that most of the risks that commercial banks face either originate from or are fueled by employees. This study aimed at investigating the relationship between Human Resource (HR) risk transfer practices and the performance of commercial banks in Kenya. The risk transfer practices were insurance covers, employee indemnification, outsourcing, and technological risk transfer methods. The study was anchored on the risk compensation or risk homeostasis theory with a positivist research philosophy using a descriptive research design. A census survey covering all the 38 licensed banks at the time of the study with a total of 228 respondents was analyzed using descriptive and inferential statistics. Frequencies, percentages, and standard deviations were produced by descriptive analysis, while correlation and regression results from inferential analysis helped to identify the relationship between the variables. The hypothesis was tested using analysis of variance (ANOVA), correlation analysis, and multiple regressions, while Pearson's Product Moment Correlation Coefficient (r) was used to establish the correlation. From the results, the relationship between the HR risk transfer practices and performance was strong ($R=0.67>0.5$), positive, and linear. The R-squared of 44.90% indicated that the variance in performance could be explained by HR risk transfer practices. In addition to this, the p-value was statistically significant ($p=0.000<0.05$), leading to the conclusion that the relationship between HR Risk Transfer Practices and Performance was statistically significant. This study suggested a replication of similar studies using different samples, study contexts, and methodologies to continuously evaluate and inform on the need for a strong HR risk management environment as a boost for organizational performance. This study also advocates for routinely revamping HR risk mitigation measures and practices and strengthening the emerging HR risk policies in the wake of modern-day challenges such as the COVID-19 epidemic that has had a significant disruption on the normal operations of organizations around the world.

Keywords: Commercial Banks, Human Resource Risk Transfer Practices, Performance, Kenya

1. INTRODUCTION

Commercial banks are considered as among the cornerstones of the Kenyan economy through their financing and custodial roles. However, the banks are highly endangered by human resources risks. Studies show that mitigating employee-related risks is a major challenge not only in the banking industry but in other organizations as well. In fact, Human Resource (HR) Risks are among the hardest to mitigate given that they are highly unpredictable (Hutton, 2017). All the same, commercial banks are still challenged to exhibit high levels of performance to attract and maintain the trust of customers and investors and to also boost the economy.

The performance of commercial banks on a global, regional, and local scales serve as a warning about the necessity for effective HR risk mitigation because the effects of such risks are seriously adverse, even as the overall global performance looks promising. When compared to its performance between 2008 and 2018, the global banking system has become stronger and more robust. With a 0.9% return on assets (ROA), the banking sector's total assets in 2018 surpassed the \$124 trillion mark (Deloitte, 2019). In the United States, the total assets increased to \$17.5 trillion and return on assets (ROA) increased by 11.83% over the same time period (Piggott, 2019). The risks are evident from historical pitfalls that global banks have suffered. The collapse of Lehman Brothers in 2008, for instance, was attributed to ineffectiveness in HR Risk Mitigation. This resulted in a loss of more than 25,000 jobs, creating a challenge towards the achievement of the first Sustainable Development Goal of eradicating poverty. According to Milojevic (2016), the fall of Lehman Brothers was highly attributed to the issuance of subprime loans without sufficient consideration of the required security.

The COVID-19 pandemic has also lately affected the worldwide banking industry as a result of containment measures. The global asset-based relative valuation of all banks dropped significantly from a 1 rating in December 2019 to 0.69 in April 2020, according to KPMG International Limited (2021). With operational asset-based relative valuation

still operating at discount levels of 0.52 and 0.56, respectively, the worst-case scenario was observed throughout European and Asian banks. The European banks had a significant stock decrease of 40.18% as a result of a drop in the Euro Banks Stock Index. The second worst-hit banks were those in North America, suffering a 31.23% decrease. Thirdly, the Asia Pacific region's banks were the third hardest damaged by the epidemic, with a 26.09% decrease in their stock price (KPMG International Limited, 2021). The social isolation policies intended to stop the disease from spreading created such a threat.

The regional context shows a positive performance potential in light of the numerous opportunities the banking sector has in Africa. However, these opportunities are still at risk due to the difficulties in mitigating HR risks. Napier (2016) claims that several African banks have underperformed, with some going completely out of business as a result of poor management and other related moral hazards. For instance, the Crane Bank of Uganda was shut down in 2016 as a result of massive insolvency brought on by poor management and fraud (Napier, 2016). Dzomira (2014), on the other hand states that there were many issues that may be linked to the caliber of human capital in most Zimbabwean banks in a study on banking distress in that country. The author points out that there has been a significant brain drain from Zimbabwean banks, which has led to a shortage of supervisory capabilities. The COVID-19 turned out to be terrible for the African financial sector, just like it was on the international stage. Reduced remittances and cross-border payments in African banks as a result of Covid-19 countermeasures like lockdowns, business closures, and curfews eventually led to the contraction of African economy (De Girancourt et al., 2020).

The local banking platform also demonstrates prevalence of HR risks as among the key threats. Numerous bank failures in Kenya's local banking history have been attributed, among other factors, to HR concerns. Although low liquidity and poor asset quality caused the majority of banks to fail between 1986 and 1998, Olweny and Shipho (2011) found that insider lending, which is a purely HR risk had a bigger impact on the failure. According to Ogola et al. (2016), human risks were a factor in the most recent bank failures in Kenya, which included Chase Bank, Dubai Bank, and Imperial Bank. According to the author, there are many fraud incidents in the Kenya's banking industry as a result of a mix of internal (employee involvement) and external causes, such as lax prosecution systems. The effectiveness of banking fraud investigators to combat the vice is examined in a study by Qonde and Chepkonga (2017), and they find that fraud activities have steadily increased over the past ten years. According to the Central Bank of Kenya [CBK] (2013), the percentage of fraudulent or attempted fraudulent financial activities grew from an annual average of 0.5% to between 3 and 5%. On top of that, fraud-related activities have cost commercial banks an estimated \$100 million each month in losses (Qonde & Chepkonga, 2017). Fraud losses cause holes in banks' financial structures, negative publicity, and a decline in customers and investors trust. Given the restrictions they place on the flow of money, which is essential to the economy, such issues could make it more difficult to achieve socio-economic goals like those outlined in the Big Four Agenda, the Millennium Development Goals, Vision 2030, and the Sustainable Development Goals (SDGs), among others.

HR risks are risks involving employees and their operations inside a company. HR risks are sometimes known as employee, occupational, or work-related risks (Centre for Protection of National Infrastructure, 2012). Theft, lawsuits from customers and employees, product misselling, and poor service quality are a few examples of HR risks that firms must deal with related to their personnel (Kruse & Dvorak, 2016). Given the development of information technology and how well it can be adapted by most firms, Lewis (2016) lists data security as one of the emerging dangers. Employee-related hazards arise from such examples in a broad and intricate array of difficulties, which is why their mitigation is of such concern.

Risk transfer refers to transferring anticipated risks to another party (Hutton, 2017). Insurance policies including employee medical and personal accident insurance, banking technology, outsourcing (Kamanga & Ismail 2016), and the utilization of indemnities are some of the practices used within the banking sector in Kenya to transfer their HR risks (Chincarini, 2012). The essence is to transfer potential risks that may result from employee engagement with the banking activities to third parties.

1.1 Statement of the Problem

One essential prerequisite for the performance of commercial banks in Kenya is the reduction of HR risks. Kenyan commercial banks play a significant role in the economy of the nation. This contribution needs to be increased, though, as it is still little, in part due to occupational risks. In comparison to other important industries like information and communication, which contributed 11.4% and 9.0% to the GDP in the same period, the GDP contribution in 2018 and 2019 was 5.6% and 6.6%, respectively (CBK, 2020). Due to their involvement in financing, employment, consulting, and custodial activities, commercial banks are essential to achieving development objectives the Big Four Agenda and Vision 2030. (GOK, 2010). If their performance is threatened by HR risks, as shown by their recent and past experiences, this might not be possible.

Commercial banks have experienced turbulent times as a result of employee-related risks. Failures in compliance in company processes were a factor in Imperial Bank's liquidation in 2016. (Gathaiya, 2017). The concealing

of insider lending activity in violation of banking laws and regulations also contributed to the collapse of Chase Bank (Stavis, 2016). Due to their failure to report fraud at the National Youth Service, five Kenyan banks were penalized in 2018 (CBK, 2018). According to the Kenya Bankers Association's 2018–2020 customer satisfaction surveys, employee-related issues such as opaque pricing are major causes of customers' unhappiness. Such a performance streak is a sign of workplace dangers that need to be addressed by assessing how well the current mitigation strategies are working.

Although researchers have made an effort to address HR risks, there is still a significant information gap. Mengich and Njiru (2015) established the effect of risk management on financial performance within SACCOS in Nakuru County was established by. The methodology did not include workplace risks, which are the subject of this study. Using the Panel Least Square Regression, Abdrahamane et al. (2017) investigated the impact of banking regulation on the risk management and performance of banks in Mali. Ordinary Least Squares is used in the current work to provide a different methodological viewpoint. The study also depicts contextual gaps as it was done in Mali, where the economic conditions are different from those in Kenya. This research therefore covers this gap by its Kenyan context.

1.2 Research Objectives

To investigate the relationship between Human Resource Risk Transfer Practices and the Performance of commercial banks in Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Review

A number of theories underpin the relationship between HR Risk Transfer Practices and the performance of commercial banks in Kenya. Among such theories is the Risk Compensation Theory (RCT). The theory, sometimes referred to as the Risk Homeostasis Theory (RHT) explains why people decide to take certain risks. It was founded by Sam Peltzman and Gerald Wilde in 1975 and has since attracted significant attention on its preciseness in managing risks (Pless, 2016). The theory indicates that people feel more secure in risky ventures when there is sufficient cover against such risks. Most of the research carried out on RCT is focused on safety within the transport industry. For instance, it is observed that people tend to be less careful while driving or cycling when they have protective mechanisms than when they do not have them (Inouye, 2014). The theory finds applicability in this research, especially in explaining the main motivation behind taking HR risk mitigation measures such as insurance covers, which helps compensate the employee should they get injured in their duty.

2.2 Empirical Review

Risk transfer involves a contractual moving of foreseeable risks from one party to another to minimize losses if a risk event occurs. Among the risks, organizations are keen to transfer health-related, accident and injury claims, and death, which are done through insurance covers (Hasan & Hacıoglu, 2013). In addition to this, an organization may prefer to outsource some of the services it needs to transfer some of the risks associated with the direct hiring of employees (Thomas, 2010). Further, organizations such as banks and insurance companies are embracing agency-based business as a model of risk transfer in addition to enhancing their sales (Redford, 2017). Mobile and internet banking are also acting as a major boost towards the management of employee-related risks such as posting errors and other processing errors. Apart from these, companies also employ indemnities in their operations to transfer risks to third parties.

Various studies exist on the influence of insurance covers on organizational Performance. Tessema et al. (2013) studied three countries (the US, Vietnam, and Malaysia). The authors established a strong correlation between benefits such as insurance covers and the Performance of employees, which eventually translate into organizational Performance. In Kenya, a similar study was carried out by Moruri et al. (2018) attempt to demonstrate the relationship between employee welfare facilities and the Performance of the Judiciary in Kenya. Part of the welfare initiatives was insurance covers by the employer. Similar findings as above were established, where organizational Performance metrics such as a significant reduction in case backlogs were evident due to employees enjoying such benefits.

The existing literature also depicts outsourcing as a general approach to risk transfer. This refers to a strategy where an organization entrusts some of its functions to another firm (Giustiniano & Clarioni, 2013). Kigwe and Maina (2018) noted a statistically significant positive effect of outsourcing risks, costs, and quality services by commercial banks based in Kenya's Coastal Region. The authors attributed the growth of the banking business in the region partly due to innovative ways of managing risks, such as through the use of outsourcing. Outsourcing comes with its benefits in risk mitigation. Most of the risks associated with bank employees are transferred to third parties within commercial banks, which boosts the sustainability of their performance (Gituma et al., 2018). Ndubuisi-Okolo (2020) noted a significant improvement in the performance of commercial banks in terms of profits before tax as a result of outsourcing

human resources. The author notes that the improvement was statistically significant where outsourcing was done for core functions of the commercial banks, such as sales and operations. Çiçek and Özer (2011) established consistent results, where outsourcing had a significant positive impact on the Performance of firms. The study focused on outsourcing HR functions such as training and development, payroll administration, and recruitment and selection services. However, a study by Kamanga and Ismail (2016) downplays risk mitigation as one of the reasons for outsourcing compared to improved performance and cost reduction. The authors recommend that the outsourced firms be effectively scrutinized to assure that their engagement with the firm does not hatch risks that can deter Performance.

Within the banking environment, indemnities are used in various ways, such as between clients and the bank, staff and employers, and contractors and the bank. According to Holt (2013), if an employer experience lost profits, they should only claim the employee wages where such a loss resulted from an employee's negligence, willful or intentional failure in their duty. This should be supported with a written agreement covering such circumstances in the form of an indemnity (Holt, 2013). Indemnities are also affected by using third parties such as insurance covers (Vieriu, 2016). Arabyat (2014) established a high level of organizational performance when engineers have professional indemnities. However, the authors note that various factors influence the decision to go for professional indemnities through insurance companies. Such factors include the level of awareness and understanding of the relevance of indemnities and the feeling that indemnities might only cover up to some limits, which is discouraging.

Apart from indemnities, banks leverage on technology in several ways to shift risks that are associated with their employees, either to clients or to other third parties. Technological features help reduce errors that can result in losses or delays, for example, having embedded swift code verifications before a transaction is completed online. Monyoncho (2015) established a strong relationship between banking technologies and the performance of banks in Kenya. The deficiencies in the research are that it fails to incorporate the aspect of risk management effectiveness that is expected to be achieved through technology. Arabyat (2014) noted that technological enhancements are instrumental in supporting lean operations and cutting costs for the banks that opt for them. In a related study, Romdhane (2013) established consistent results within the Tunisian banking market.

2.3 Conceptual Framework

The conceptual framework that this study adopted is as shown in Figure 1. The independent variable was Human Resource Risk Transfer Practices while the dependent variable was Performance.

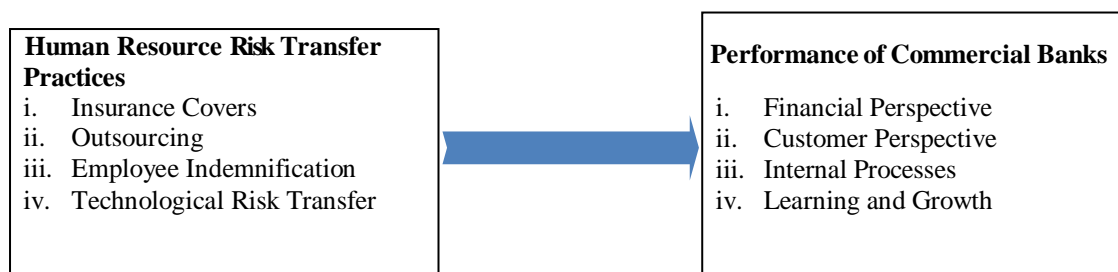


Figure 1
Conceptual Framework

III. METHODOLOGY

3.1 Research Philosophy

This research adopted a positivist philosophy. According to the positivist philosophy, what can be observed, quantified, or verified scientifically is what can be accepted as fact (Fulford & Hodgson, 2016). This philosophy was used in this study because the research involved a statistical analysis on respondent's opinions of the efficacy of various HR Risk Mitigation Practices and how they affect the performance of commercial banks. A similar philosophy was used by Bw'Auma (2021) to study how board characteristics influenced the performance of commercial banks in Kenya. Positivism was also used by Sporta (2018) in studying how banking performance was affected by financial distress in Kenya.

3.2 Research Design

This study used a descriptive survey with the main goal of elucidating the relationship between HR Risk Transfer Practices and the performance of Commercial Banks in Kenya. A descriptive survey was suitable for this study as it involved giving an account of the correlation between HR Risk Transfer Practices and the performance of commercial banks without the need of manipulating the variables involved.

3.3 Population of the Study

The target population was all the 41 commercial banks that were listed by the CBK at the time of the study. However only 38 were accessible. Chase Bank and Imperial Bank were under receivership while Charterhouse was under statutory management, hence excluded from the study. Four of the 38 banks were involved in a pilot study, while 34 in the main study. Six employees from each bank, including human resource managers, risk managers, branch operations managers, tellers, and sales managers were engaged to provide the needed data for the study.

3.4 Data Collection Instruments and Procedures

Data collection involved the use of closed-ended questionnaires with a Likert scale being employed to measure the responses. A scale of 1 to 5 was employed with 5 indicating "very much" and 1 "not at all." A drop and pick later approach was used to make sure respondents had adequate time to respond to the questions.

3.5 Test for Reliability of Instruments

The Cronbach's Alpha Coefficient was used to assess the reliability of the data collection tool by assessing the internal consistency. According to Durakbasa and Gencyilmaz (2018) when there is internal consistency, the data collection methods will most likely produce similar results when used on a larger scale. A Cronbach's Alpha Coefficient above 0.7 is deemed as suitable internal consistency (Bolarinwa, 2015). This study determined that the instruments were internally consistent based on a Cronbach's Alpha value of 0.713.

3.6 Data Analysis and Presentation

After coding and cleaning, the acquired data was backed up using the SPSS application. Descriptive statistics, factor analysis, tests for regression assumptions, and regression analysis were employed in the study. The correlation between HR Risk Transfer Practices and Performance was examined using a regression analysis. The data were checked for outliers, normality, linearity, and homoscedasticity before the regression analysis. In order to determine whether the data was suitable for regression analysis, the tests were required.

IV. FINDINGS & DISCUSSION

4.1 Response Rate

During the primary study, 204 questionnaires were distributed among the 34 banks, with a goal of reaching six employees per bank. The response rate is as shown in Table 1:

Table 1

Response Rate

Category	Main Study	Percentage	Pilot Study	Percentage
Returned Questionnaires	156	76.47%	24	100%
Unreturned Questionnaires	48	23.53%	Nil	Nil
Total	204	100%	24	100%

Out of this total, 156 (76.47%) were collected after being properly and completely filled out. According to Fincham (2008), a return rate for questions of at least 60% is necessary for social sciences research, hence the achieved response rate for this study considered adequate.

4.2 Descriptive Analysis for HR Risk Transfer Practices

The study sought to establish the perceived effectiveness of HR Risk Transfer Practices in mitigating employee-related risks. As shown in Table 2, the majority of respondents (30.30%), compared to 5.40% who thought the practices were completely ineffective. The large standard deviation of 1.75 for the findings responses shows that most responses deviated significantly from the average. The variability of the responses is indicated by the dispersion, a sign that the respondents' views on the efficacy of HR Risk Transfer Practices were diverse. The high percentage in favor of using HR Risk Transfer Practices to reduce risks is consistent with Hasan and Hacıoglu (2013) observation that insurance policies were very effective. However, the results conflict with those of Kamanga and Ismail (2016), who established that practices such outsourcing were ineffective in enhancing organizational performance. The authors listed a number of causes for the inefficiency, including inadequate vetting of the outsourced companies.

Table 2*Descriptive Results for HR Risk Transfer Practices*

Statement	Very Much (%)	Much (%)	Somehow (%)	Neutral (%)	Not at all (%)	Mean Per Item	Std. Dev.
Insurance Covers are an effective strategy for transferring employee risks to a third party.	48.10	19.20	21.80	7.10	3.80	4.01	1.16
Outsourcing of Services is a workable way of transferring employee risks to third parties.	26.30	27.60	23.70%	13.50	9.50	3.49	1.26
Indemnification of employees is effective in mitigating employee-related risks.	23.10	42.90	28.8	3.20	1.90	3.82	0.89
Banking Technology e.g mobile and internet banking is effective in transferring employee-related risks to third parties.	23.7	42.90	21.80%	5.10	6.40	3.72	1.81
Mean	30.30	33.15	24.03	7.23	5.40	3.76	
Overall Standard Deviation							1.75

4.3 Descriptive Analysis for Performance

The study aimed at determining the Performance of commercial banks in Kenya in light of Human Resource Risk Transfer Practices. The measurement of performance included both the financial and non-financial perspectives as enshrined in the Balanced Score Card Model. Responses about the performance of commercial banks for the period of the study were as shown in Table 3.

The results indicate that 36.69% of the respondents were in agreement that the performance of the banks in Kenya was 'very much high' whereas only 2.93% disagreed. These findings are consistent with the CBK (2017-2020) banking performance reports which were satisfactory. The results also indicate a standard deviation of 0.96, showing that there was no significant deviation from the mean since the standard deviation is less than 1 (Cleff, 2019).

Table 3*Descriptive Results of Banks' Performance in Kenya*

Statement	Very Much (%)	Much (%)	Somehow (%)	Neutral (%)	Not at all (%)	Mean Per Item	Std. Dev.
The bank demonstrates adequate capabilities in Financial Loss Minimization	46.80	36.50	13.50	0.60	2.60	4.24	0.90
The Cost-Saving level that the bank demonstrates is adequate to foster its Performance	33.30	42.30	18.60	2.60	3.20	4.00	0.96
The bank demonstrates Consistency in the Sales of its products.	30.10	37.20	25.00	4.500	3.20	3.87	1.00
The level of Attraction and Retention of customers is satisfactory	33.30	31.40	23.10	9.60	2.60	3.83	1.08
In my opinion, customers are satisfied with the Turn-Around-Time of the bank's services or products.	42.90	32.10	19.90	2.60	2.60	4.10	0.98
The level of Positive Feedback from customers as a result of satisfaction with the bank is high.	39.10	36.50	23.70	6.00	0.00	4.14	0.80
Business Referrals from our clients are adequate in significantly improving the bank's Performance.	38.50	30.80	25.00	3.80	1.90	4.00	0.98
The level of Competition for our Customers from other banks is less threatening to the bank's Performance.	21.80	30.10	25.00	12.80	10.30	3.40	1.25
The average Cycle-time of the bank's processes is effective in enhancing Performance.	37.20	42.30	17.30	2.60.	0.60	4.13	0.83

The Quality of service and products is adequate in influencing good Performance.	48.10	38.50	10.30	3.20	0.00	4.31	0.79
The Skills Level among employees is adequate towards contributing to the good Performance of the bank.	45.50	39.10	12.20	3.20	0.00	4.27	0.80
The Productivity of the bank staff is adequate in enhancing good Performance.	48.70	39.10	9.60	1.30	1.30	4.33	0.81
The rate of Generation and sharing of ideas among the bank staff is adequate effective in enhancing Performance	34.60	46.80	14.10	3.80	0.60	4.11	0.83
The Level of Up-Skilling among employees is effective in attaining the best Performance.	41.00	38.50	16.70	1.30	2.60	4.140	0.92
The process of Launching and Selling new Products within the bank is easy.	20.50	23.10	34.00	12.20	10.30	3.310	1.22
Considering the level of learning and innovation within the bank, there is Consistency in Error Reduction.	25.60	34.00	27.60	7.70	5.10	3.67	1.10
Mean Per Rating	36.69%	36.14%	19.73%	4.65%	2.93%		
Overall Standard Deviation							0.96

4.4 Diagnostic Tests

To get accurate results during a regression analysis, the following tests were carried out: test for outliers, normality, linearity, multicollinearity, independence, and homoscedasticity.

4.4.1 Test for Outliers

Outliers were tested with the help of the Grubb Test which makes use of Z-scores (Larson-Hall, 2015). The results were as shown in Table 4:

Table 4

Results for Identified Outliers

Variable	No of Outliers	Z-scores
HR Risk Transfer Practices	1	-3.50734

Given that there were 156 cases (more than 80), any standard score of 3.0 or more was regarded to be an abnormality (Larson-Hall, 2015). As such one item that obtained this standard score was deleted as shown in table 2. Chubb and Simpson (2017) employed Z-scores to search for outliers in a study in cardiovascular imaging, testifying its precision identifying outliers.

4.4.2 Normality Test for Performance

To ascertain if the performance-related data was normally distributed, the Shapiro-Wilk test was employed. Table 5 shows the results of the analysis:

Table 5

Normality Test Results for Performance

Shapiro-Wilk			
	Statistic	df	Sig.
Performance	.990	156	.304

The Shapiro-Wilki scale was chosen since there were fewer than 2000 respondents, as supported by Gelman et al. (2020). The p-value for the data was $0.304 > 0.05$, which led to the rejection of the null hypothesis that the data were not normally distributed.

4.4.3 Test for Linearity

To determine whether the relationship between HR Risk Transfer Practices and the performance of commercial banks could be explained linearly, a test of linearity was carried out using Pearson's Correlation Coefficient. The results are as shown in Table 6:

Table 6

Linearity Test Results

		Performance
HR Risk Transfer Practices	Pearson Correlation	.670**
	Sig. (2-tailed)	.000

The results indicate that HR Risk Transfer Practices and performance had a positive correlation coefficient of 0.670 with a p-value of 0.00. As such, HR Risk Transfer Practices were considered to be linearly correlated with performance as supported by Wanjohi et al. (2017).

4.5 Inferential Analysis

The objective of this study was to investigate the relationship between HR Risk Transfer Practices and the Performance of commercial banks in Kenya. The initial test in the analysis involved the establishment of the model fitness as shown in Table 7:

Table 7

Model Summary for HR Risk Transfer Practices and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.670 ^a	.449	.445	.34718

a. Predictors: (Constant), HR Risk Transfer Practices

The model of the regression was $Y = b_0 + b_3X_3 + \varepsilon$. The value of R was 0.670 while the R square was 0.449. The R value indicates that the relationship between HR Risk Transfer Practices was strong ($R > 0.5$), positive and linear. The R square on the other hand indicates that 44.90% of the variance in performance was explained by HR Risk Transfer Practices. A similar relationship was established by Tessema et al (2013) in a study on the relationship between employee insurance covers and organizational performance, hence the affirmation of this study. An ANOVA test was performed to evaluate the significance of the relationship between HR Risk Transfer Practices and Performance. Table 6 provides a summary of the findings:

Table 6

Analysis of Variance for HR Risk Transfer Practices and Performance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	15.125	1	15.125	125.482	.000 ^a
Residual	18.563	154	.121		
Total	33.688	155			

From the ANOVA table, the F-statistic was 125.482, implying that the model was significant given that it was more than the critical value of 3.903 at 1, 154 degrees of freedom (inferred from the log table). In addition to this, the p-value was statistically significant ($p = 0.000 < 0.05$), leading to the conclusion that the relationship between HR Risk Transfer Practices and Performance was statistically significant. To investigate the correlation between HR Risk Transfer Practices and Performance, an analysis of the coefficients was carried out. The results were as summarized in Table 7:

Table 7

Regression Coefficients for HR Risk Transfer Practices and Performance

Model	B	Unstandardized Coefficients		Standardized Coefficients		Sig.
		Std. Error		Beta	t	
1	(Constant)	2.049	.163		12.541	.000
	HR Risk Transfer Practices	.478	.043	.670	11.202	.000

a. Dependent Variable: Performance

Considering the constant term, when the HR Risk Transfer Practices were at zero, Performance would be at 2.049. Likewise, an improvement by one unit in HR Risk Transfer Practices would lead to an improvement in Performance by 0.478 units. The model was thus summarized as $Y = 2.049 + 0.478X_3$, where,

Y=Performance

X_3 =HR Risk Transfer Practices.

The above analysis sought to determine whether the null hypothesis (H_0) could be accepted or rejected. The null hypothesis was stated as: -

H_{03} : *There is no Statistically Significant Relationship between HR Risk Transfer Practices and the Performance of Commercial Banks in Kenya.*

The test resulted in a p-value of $0 < 0.05$, thus the null hypothesis was rejected in favour of the alternative hypothesis, that there was a statistically significant relationship between HR Risk Transfer Practices and the Performance of commercial banks in Kenya. Such findings are supported by the existing studies such as Thomas (2010) who found a significant correlation between outsourcing, as a risk transfer practice, and organizational performance. Further to this, the study by Tessema et al. (2013) in the USA, Malaysia, and Vietnam established a statistically significant relationship between insurance covers and employee motivation, which further translated into organizational performance. As such, HR Risk Transfer Practices are effective in dealing with employee related risks and at the same time enhancing organizational performance.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The objective of this study was to investigate the relationship between HR Risk Transfer Practices and the Performance of commercial banks in Kenya. The results were a strong, positive, and statistically significant correlation between HR Risk Transfer Practices and the Performance of commercial banks in Kenya, which was statistically significant. The positive and significant relationship denotes the value addition that such practices have on the overall outlook of commercial banks in Kenya.

5.2 Recommendations

Owing to the fact that there is a strong, positive, and statistically significant correlation between HR Risk Transfer Practices and the performance of commercial banks in Kenya, this study makes the following recommendations: For future research, this study recommends a replication of similar studies using different samples, study contexts, and methodologies to continuously evaluate the need for a strong HR risk management environment as a boost for organizational performance. The scholarly world can benefit from a diversity of such literature, generated through empirical studies. In practice, in view of the unpredictability and larger range of employee-related risks, this study suggests routinely revamping of HR risk mitigation measures and practices. Enhancing and modernizing risk mitigation frameworks also need frequent and strategic training in risk management. Additionally, there is a need to strengthen the emerging HR risk policies that have been established by the majority of firms in the wake of modern-day challenges such as COVID-19 epidemic, such as those related to flexible working arrangements.

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