# EMPLOYEE COMPETENCIES AND THE PERFORMANCE OF COMMERCIAL BANKS IN NORTHERN UGANDA; A STUDY OF CENTENARY BANK

**BY**

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## DECLARATION

This is to declare that this dissertation is an original work and result of my personal efforts. It has never been submitted to any Institution for Academic or any other award before.

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Signature

01/09/2026

Date

## APPROVAL

This is to certify that this dissertation has been done under our guidance and supervision as the student's supervisors.

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## DEDICATION

This research dissertation is dedicated to my family; many thanks go to them for their endless support, encouragement and the love shown to me during this journey. I will forever remain grateful.

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## LIST OF ABBREVIATIONS & ACRONYMS

| | |
|---|---|
| BoU: | Bank of Uganda |
| CB: | Commercial Banks |
| CVI: | Content Validity Index |
| ECB: | European Central Bank |
| NPLs: | Non-Performing Loans |

## ABSTRACT

In the contemporary world of business, employee competencies play crucial role in enhancing performance of commercial bank. This study investigated employee competencies and performance of commercial bank. The overall purpose of the study was to examine the influence of employee competencies on performance of commercial banks, a study of Centenary bank in Lira and Gulu City. The study was guided by the following specific objectives: to examine the forms of employee competencies in commercial banks in Northern Uganda, the case of Centenary bank, Gulu and Lira branches; to assess the performance of commercial banks in Northern Uganda, the case of Centenary bank, Gulu and Lira branches respectively; to determine the relationship between employee competencies and performance of commercial banks, the case of Centenary bank, Gulu and Lira branches respectively; and to determine the moderating effect of training on the relationship between employee competencies and performance of commercial bank, the case of Gulu and Lira branches. The study used descriptive and causal research designs employing quantitative research approach. Data was collected from a sample of 104 staffs of Centenary bank, Gulu and Lira branches using simple random sampling technique. Quantitative data was analyzed using descriptive statistics (frequencies and percentages) and inferential statistics (correlation and regression). The key findings revealed a high level of employee competencies and high level of commercial bank performance. The finding also revealed that communication skills and technical skills significantly affect commercial bank performance. Training was found to have significant moderating effect on the relationship between employee competencies and commercial bank performance. The study concludes that employee competencies specifically technical and communication skills play crucial role in the performance of commercial banks. The study recommends that for performance of commercial banks to be improved, focus should be put on strengthening technical and communication skills and integrating training opportunities.

# CHAPTER ONE

# INTRODUCTION

## 1.0 Introduction

In the contemporary world of business, employee competencies, which encompass a range of skills, knowledge, and behaviors, are critical determinants of organizational effectiveness and efficiency (Sanchez & Levine, 2019). The banking industry, characterized by rapid technological advancements, regulatory changes, and evolving customer expectations, demands a workforce that is not only skilled but also adaptable and social.

Competencies refer to the combination of skills, abilities, and knowledge that employees must possess to perform their jobs effectively (Delery & Doty, 2016). In the context of commercial banks, these competencies include technical skills related to banking operations, communication skills, teamwork/social skills, and problem-solving. The alignment of employee competencies with the strategic goals of the bank is essential for achieving superior performance and maintaining a competitive edge (Spencer & Spencer, 2016).

Research has shown that there is a significant positive relationship between employee competencies and organizational performance. According to Gupta and Singh (2014), banks with employees who possess high levels of competency are better positioned to respond to market changes, meet regulatory requirements, and deliver exceptional customer service. This, in turn, leads to improved financial performance, customer satisfaction, and operational efficiency. This study therefore investigated the effect of employee competencies on performance of commercial banks; the case of Centenary bank in Lira and Gulu city.

## 1.1 Background to the Study

The concept of employee competencies and their impact on organizational performance has evolved significantly over the decades. The origins of competency theory can be traced back to the early 20th century with the emergence of scientific management and the work of Frederick Taylor. Taylor's principles of scientific management emphasized the importance of selecting the right individuals for specific tasks based on their skills and abilities (Taylor, 1911).

The application of competency models in the banking sector gained momentum in the late 20th and early 21st centuries. Banks recognized that the dynamic and complex nature of the financial industry required a highly skilled and adaptable workforce. Competencies such as financial analysis, risk management, customer service, and regulatory compliance became critical for ensuring the effective operation of banks (Gupta & Singh, 2014).

Technological advancements and globalization further demonstrated the need for employee competencies in the banking sector. The rise of digital banking, online financial services, and global financial markets required employees to possess not only technical skills but also the ability to adapt to rapidly changing environments. As Bakar and Ahmad (2010) noted, the integration of technology in banking operations created a demand for new competencies, such as social skills, and communications skills.

The adoption of competency-based human resource management practices became more prevalent in the 2000s. Banks began to implement competency-based recruitment, training, and performance management systems to ensure that their employees possessed the necessary skills and behaviors to meet organizational goals. These systems provided a systematic approach for identifying competency gaps, designing targeted training programs, and aligning employee performance with strategic objectives (Noe, 2017).

The emphasis on competencies also extended to leadership development in the banking sector. Leadership competencies, such as strategic thinking, decision-making, and change management, were identified as critical for navigating the complexities of the financial industry. Banks invested in leadership development programs to cultivate these competencies among their managers and executives, recognizing their impact on organizational performance (Delery & Doty, 1996).

Employee competencies refer to the combination of knowledge, skills, abilities, attitudes, behaviour and personal attributes that enable an employee to perform assigned duties effectively and contribute to organizational objectives. Competencies therefore go beyond possessing academic qualifications because they involve the employee's ability to apply knowledge and skills appropriately when performing work (Salman et al., 2020)

In recent years, the focus on employee competencies in the banking sector has intensified due to the ongoing digital transformation and regulatory changes. The intensive competition accelerated the adoption of digital banking services, highlighting the need for competencies in digital customer engagement, social and networking skills, and communication skills. Banks are now placing greater emphasis on continuous learning and development to keep pace with technological advancements and changing customer expectations (Bakar & Ahmad, 2020).

Employee training refers to a planned and systematic process through which an organization develops employees' knowledge, skills, abilities and work-related behaviour so that they can perform their current jobs more effectively and adapt to changing work requirements. Training can take different forms, including on-the-job training, off-the-job training, coaching, mentoring, workshops, seminars, e-learning, job rotation and professional development programmes (Kabir, 2026).

Bank performance refers to the extent to which a bank successfully achieves its financial, operational and strategic objectives through the effective utilization of its resources. It reflects how well a bank converts its available human, financial, technological and physical resources into desirable organizational results. Bank performance is broader than profitability alone. It can include profitability, productivity, operational efficiency, service quality, asset quality, deposit volume, loan volume, asset quality and overall efficiency (Ahmad et al., 2020).

The theory that guided this study is competency-based theory. One notable contributor to the concept of managerial competencies is David McClelland. McClelland's work, particularly his publication in 1973, emphasized the importance of assessing individuals based on their competencies rather than traditional measures of intelligence. McClelland's ideas contributed to the broader understanding of competencies in organizational settings.

Competency-based theory emphasizes the importance of specific skills, knowledge, and behaviors (competencies) in achieving organizational objectives (McClelland, 1973). The relevance of the theory is that: Competencies such as communication, technical skills, and social skills are essential for effective performance.

In the American context, studies have highlighted the critical role of employee competencies in enhancing the performance of commercial banks. Competencies such as customer service skills, technological proficiency, and social acumen are considered essential. According to Delery and Doty (2016), strategic human resource management practices that focus on developing these competencies lead to improved organizational performance. Furthermore, a study by Becker and Huselid (2016) found that banks with robust employee competency frameworks were more likely to achieve higher financial performance and customer satisfaction.

European research also highlights the importance of employee competencies in the banking sector. A study by Thunnissen, Boselie, and Fruytier (2013) in the Netherlands emphasized the significance of talent management in developing critical competencies. They argue that European banks that invest in training and development programs to enhance employee competencies tend to perform better in terms of profitability and market share. Additionally, a survey conducted by the European Central Bank (ECB) in 2018 indicated that banks with a strong emphasis on employee competencies could better navigate economic uncertainties and regulatory challenges.

In Asia, the banking industry has witnessed rapid changes driven by technological advancements and regulatory reforms. Studies from this region often focus on the need for competencies related to digital banking and risk management. For instance, a study by Kumari and Malhotra (2012) in India found that banks that prioritize developing competencies in IT and cyber security perform better in the competitive landscape. Similarly, research by Chen and Lin (2017) in Taiwan highlighted that banks with employees skilled in innovative financial products and customer relationship management showed higher growth rates and customer retention.

African commercial banks face unique challenges, including political instability, economic fluctuations, and limited access to advanced technology. Despite these challenges, studies have shown that employee competencies are crucial for the performance of banks in this region. A study by Muriithi (2013) in Kenya revealed that banks that focus on developing competencies in customer service and ethical practices achieve better customer loyalty and financial performance. Furthermore, Nyanjom (2013) pointed out that in South Africa, banks that invest in leadership development and training programs for their employees tend to perform better and have a competitive edge in the market.

In Uganda, the commercial banking sector is growing, and the importance of employee competencies is becoming increasingly recognized. A study by Bananuka, Nalukenge, Kasera, and Kaawaase (2019) found that Ugandan banks that invest in continuous professional development for their employees see improvements in service quality and operational efficiency. The study also highlighted that competencies in areas such as risk management, customer relationship management, and compliance are particularly vital for the performance of Ugandan banks. Additionally, Kasekende (2016) noted that enhancing employee competencies is crucial for Ugandan banks to compete effectively in the East African region and to adapt to the dynamic financial environment.

## 1.2 Problem Statement

The performance of commercial banks is critical to the stability and growth of economies worldwide. However, recent trends indicate a significant decline in the performance of many commercial banks in Uganda. This problem is multiple, encompassing issues such as declining loan volume, increasing non-performing loans (NPLs) depicting poor loan quality and reduced deposit volume and loan volume. Centenary bank is not exceptional (Bank of Uganda, 2023). Furthermore research indicates an increasing Non-Performing Loans (NPLs) where the ratio of NPLs to total loans has increased in several regions, indicating deterioration in asset quality. For instance, in Uganda, the average NPL ratio rose from 9.3% in 2022 to 11.1% in 2023 (African Development Bank, 2023). The poor performance of commercial banks undermines the potential of commercial banks to contribute to the economic development of the country. An employee competency has been credited for good performance of commercial banks (Gupta and Singh, 2014). This study therefore covered the effect of employee competencies on performance of commercial banks in Northern Uganda, the case of Centenary bank Gulu and Lira Branches.

## 1.3 Purpose of the Study

The main purpose of the study was to investigate the influence of employee competencies on the performance of commercial banks in Northern Uganda, the case of Gulu and Lira branches.

## 1.4 Objectives of the Study

The study was guided by the following objectives:

i. To examine the forms of employee competencies in commercial banks in Northern Uganda, the case of Centenary bank, Gulu and Lira branches.
ii. To assess the performance of commercial banks in Northern Uganda, the case of Centenary bank, Gulu and Lira branches respectively.
iii. To determine the relationship between employee competencies and performance of commercial banks, the case of Centenary bank, Gulu and Lira branches respectively.
iv. To determine the moderating effect of training on the relationship between employee competencies and performance of commercial bank, the case of Gulu and Lira branches.

## 1.5 Research Questions

i. What are the forms of employee competencies in commercial banks in Northern Uganda, the case of Centenary bank, Gulu and Lira branches?
ii. What is the performance of commercial banks in Northern Uganda, the case of Centenary bank, Gulu and Lira branches respectively?
iii. What relationship exists between employee competencies and performance of commercial banks, the case of Centenary bank, Gulu and Lira branches respectively?
iv. What is the moderating effect of training on the relationship between employee competencies and performance of commercial bank, the case of Gulu and Lira branches?

### 1.6 Scope of the Study

The scope of the study covered three key components that comprised of the content scope, geographical scope and time scope as elaborated under:

#### 1.6.1 Content Scope

The content scope of this study comprised of the employee competencies and performance of commercial banks. Employee competencies covered technical skills, communication skills and social skills. While performance of commercial banks covered loan volume, deposit volume and asset quality. Training is also be covered in this study as one of the key contents comprising of the on-the job and off-the-job trainings.

#### 1.6.2 Geographical Scope

This study was conducted in Centenary Bank Gulu and Lira branches. Gulu is a city in Northern Uganda. It is the commercial and administrative Centre of Gulu District. Gulu is located approximately 200 miles (320 km), by road, north of Kampala, Uganda's capital and largest city. The town is served by Gulu Airport where as Lira is also *Lira* is approximately 110 kilometers (68 miles), by road, southeast of Gulu, the largest *city* in the Northern Region, along the highway between Gulu and Mbale. This is approximately 320 kilometers (200 miles), by road, north of Kampala, the capital of Uganda and its largest city.

#### 1.6.3 Time Scope

The researcher investigated the period between, 2018- 2023 in order to establish the effect of employee competencies on the performance of Commercial Banks in Northern Uganda, a case of Centenary Bank Gulu and Lira branches. This time period was selected because it represents the

period when centenary bank invested heavily in training and the deteriorating performance were reported within this period.

## 1.7 Significance of the Study

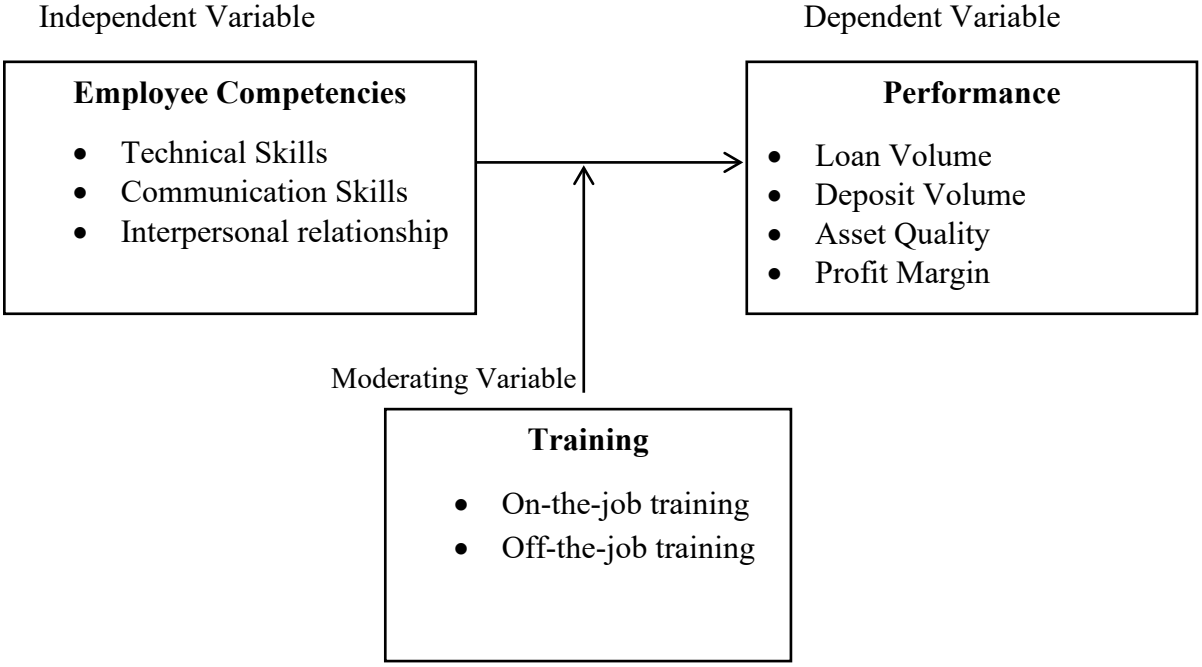
To the bank management, Understanding the relationship between employee competencies and bank performance is crucial for bank management in enhancing decision making. By identifying key competencies that drive performance, bank managers can make informed decisions about hiring, training, and employee development.

For policy makers, the study is significant in shaping regulatory and policy frameworks that support the banking sector. Insights from the study can inform the creation of policies that encourage continuous professional development and competency building within the banking sector, ensuring that banks are well-equipped to meet industry challenges.

To researchers, the study provides a valuable contribution to the academic field, adding to the existing body of knowledge on human resource management and organizational performance in the banking sector, providing a basis for future research.

To Customers, the study has direct and indirect benefits for bank customers, enhancing their overall banking experience, by emphasizing the importance of employee competencies, banks can offer better customer service, ensuring that customer needs are met promptly and efficiently. It can lead to increased Trust and Satisfaction. Competent employees are more likely to provide accurate and reliable information, fostering trust and satisfaction among customers.

## 1.8 Conceptual Framework




*Adapted with modification from (Delery & Doty, 2016; McClelland, 2009)*

*Figure 1: Conceptual Framework on Employee Competencies and Performance*

From the conceptual framework presented above, employee competencies represent the independent variable comprising of technical skills, communication skills and social skills. While performance of commercial banks is the dependent variable measured by loan volume, deposit volume and asset quality. Training is the moderating variable comprising of the on-the job and off-the-job trainings.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 Introduction

This study focuses on employee competencies and performance of commercial banks. This chapter reviews theory related to subject of study. In addition, literatures on employee competencies, training and performance in line with what other scholars and researchers have studied were also reviewed in this chapter. This section starts with theoretical review and then review of literatures on the concepts of employee competencies, training and performance.

## 2.1 Theoretical Review

The study is guided by competence-based theory. This theory is rooted in the idea that individual and organizational success is closely tied to the possession and application of specific competencies, has gained prominence in the field of management and human resource development (McClelland, 1973; Boyatzis, 1982). Competencies are defined as a set of knowledge, skills, abilities, and behaviors that individuals bring to their roles and are crucial for achieving organizational objectives (Spencer & Spencer, 2013). This theoretical framework has been extensively applied and researched across various domains.

Competency-Based Theory emphasizes the identification and assessment of key competencies critical for success in specific roles. Researchers such as Boyatzis (2012) and Spencer and Spencer (2013) have contributed to the development of competency models and frameworks, offering systematic approaches to identify, define, and assess competencies. Numerous studies have explored the relationship between individual competencies and performance outcomes. For instance, Rothwell and Lindholm (2019) investigated the impact of core competencies on

individual job performance, highlighting the role of competencies in predicting success in various organizational roles.

Competency-Based Theory has been widely applied to the study of human resource competencies. Researchers such as McClelland (1973) and Spencer and Spencer (2013) have identified and examined employee competencies, demonstrating their significance in predicting effective employee behaviors and outcomes. This theory has been instrumental in shaping career development and succession planning strategies. Vance and Paik (2015) explored the role of competencies in career success and highlighted their importance in succession planning processes within organizations. In summary, Competency-Based Theory has been applied across a broad spectrum of organizational contexts, offering valuable insights into the relationship between competencies and individual, leadership, and organizational effectiveness. The theory highlights the key competencies such as technical skills, communication abilities and social skills and team work that this study adopted.

### 2.2 Employee competencies

Literature review on employee competencies is critical and is undertaken to cover technical skills, communication skills and interpersonal relationship skills as below:

#### 2.2.1 Technical skills

Technical skills have long been recognized as a crucial component of employee competence, essential for effective job performance and organizational success. Technical skills refer to the specific knowledge and abilities required to perform the core tasks and responsibilities of a particular job or profession (Campion et al., 2021). They are often domain-specific and involve the practical application of specialized expertise (Lievens et al., 2019).

Accurately assessing technical skills is crucial for effective employee selection, development, and performance management (Morgeson et al., 2017). Various methods have been employed, including work samples, simulations, and structured interviews (Campion et al., 2020; Lievens et al., 2019). However, challenges arise in ensuring the validity and reliability of these measures, particularly in rapidly evolving fields or when assessing tacit knowledge. Numerous studies have demonstrated a positive relationship between technical skills and job performance, particularly in jobs with high technical demands (Schmidt & Hunter, 2018; Kulkarni et al., 2015). However, the strength of this relationship can be moderated by factors such as job complexity, organizational context, and the relative importance of other competencies (Molloy & Noe, 2010; Laker & Powell, 2011).

Furthermore, technical skills are essential they do not operate in isolation researchers have emphasized the importance of a balanced set of competencies, including cognitive abilities, interpersonal skills, and leadership capabilities (Campion et al., 2011; Bartram, 2005). The interplay between technical skills and other competencies, such as problem solving and communication, has been found to be crucial for effective job performance (Mumford et al., 2000).

Research reveals that technological advancements and changing work environments are continuously reshaping the technical skill requirements for many occupations (Noe et al., 2017). This necessitates ongoing employee development and training to ensure that technical skills remain current and relevant (Salas et al., 2012). Additionally, as the nature of work evolves, there may be a need to reevaluate the relative importance of technical skills in relation to other competencies, such as adaptability and continuous learning (Laker & Powell, 2019).

In summary, technical skills are a critical component of employee competence, playing a vital role in determining job performance and organizational success. While their importance varies across jobs and industries, technical skills must be considered in conjunction with other competencies to achieve optimal organizational effectiveness.

### 2.2.2 Communication skills

Communication skills are widely recognized as a critical component of employee competence, essential for effective job performance and organizational success. Communication skills refer to the ability to convey and receive information effectively, using various modes such as verbal, written, and non-verbal (Robles, 2014). They encompass skills like active listening, clarity of expression, and adapting communication styles to different audiences and contexts.

Assessing communication skills is crucial for effective employee selection, development, and performance management. Various methods have been employed, including structured interviews, role-plays, and written assessments. However, challenges arise in ensuring the validity and reliability of these measures, particularly in capturing the nuances of interpersonal communication and context-specific communication demands (Motowidlo et al., 2017). Numerous studies have demonstrated a positive relationship between communication skills and job performance across a wide range of occupations and industries (Sackett, 2015). Effective communication skills have been linked to better teamwork, customer satisfaction, and leadership effectiveness (Zhuang et al., 2018; Bakker-Pieper & de Vries, 2013).

Furthermore, researchers have emphasized the importance of a balanced set of competencies, including cognitive abilities, technical skills, and interpersonal skills (Bartram, 2015). The interplay between communication skills and other competencies, such as emotional intelligence and cultural intelligence, has been found to be crucial for effective job performance, particularly

in roles involving cross-cultural interactions or emotional labor (Ang et al., 2017). As organizations become increasingly globalized and virtual, the nature of communication and the associated skill requirements are evolving (Gilley et al., 2020). This necessitates ongoing employee development and training to enhance communication skills in areas such as virtual collaboration, cross-cultural communication, and digital literacy

### 2.2.3 Interpersonal - Relationship

Interpersonal relationship refers to the abilities that enable individuals to interact effectively with others (Ferris et al., 2020). They encompass skills such as active listening, empathy, conflict resolution, and building and maintaining relationships. Assessing interpersonal skills is crucial for effective employee selection, development, and performance management. Various methods have been employed, including situational judgment tests, role-plays, and behavioral interviews (Lievens et al., 2019).

Furthermore, studies have demonstrated a positive relationship between interpersonal relationship skills and job performance across a wide range of occupations and industries (Ferris et al., 2016; Hochwarter et al., 2016). Effective interpersonal skills have been linked to better teamwork, customer satisfaction, leadership effectiveness, and overall job performance (Zhuang et al., 2018; Bakker & Vries, 2013). Researchers have emphasized the importance of a balanced set of competencies, including cognitive abilities, technical skills, and communication skills (Bartram, 2015). The interplay between interpersonal skills and other competencies, such as emotional intelligence and cultural intelligence, has been ‘found to be crucial for effective job performance, particularly in roles involving cross-cultural interactions or emotional labor (Ang et al., 2017; Joseph & Newman, 2022).

As organizations become increasingly diverse and globalized, the importance of interpersonal relationship skills in facilitating effective cross-cultural communication and collaboration is likely to increase (Gilley et al., 2020). This necessitates ongoing employee development and training to enhance interpersonal relationship skills (Salas et al., 2012). Additionally, as the nature of work evolves, there may be a need to reevaluate the relative importance of interpersonal relationship skills in relation to other competencies, such as adaptability and continuous learning (Laker & Powell, 2021). In summary, interpersonal relationship skills are a critical component of employee competence, playing a vital role in determining job performance and organizational success across various domains.

### 2.3 Performance of commercial

The review of literature on performance of commercial banks covers loan volume, deposit volume, asset quality and profit margin as presented below:

#### 2.3.1 Loan Volume

Loan volume is a crucial component of commercial bank performance, as lending activities constitute a significant portion of a bank's revenue and profitability. Hoggarth et al. (2015) found that higher loan growth was associated with higher profitability in the UK banking sector. Similarly, Dietrich and Wanzenried (2021) reported a positive impact of loan growth on profitability for Swiss commercial banks. However, some researchers have cautioned against excessive loan growth, as it may increase credit risk and ultimately undermine bank performance (Foos et al., 2020; Keeton, 2019).

Various factors have been identified as influencing the loan volume of commercial banks. Macroeconomic conditions, such as GDP growth, interest rates, and inflation, have been found to

significantly affect loan demand and supply (Ioannidis et al., 2008; Tomak, 2013). Additionally, bank-specific characteristics, including capital adequacy, liquidity, and risk management practices, play a crucial role in determining lending activities (Berrospide & Edge, 2010; Gambacorta & Marques-Ibanez, 2011).

Furthermore, loan volume can contribute to bank profitability; it also introduces risks that need to be carefully managed. Excessive loan growth may lead to deterioration in asset quality, as banks may relax underwriting standards or lend to riskier borrowers (Dell'Ariccia & Marquez, 2016; Keeton, 2019). Furthermore, concentrated lending in specific sectors or regions can increase a bank's vulnerability to economic downturns or industry-specific shocks (Brownlees & Engle, 2017). To mitigate the risks associated with loan volume, banks must implement effective risk management practices and pricing strategies. Literature suggests that loan pricing should reflect the inherent credit risk, as well as the bank's capital and liquidity positions.

### 2.3.2 Deposits Volume

Deposits constitute a crucial source of funding for commercial banks and play a significant role in their overall performance. Ayaydin and Karaaslan (2014) found that deposit growth had a significant positive effect on the profitability of Turkish commercial banks during the period of 2002-2012. Similarly, Ozili (2017) reported a positive association between deposit growth and profitability for banks in Nigeria. However, some researchers have cautioned that excessive deposit growth may also pose risks, such as increased liquidity pressure and potential exposure to deposit runs (Dawood, 2021; Nguyen et al., 2020).

Recent literature has explored various factors influencing the deposit volume of commercial banks. Macroeconomic conditions, such as GDP growth, interest rates, and inflation, have been

found to be significant drivers of deposit growth (Bouwman & Kick, 2020; Nguyen et al., 2020). Additionally, bank-specific characteristics, including reputation, branch network, and product offerings, play a crucial role in attracting and retaining deposits (Ayaydin & Karaaslan, 2014; Dawood, 2021). While deposit volume can contribute to bank profitability and funding stability, it also introduces risks that need to be carefully managed. Recent studies have highlighted the potential risks associated with excessive deposit growth, such as increased liquidity pressure and the potential for deposit runs during times of financial stress (Nguyen et al., 2020; Poghosyan & Cihak, 2021). Furthermore, concentrated deposits from large institutional or corporate clients can increase a bank's vulnerability to deposit withdrawals (Dawood, 2021; Poghosyan & Cihak, 2021).

Furthermore, to mitigate the risks associated with deposit volume, banks must implement effective risk management practices and pricing strategies. Literature emphasizes the importance of incorporating liquidity risk, funding costs, and market competition into deposit pricing decisions (Fong & Porath, 2019; Poghosyan & Cihak, 2021). Additionally, robust liquidity risk management frameworks, including stress testing, contingency funding plans, and diversification of funding sources, are essential for maintaining stability and mitigating potential liquidity risks (Nguyen et al., 2020; Poghosyan & Cihak, 2021).

### 2.3.3 Asset Quality

Asset quality is a crucial component of commercial bank performance, as it reflects the riskiness and quality of the bank's loan portfolio and other assets. Studies have emphasized the importance of asset quality in evaluating bank performance. Ozili (2019) found that a higher NPL ratio had a negative impact on the profitability of banks in Africa, while Cucinelli et al. (2018) reported a similar relationship for Italian banks.

Tan (2019) found that a higher NPL ratio was associated with lower profitability and increased risk-taking among Chinese banks. Similarly, Alessi et al. (2021) reported a negative relationship between NPLs and bank profitability in the Eurozone, particularly during periods of economic stress. Literature has explored various factors influencing asset quality in commercial banks. Macroeconomic conditions, such as GDP growth, unemployment, and interest rates, have been found to be significant drivers of NPLs and asset quality (Bikos et al., 2020; Tan, 2019). Additionally, bank-specific characteristics, including credit risk management practices, lending policies, and capitalization levels, play a crucial role in determining asset quality (Cucinelli et al., 2018; Ozili, 2019).

To mitigate the risks associated with poor asset quality, banks must implement effective risk management strategies. Recent studies have emphasized the importance of robust credit risk management frameworks, including stringent underwriting standards, effective monitoring and early warning systems, and adequate loan loss provisioning (Alessi et al., 2021). Additionally, diversification of loan portfolios across sectors and geographical regions can help reduce concentration risks and improve overall asset quality (Cucinelli et al., 2018; Tan, 2019).

### 2.3.4 Profit margin

Profit margin is a financial metric that measures the degree to which a company or financial institution makes money relative to its total revenue (Kaya, 2023). In the context of commercial banks, profit margin is calculated as the difference between total revenue generated by the bank's operations and the total expenses incurred, expressed as a percentage of total revenue. It reflects the bank’s ability to convert revenue into profit after accounting for all costs, and it serves as a key indicator of financial health and operational efficiency (Kaya, 2023).

The profit margin in commercial banks is particularly crucial as it highlights how efficiently banks are managing their interest spread and non-interest activities to generate returns. Banks primarily earn income through interest on loans, fees, and service charges, while expenses include interest paid on deposits, operating costs, and provision for loan losses (Dietrich & Wanzenried, 2023). In the banking sector, the net interest margin (NIM) is often used as a key performance metric. It represents the difference between the interest income generated by banks and the interest paid out to their lenders (e.g., depositors), relative to the amount of their interest-earning assets. A higher NIM indicates more profitable lending practices, reflecting effective interest rate management (Valverde & Rodríguez-Fernández, 2022).

Profit margin is a critical indicator of a bank's operational efficiency and competitiveness. In their study, Dietrich and Wanzenried (2023) examined the determinants of bank profitability across different countries and found that banks with higher profit margins were better positioned to compete in the financial market. Their research highlighted that banks focusing on cost control and efficient resource management could maintain higher profit margins, leading to a competitive advantage.

Elena et al. (2022) further explored the impact of technological advancements on profit margins, showing that banks leveraging digital technologies could significantly improve their operational efficiency, thus enhancing their profit margins. They concluded that technological adoption is crucial for maintaining competitive profit margins in the digital age. Profit margins also serve as an indicator of financial stability and effective risk management. Sun (2022) investigated the relationship between profit margins and financial stability in Chinese commercial banks. The study found that banks with robust profit margins were more resilient to economic shocks and exhibited greater stability in their operations. The findings suggested that maintaining healthy

profit margins can act as a buffer against financial instability. Profit margin is a vital component of commercial bank performance, providing insights into a bank's ability to generate profits and manage costs effectively. Various factors, including operational efficiency, regulatory environment, and macroeconomic conditions, influence profit margins.

## 2.4 Training

The review of literature on training is conducted to cover the key dimensions of on the job training and off-the job training as presented below:

### 2.4.1 On job training

Training is a critical component of employee development and plays a crucial role in enhancing job performance and organizational success. In the context of on-the-job training (OJT), training can act as a moderating variable, influencing the relationship between various factors and employee outcomes. Several studies have explored the moderating effect of training on the relationship between job characteristics and employee performance. Jiang et al. (2021) found that training moderated the relationship between job autonomy and task performance, such that employees with higher levels of training benefited more from increased job autonomy. Similarly, Nguyen et al. (2019) reported that training moderated the relationship between job demands and employee burnout, suggesting that training can help employee's better cope with job demands and reduce the risk of burnout.

Research has also examined the moderating role of training in the relationship between organizational support and employee outcomes. Lee and Kim (2020) found that training moderated the relationship between perceived organizational support and organizational commitment, such that employees who received more training exhibited higher levels of

commitment when they perceived higher organizational support. Additionally, Zumrah and Rosli (2022) reported that training moderated the relationship between organizational support and job satisfaction, indicating that training can enhance the positive impact of organizational support on employee satisfaction.

Training can also moderate the relationship between personal characteristics and job performance. For instance, Guan et al. (2019) found that training moderated the relationship between cognitive ability and task performance, suggesting that individuals with higher cognitive abilities may benefit more from training interventions. Similarly, Salas et al. (2017) reported that training moderated the relationship between personality traits (e.g., conscientiousness, openness to experience) and job performance, indicating that training can enhance the positive impact of desirable personal characteristics on employee effectiveness.

### 2.4.2 Off job Training

Off-the-job training plays a crucial role in enhancing the effectiveness of on-the-job training (OJT) and can act as a moderating factor in the relationship between OJT and employee outcomes. Studies have explored the moderating effect of off-the-job training on the relationship between OJT and skill acquisition. Nguyen and Truong (2021) found that off-the-job training moderated the relationship between OJT and the development of technical skills, such that employees who received both OJT and off-the-job training exhibited higher levels of technical skill acquisition. Similarly, Reif et al. (2020) reported that off-the-job training moderated the relationship between OJT and the development of soft skills, indicating that a combination of training methods can enhance the acquisition of both hard and soft skills.

The integration of off-the-job training and OJT has led to the emergence of blended learning approaches, which combine various training methods and delivery formats. Recent literature has highlighted the benefits of blended learning in enhancing employee development and organizational effectiveness. Kraiger and Ford (2020) found that blended learning approaches, which combine off-the-job training and OJT, could lead to better knowledge acquisition, skill development, and transfer of learning.

Additionally, Zhu et al. (2019) reported that blended learning approaches could improve employee engagement, satisfaction, and overall training effectiveness. Off-the-job training can enhance the effectiveness of OJT by promoting the development of both hard and soft skills, and by facilitating the transfer of learning to the job context. The integration of off-the-job training and OJT through blended learning approaches has emerged as a promising strategy for enhancing employee development and organizational effectiveness. However, the effectiveness of off-the-job training as a moderator is influenced by factors such as training quality, relevance, and the transfer of learning.

### 2.5 Employee Competencies and Performance of Commercial Banks

Employee competencies comprise the knowledge, skills, abilities, experience, attitudes and behavioral attributes that enable employees to perform their duties effectively. In commercial banks, these competencies are important because employees are required to undertake financial analysis, serve customers, assess risks, use digital banking systems, comply with regulations and make appropriate decisions. Competent employees are therefore expected to perform their duties more accurately, efficiently and consistently, contributing to improved organizational performance (Salman et al., 2023).

Evidence generally indicates a positive relationship between employee competencies and bank performance. In Uganda, Kamukama et al. (2017) examined 22 fully licensed commercial banks and found a positive and significant relationship between managerial competence and financial performance. The study identified knowledge, experience and skills as important components of competence and established that managerial competence also enhanced competitive advantage. Although the study focused on managers rather than employees generally, it demonstrates that human capabilities constitute an important resource for improving commercial bank performance.

Salman et al. (2020) examined employee competencies and organizational performance among 325 managerial and non-managerial employees in public and private sector banks in India. Their findings demonstrated the importance of employee competencies as predictors of organizational performance. The study further viewed competencies as multidimensional resources that enable employees to perform tasks, solve problems and respond to organizational requirements. Similarly, Otoo (2019), using data from 550 banking employees, established that human resource development practices influence banking effectiveness through employee competencies. This suggests that organizational investments in human resources can improve performance when they develop employees' knowledge and skills.

Ardi et al. (2020) also linked professional competence with employee performance, emphasizing that employees require not only formal qualifications but also practical knowledge and professional judgement. More recently, Salman et al. (2023) found that human resource management practices contribute to the development of employee competencies in the banking industry. Their findings reinforce the view that competencies are developable organizational resources rather than fixed employee characteristics. In Uganda, Akangwagye (2022) similarly found a positive relationship between team competence and financial performance among

commercial banks in Kampala Central Division. Collectively, these studies suggest that competent employees and teams are better positioned to improve productivity, service quality, accuracy, customer responsiveness and financial outcomes.

### 2.6 Moderating Role of Employee Training

Employee training involves systematic efforts to develop employees' knowledge, skills and abilities required for effective job performance. Training is particularly important in commercial banking because employees must continuously adapt to technological developments, regulatory changes, new financial products and changing customer expectations (Makombe and Rutenge, 2025).

Studies generally show that training improves employee performance. Abubakar (2024) found a positive relationship between training, skill development and employee performance in banking and financial institutions. Khan et al. (2022) similarly identified training effectiveness and knowledge delivery as important factors associated with employee productivity in the banking sector. In Tanzania, Makombe and Rutenge (2025) found that on-the-job training and workshops improved employee skills and productivity at Tanzania Commercial Bank. Ugandan evidence from Kitara Anywar and Bigabwenkya (2020) also indicates that training planning, implementation and evaluation contribute positively to employee performance, although inappropriate trainee selection and logistical challenges can reduce training effectiveness.

However, most existing studies examine training as a direct predictor of performance rather than as a moderator of the competency-performance relationship. Direct evidence on moderation remains limited. Metriadi and Panjaitan (2024) specifically tested training as a moderator and found that although competency significantly improved employee performance, training did not

significantly moderate the relationship. However, their study was conducted in a regional water company and involved only 30 employees, making generalization to commercial banks difficult.

Therefore, the literature presents an unresolved issue. Training may strengthen the competency-performance relationship by enabling employees to update, refine and apply their competencies. Conversely, its moderating effect may be weak where training is poorly designed or not aligned with employees' competency needs. There is consequently a contextual and empirical gap in Uganda, particularly regarding whether employee training strengthens the relationship between employee competencies and performance in commercial banks. Examining this moderating effect can provide useful evidence on whether continuous employee training enables commercial banks to obtain greater performance benefits from their employees' existing competencies.

### 2.7 Summary of Literature Gaps

One of the primary gaps in the existing literature is the limited focus on Northern Uganda. Most studies on employee competencies and bank performance have been conducted in more developed regions or economies. However, this study will address this gap by examining employee competencies and performance of commercial banks in developing economies particularly in northern Uganda.

While there is substantial literature on general competencies affecting employee performance, few studies have drilled down into specific competencies that are critical in the banking sector. Competencies such as communication skills, interpersonal skills, and technical skills are essential for effective bank operations but are often underexplored. This study will address this gap by focusing on the highlighted dimensions of competencies.

The relationship between employee competencies and performance particularly of commercial banks has been under explored yet it is crucial in ascertaining strategies to improving performance. This study will address this gap by examining the relationship between employee competencies and performance of commercial banks.

# CHAPTER THREE

# METHODOLOGY

## 3.0 Introduction

This chapter presents the research methodology and approaches that were be used in conducting the study. It covered the research design, study population, sample size, data sources, data collection instruments, measurement of variables, data validity and reliability, data analysis, the limitations that were faced during the study and the ethical issues observed in the research.

## 3.1 Research Design

The study adopted a descriptive and causal research designs with a cross-sectional time frame. The design was chosen because it is appropriate in describing the status of the variables under study. In addition, the design permitted determination of the effect of one variable on another. This design enabled the study to be carried out at a particular time. Additionally, the study used a quantitative research approach. Quantitative approach was used to describe the magnitude of the results using information that were gained from the questionnaires. The study was intended to ascertain the effect of one variable on the other and thus the choice of quantitative approach.

## 3.2 Study Population

A population is the entire group or number of items that a researcher uses in order to draw conclusions about a study (Kothari, 2014). The study population comprised of the staff of Centenary bank, Gulu and Lira branches. For the case of this study, the researcher considered the 118 staff at all the branches of centenary bank Gulu and Lira respectively.

### 3.3 Sample Size

A sample size is the selection of a subset of the population of interest in a research study. The sample size for the study was selected based on Krejcie and Morgan (1970) whereby, from the total of 118 employees of Centenary bank in Gulu and Lira Branches, 104 employees were selected for the study. The sample size has been summarized in the table below:

**Table 1: Sample size determination**

| Category of Respondents | Population | Sample Size | Sampling Technique |
|---|---|---|---|
| Employees at Gulu Market Branch | 25 | 24 | Simple Random |
| Employees at Gulu Main Branch | 40 | 36 | Simple Random |
| Employees at Lira Branch | 53 | 44 | Simple Random |
| **Total** | **118** | **104** | |

*Source: Centenary Bank HR Records, 2024*

### 3.5 Sampling Techniques

The sampling of the respondents was carried out using stratified simple random sampling techniques. Centenary bank was stratified into branches from where respondents were selected based on simple random sampling procedure. The choice of stratification was to enable respondents to be selected from all the branches. The choice of simple random sampling was to give all respondents equal chance of selection.

### 3.6 Data Sources

The study considered only primary data. Primary data on employee competencies, training and performance were obtained through direct contact with the respondents. Primary data was generated from the field by direct contact with the respondents. Information was also obtained through the use of self-administered questionnaires to respondents and interview guides.

## 3.7 Data Collection method

The researcher adopted questionnaire as data collection method. A questionnaire is a systematic and standardized approach to gather information from individuals or groups of participants. In this study, structured questionnaire was used consisting of a set of predetermined questions, with closed -ended response options. The questionnaire was standardized to ensure consistency in data collection across respondents and to allow for easy comparison and analysis of responses.

## 3.8 Data Collection Instruments

Questionnaire was used as data collection instrument. Questionnaire was designed and constituted closed-ended questions. Close-ended questions were provided since they are simple to administer and analyze. Questionnaire was structured with five sections: Section A had the demographic profile; section B constituted employee competencies, section C covered training and section D covered performance. The questionnaire was structured on a Five-point likert scale.

## 3.9 Data Measurement

Data on employee competencies, training and employee performance were measured based on a 5 point likert scale where 1- represents Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Disagree.

## 3.10 Data quality control

Data quality was ensured through reliability and validity as presented below:

### 3.10.1 Reliability

The reliability of the instruments was improved through pretesting of pilot samples. This allowed for the re-phrasing of some questions. Furthermore, reliability of the scales was done with the application of the Cronbach's Alpha Coefficient so as to check for the internal consistency of the

scales. A chronbach's alpha values of 0.7 and above were obtained and considered reliable as noted by (George and Mallery, 2003). The reliability result is as presented in the table below:

***Table 2: Reliability Analysis***

| Variables | Number of items | Cronbach's alpha |
|---|---|---|
| Employee Competencies | 15 | .898 |
| Commercial bank Performance | 15 | .807 |
| Training | 15 | .764 |

**Source: Primary data, 2024**

### 3.10.2 Validity

Validity refers to the extent to which a test measures what the researcher actually is interested to measure. Therefore, the research instruments were presented to the research experts to give their assessment of the items in the instruments from where content validity index (CVI) was computed using the formula below:

$$CVI = \frac{\text{Number of items considered relevant}}{\text{Total number of items in the instrument}}$$

The researcher then determined the validity using content validity index and all the values including overall value were above 0.7. According to Amin, (2005), the instruments with CVI of 0.7 and above are acceptable and considered a valid instrument. The result of CVI is as presented in the table below:

***Table 3: Content Validity Index***

| Experts | Computation | CVI |
|---|---|---|
| Expert 1 | 41/49 | .836 |
| Expert 2 | 43/49 | .878 |
| Expert 3 | 45/49 | .918 |
| **Average** | **43/49** | **.878** |

Source: *Primary data*

## 3.11 Data Analysis

Data from the field were sorted, edited and coded to have the required quality, accuracy and completeness. The Statistical Package for Social Sciences (SPSS) version 25.0 was used for analysis of data collected. Descriptive statistics was used to present the results in terms of frequency and percentages and particularly used to analyze the first two objectives. Inferential statistics was employed to analyze the relationship and effect that exist between or among the study variables by using correlation and regression analysis respectively and was particularly used to address objectives three and four.

### 3.12 Study limitations and Delimitations

Some respondents were unwilling to reveal the required responses to the researcher for fear of a researcher being a competitor from other banks. This was delimited by informing the respondents that information was purely for research purposes and the information revealed by them were kept confidential. In addition, the researcher presented the introductory letter from Gulu University introducing the researcher to the respondents.

The study proposed cross-sectional study and as such the long-term impact of employee competencies on performance overtime may not be ascertained. The researcher proposed further studies to focus on longitudinal timeframe.

The study used only quantitative approach hence detailed explanation of employee competencies and commercial bank performance could not be ascertained. This was mitigated by employing large sample size to provide comprehensive coverage.

## 3.13. Ethical considerations

The researcher sought necessary approvals and permissions from relevant authorities before conducting the study. In this case, researcher obtained an introductory letter from faculty of

business and development studies, Gulu University that was presented to the administration of Centenary bank to get permission to access respondents and necessary information.

The researcher obtained informed consent from all participants involved in the study. The researcher further provided clear and understandable information about the study's purpose, procedures, potential risks and benefits, and participants' rights to voluntary participation, confidentiality, and withdrawal from the study at any time.

The researcher safeguarded the confidentiality and anonymity of participants by ensuring that their personal information and responses were kept confidential and could not be linked back to individual participants. In this case, the names of respondents did not appear in any research instrument being used by the researcher.

The researcher minimized bias and conflict of interest by employing research assistants and ensuring that the identity of researcher wasn’t known to the respondents since the researcher is a staff of the commercial bank being studied. Additionally, the researcher ensured objective reporting of the data as they unfolded without personal background not influencing the interpretation of the results.

# CHAPTER FOUR

# DATA PRESENTATION, ANALYSIS AND INTERPRETATION

## 4.0 Introduction

This study investigated employee competencies and commercial bank performance with focus on Centenary bank, Gulu branches. This section of the study focuses on data presentation, analysis and interpretation of findings. This chapter starts with introduction, followed by analysis of demographic characteristics of respondents, descriptive analysis of employee competencies and commercial bank performance; inferential analysis (correlation and regression) and finally moderation analysis.

## 4.1 Background Information

The analysis of background information of respondents covers the key aspects of age bracket of respondents, sex of respondent, education level and duration of working with centenary bank as presented in the table below:

***Table 4: Demographic Characteristics***

| Category | Frequency | Percent |
|---|---|---|
| Age Bracket | | |
| Below 21 years | 3 | 2.9 |
| 21-30 years | 37 | 35.6 |
| 31-40 years | 24 | 23.1 |
| 41& above | 40 | 38.5 |
| **Total** | **104** | **100.0** |
| Sex of Respondents | | |
| Female | 53 | 54.5 |
| Male | 51 | 45.5 |
| **Total** | **104** | **100.0** |
| Education Level | | |
| Diploma | 4 | 3.8 |
| Bachelor | 6 | 5.8 |
| Post Graduate | 94 | 90.4 |
| **Total** | **104** | **100.0** |
| Duration of Employment | | |
| Less than 1year | 2 | 2.9 |
| 1-5years | 47 | 45.2 |
| 6-10years | 15 | 14.4 |
| 10 years and above | 40 | 38.5 |
| **Total** | **104** | **100.0** |

***Primary data, 2024***

The bio-data analysis reveals key demographic and background information about the respondents. In terms of age, the majority (74.1%) falls within the 21-40 age range; with 35.6% aged 21-30 and 38.5% aged 31-40. A smaller proportion, 23.1%, are 41 years and above, while only 2.9% are below 21 years. The gender distribution is nearly balanced, with a slight majority of females (54.5%) compared to males (45.5%). Regarding educational qualifications, a significant majority of respondents (90.4%) hold a Bachelor's degree, while smaller proportions have Postgraduate degrees (5.8%) or Diplomas (3.8%).

In terms of work experience, 45.2% of respondents have 1-5 years of experience, followed by 38.5% with over 10 years of experience. Those with 6-10 years and less than 1 year of experience

make up 14.4% and 2.9%, respectively. This indicates a mix of early-career and seasoned professionals. Overall, the data highlights a well-educated, experienced, and predominantly young to middle-aged group of respondents, with a slight majority of female representation.

### 4.2 Employee Competencies

Employee competencies within the context of this study covers key components of technical skills, communication skills and interpersonal skills as presented and analyzed in the table below:

#### 4.2.1 Technical Skills

The analysis of technical skills which constitute key element of employee competencies is presented in the table below:

***Table 5: Technical Skills***

| **Technical Skills** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | SD | D | SD+D | NS | A | SA | A+SA |
| The staffs of this bank possess the necessary skills required for their roles. | 3.8% | 17.3% | 21.2% | 10.6% | 43.3% | 25.0% | 68.3% |
| Staffs demonstrate a strong understanding of the technical requirements of their job responsibilities. | 2.9% | 22.1% | 25.0% | 8.7% | 38.5% | 27.9% | 66.3% |
| Staffs of Centenary bank can competently apply IT skills to solve work related problems | 5.8% | 11.5% | 17.3% | 13.5% | 45.2% | 24.0% | 69.2% |
| Staffs of Centenary bank effectively apply their skills to solve work-related challenges. | 1.9% | 21.2% | 23.1% | 9.6% | 46.2% | 21.2% | 67.3% |
| Staffs of this bank competently possess the requisite product knowledge. | 6.7% | 10.6% | 17.3% | 9.6% | 45.2% | 27.9% | 73.1% |
| **Average** | **4.22%** | **16.54%** | **20.78%** | **10.40%** | **43.68%** | **25.20%** | **68.84%** |

Primary data, 2024

The data presented in table above evaluates the perception of employees' technical skills in Centenary Bank, highlighting their competencies across various aspects. Overall, the findings indicate a positive perception, with 68.84% of respondents agreeing or strongly agreeing that staff possess the necessary technical skills. The highest-rated area is staff competence in requisite product knowledge, with 73.1% of respondents expressing agreement, followed by the ability to competently apply IT skills to solve work-related problems (69.2%). Additionally, 68.3% of respondents agree that staff possess the necessary skills required for their roles, showcasing a solid foundation in technical capabilities. The analysis highlights that Centenary Bank staff are generally perceived as technically skilled, with strong competencies in product knowledge and IT skills application. These areas represent key strengths, as reflected by high agreement levels.

### 4.2.2 Interpersonal Relationship

Interpersonal relationship is one of the crucial elements of employee competencies as presented and analyzed in the table below:

*Table 6: Interpersonal Relationship*

| Interpersonal relationship | SD | D | SD+D | NS | A | SA | A+SA |
|---|---|---|---|---|---|---|---|
| Staffs of Centenary work collaboratively in teams to achieve common goals. | 4.8% | 13.5% | 18.3% | 11.5% | 43.3% | 26.9% | 70.2% |
| Staffs actively support and help each other in their tasks accomplishments. | 5.8% | 16.3% | 22.1% | 8.7% | 49.0% | 20.2% | 69.2% |
| The bank encourages a cooperative and teamwork-oriented culture. | 7.7% | 18.3% | 26.0% | 10.6% | 44.2% | 19.2% | 63.5% |
| Staffs willingly share information and resources among themselves | 3.8% | 17.3% | 21.2% | 11.5% | 38.5% | 28.8% | 67.3% |
| There is a strong sense of togetherness among the staff of Centenary bank | 4.8% | 12.5% | 17.3% | 12.5% | 51.0% | 19.2% | 70.2% |
| **Average** | **5.38%** | **15.58%** | **20.98%** | **10.96%** | **45.20%** | **22.86%** | **68.08%** |

Primary data, 2024

The data presented in the table above reveals that interpersonal relationships among employees at Centenary Bank are generally strong, with a high level of collaboration, mutual support, and a sense of togetherness. The highest levels of agreement are seen in statements regarding teamwork and achieving common goals, with 70.2% of respondents agreeing or strongly agreeing. Similarly, 69.2% of employees feel that their colleagues actively support and help each other in task accomplishments. Furthermore, a strong sense of togetherness is reported by 70.2% of respondents, reflecting a positive working environment. The data indicates that interpersonal relationships at Centenary Bank are generally strong, with high levels of agreement regarding collaboration, mutual support, and a sense of togetherness among employees with an overall average value of 68.06% level of agreement.

### 4.2.3 Communication Skills

Communication skills constitute one of the key components of employee competencies as presented and analyzed below:

***Table 7: Communication Skills***

| Communication Skills | SD | D | SD+D | NS | A | SA | A+SA |
|---|---|---|---|---|---|---|---|
| Staffs of Centenary bank can clearly explain banking products and services to customers. | 1.9% | 19.2% | 21.2% | 7.7% | 35.6% | 35.6% | 71.2% |
| Staffs of Centenary bank are confident speaking with customers. | 6.7% | 12.5% | 19.2% | 13.5% | 31.7% | 35.6% | 67.3% |
| Staffs of Centenary bank can effectively use written communication to resolve customer issues. | 1.9% | 21.2% | 23.1% | 8.7% | 34.6% | 33.7% | 68.3% |
| Staffs of Centenary bank can explain technical banking terms in simple language. | 3.8% | 16.3% | 20.2% | 12.5% | 42.3% | 25.0% | 67.3% |
| Staffs of Centenary bank use appropriate body language when interacting with customers | 1.9% | 15.4% | 17.3% | 5.8% | 39.4% | 37.5% | 76.9% |
| Average | **3.24%** | **16.92%** | **20.20%** | **9.64%** | **36.72%** | **33.48%** | **70.20%** |

Primary data, 2024

The data reveals that communication skills are a strong component of employee competencies at Centenary Bank. A high level of agreement (71.2%) was found in staff's ability to clearly explain banking products and services to customers, indicating that employees are effective in conveying information. Additionally, 76.9% of respondents agreed that staff use appropriate body language when interacting with customers, highlighting strong non-verbal communication skills. Staffs are also perceived as confident in speaking with customers, with 67.3% of respondents agreeing. However, while written communication (68.3%) and the ability to explain technical banking terms in simple language (67.3%) received positive feedback, these areas showed slightly lower

agreement compared to other aspects of communication. Overall, 70.20% of respondents expressed a positive sentiment towards staff communication skills. The data shows that communication skills are a strong component of employee competencies at Centenary Bank, with high levels of agreement on staff's ability to explain products and services clearly and use appropriate body language.

### 4.3 Performance of Commercial Banks

In this study, the performance of commercial banks has been measured using deposit volume, loan volume, asset quality and profit margin as presented in the sections that follows:

#### 4.3.1 Loan Volume

Loan volume has been conceptualized as one of the most important measures of commercial bank performance as presented and analyzed below:

***Table 8: Loan Volume***

| **Loan Volume** | **SD** | **D** | **SD+D** | **NS** | **A** | **SA** | **A+SA** |
|---|---|---|---|---|---|---|---|
| Our bank has experienced significant growth in loan volume over the past year. | 3.8% | 7.7% | 11.5% | 8.7% | 51.9% | 27.9% | 79.8% |
| Our bank has a high rate of diversified loan portfolio. | 1.9% | 7.7% | 9.6% | 15.4% | 55.8% | 19.2% | 75.0% |
| The number of qualified customers soliciting for different loan products in our bank has increased | 1.9% | 11.5% | 13.5% | 11.5% | 44.2% | 30.8% | 75.0% |
| The increase in loan volume has positively impacted the bank's profitability. | 5.8% | 14.4% | 20.2% | 14.4% | 44.2% | 21.2% | 65.4% |
| Higher loan volumes have contributed to the bank's overall financial stability. | 1.0% | 13.5% | 14.4% | 12.5% | 49.0% | 24.0% | 73.1% |
| Average | **2.88%** | **10.96%** | **13.84%** | **12.50%** | **49.02%** | **24.62%** | **73.66%** |

Primary data, 2024

The data indicates that loan volume plays a significant role in the bank's performance, with a strong positive perception across various aspects. The highest level of agreement (79.8%) comes from the belief that the bank has experienced significant growth in loan volume over the past year, highlighting the importance of loan growth to the bank's success. Additionally, 75.0% of respondents agree that the bank has a diversified loan portfolio, and the same percentage believe that the number of qualified customers seeking different loan products has increased, suggesting that both customer demand and loan offerings have expanded. While the impact of loan volume on profitability (65.4%) and financial stability (73.1%) is also viewed positively, these areas show slightly lower agreement compared to growth and diversification, implying that the direct link between loan volume and profitability may need further attention. Overall, 73.66% of respondents expressed a positive sentiment about the role of loan volume in the bank's performance, indicating a high level of bank performance.

### 4.3.2 Deposit Volume

Deposit volume is one of the most critical measures of commercial bank performance as analyzed and presented in the table below:

***Table 9: Deposit Volume***

| Deposit Volume | SD | D | SD+D | NS | A | SA | A+SA |
|---|---|---|---|---|---|---|---|
| Our bank has experienced significant growth in deposit volume over the past year. | 4.9% | 3.9% | 8.7% | 10.7% | 45.6% | 35.0% | 80.6% |
| The strategies for deposit acquisition are effective in attracting new customers. | 3.8% | 8.7% | 12.5% | 6.7% | 55.8% | 25.0% | 80.8% |
| The increase in deposit volume has positively impacted the bank's profitability. | 4.9% | 4.9% | 9.7% | 9.7% | 47.6% | 33.0% | 80.6% |
| Higher deposit volumes have improved the bank's liquidity position. | 3.8% | 4.8% | 8.7% | 11.5% | 49.0% | 30.8% | 79.8% |
| The bank has experienced increase in number of new accounts | 4.8% | 1.9% | 6.7% | 6.7% | 56.7% | 29.8% | 86.5% |
| **Average** | **4.44%** | **4.84%** | **9.26%** | **9.06%** | **50.94%** | **30.72%** | **81.66%** |

Primary data, 2024

The data indicates that deposit volume is a key component of the bank's performance, with a strong positive perception across various factors. The highest level of agreement (86.5%) is found in the belief that the bank has experienced an increase in the number of new accounts, highlighting successful customer acquisition efforts. Additionally, 80.6% of respondents agree that the bank has seen significant growth in deposit volume over the past year, underlining the importance of deposit growth in the bank's success. Overall, 81.66% of respondents expressed a positive sentiment towards deposit volume, indicating that it plays a crucial role in driving the bank's performance. These results suggest that the bank's strategies for deposit acquisition are highly effective, contributing significantly to its customer base expansion. The high levels of agreement on new account growth (86.5%) and the overall growth in deposit volume (80.6%) reflect a high level of commercial bank performance.

### 4.3.3 Asset Quality

The analysis of asset quality as an important measure of commercial bank performance is analyzed and presented in the table below:

***Table 10: Asset Quality***

| **Asset Quality** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **SD** | **D** | **SD+D** | **NS** | **A** | **SA** | **A+SA** |
| Centenary bank effectively manages credit risk in its loan portfolio. | 3.8% | 4.8% | 8.7% | 7.7% | 46.2% | 37.5% | 83.7% |
| Centenary bank has a low percentage of non-performing loans. | 2.0% | 6.9% | 8.8% | 3.9% | 37.3% | 50.0% | 87.3% |
| The bank's assets are diversified across different sectors to mitigate risks. | 2.0% | 6.9% | 8.8% | 5.9% | 36.3% | 49.0% | 85.3% |
| Centenary bank has effective procedures for identifying and managing impaired assets. | 1.0% | 8.8% | 9.8% | 3.9% | 42.2% | 44.1% | 86.3% |
| The bank’s asset quality is good and commendable | 2.0% | 5.9% | 7.8% | 4.9% | 41.2% | 46.1% | 87.3% |
| Average | **2.16%** | **6.66%** | **8.78%** | **5.26%** | **40.64%** | **45.34%** | **85.98%** |

Primary data, 2024

The data in the above table highlights asset quality as a key strength for Centenary Bank, with strong positive perceptions across various factors. The highest level of agreement (87.3%) is seen in the belief that the bank has a low percentage of non-performing loans, indicating effective risk management and a healthy loan portfolio. Additionally, 83.7% of respondents agree that the bank effectively manages credit risk in its loan portfolio, further reinforcing its strong risk management practices. The bank's asset diversification strategy is also positively viewed, with 85.3% agreeing that assets are well-diversified across different sectors to mitigate risks. Furthermore, 86.3% of respondents believe that the bank has effective procedures for identifying

and managing impaired assets. With an overall positive sentiment of **85.98%**, it is clear that Centenary Bank's asset quality is viewed as a crucial component of its performance.

### 4.4.4 Profit Margin

Profit margin is one of the most crucial measures of commercial bank performance as presented and analyzed below:

***Table 11: Profit Margin***

| **Profit Margin** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **SD** | **D** | **SD+D** | **NS** | **A** | **SA** | **A+SA** |
| Profit margins have improved in recent years due to strategic initiatives. | 2.0% | 5.9% | 7.8% | 3.9% | 41.2% | 47.1% | 88.2% |
| Our bank's profit margin is competitive compared to other banks in the industry. | 2.0% | 12.0% | 14.0% | 6.0% | 25.0% | 55.0% | 80.0% |
| Our bank generates sufficient profits to cover its expenses. | 2.0% | 9.8% | 11.8% | 5.9% | 32.4% | 50.0% | 82.4% |
| The Gross profit margin of this bank sufficiently covers | 2.0% | 7.8% | 9.8% | 8.8% | 31.4% | 50.0% | 81.4% |
| This bank declares profits annually | 1.0% | 7.8% | 8.8% | 5.9% | 41.2% | 44.1% | 85.3% |
| **Average** | **1.80%** | **8.66%** | **10.44%** | **6.10%** | **34.24%** | **49.24%** | **83.46%** |

Primary data, 2024

The data presented in the table above indicates that profit margin is a significant strength for the bank, with a high level of positive perception across various aspects. The most notable result is that 88.2% of respondents agree that profit margins have improved in recent years due to strategic initiatives, highlighting the effectiveness of the bank's strategies in boosting profitability. Additionally, 80.0% of respondents believe the bank’s profit margin is competitive compared to other banks in the industry, reflecting the bank’s strong position within the market. Furthermore, 82.4% of respondents agree that the bank generates sufficient profits to cover its expenses, and 81.4% agree that the gross profit margin is sufficient to cover costs. With an

overall positive sentiment of 83.46%, it is clear that the bank's profit margin is seen as a key factor contributing to its strong performance. The results suggest that the bank's strategic initiatives are successfully driving profitability, allowing it to remain competitive and financially healthy.

### 4.5 Training

The analysis of training in commercial banks particularly Centenary bank has been conceptualized to cover on-the-job training and off-the-job training as presented in the following sections.

#### 4.5.1 On-the-Job Training

The analysis of on-the-job training as an important component of training within the context of commercial banks is presented in the table below:

***Table 12: On-the-Job Training***

| On-the-job training | SD | D | SD+D | NS | A | SA | A+SA |
|---|---|---|---|---|---|---|---|
| Centenary bank provides relevant trainings on job roles to its staff | 5.8% | 25.0% | 30.8% | 10.6% | 40.4% | 18.3% | 58.7% |
| Centenary bank offers trainings that are relevant to staff roles | 7.7% | 13.5% | 21.2% | 16.3% | 45.2% | 17.3% | 62.5% |
| This bank engages in frequent refresher trainings to improve staff capacity | 13.5% | 11.5% | 25.0% | 15.4% | 37.5% | 22.1% | 59.6% |
| This bank implements good mentorship programs | 7.7% | 23.1% | 30.8% | 9.6% | 42.3% | 17.3% | 59.6% |
| This bank allows multi-tasking to broaden staff knowledge. | 5.8% | 28.8% | 34.6% | 10.6% | 39.4% | 15.4% | 54.8% |
| **Average** | **8.10%** | **20.38%** | **28.48%** | **12.50%** | **40.96%** | **18.08%** | **59.04%** |

Primary data, 2024

The data presented in the table above indicates a moderate level of satisfaction with Centenary Bank's on-the-job training programs, with 59.04% of respondents expressing a positive sentiment. The highest levels of agreement are seen in the relevance of training, with 58.7% agreeing that the bank provides relevant training for job roles, and 62.5% agreeing that the

training offered aligns well with staff needs. Additionally, 59.6% of respondents agree that the bank engages in frequent refresher trainings to improve staff capacity, highlighting the bank's focus on continuous staff development. Overall, while Centenary Bank's on-the-job training efforts are generally appreciated, there is potential for enhancing the variety and frequency of training opportunities to better support staff growth and performance.

### 4.5.2 Off-the-Job Training

Off the job training is one of the most crucial elements of training within the context of commercial banks as presented in the table below:

***Table 13: Off-the-Job-Training***

| **Off-the-job training** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **SD** | **D** | **SD+D** | **NS** | **A** | **SA** | **A+SA** |
| The skills and knowledge gained from the training are applicable to my daily tasks. | 9.6% | 18.3% | 27.9% | 25.0% | 34.6% | 12.5% | 47.1% |
| Frequent workshops are organized by the bank to improve staff competencies | 8.7% | 15.4% | 24.0% | 14.4% | 45.2% | 16.3% | 61.5% |
| I feel more confident in my job after attending the training supported by the bank outside the work environment. | 6.7% | 12.5% | 19.2% | 17.3% | 50.0% | 13.5% | 63.5% |
| The bank provides training opportunities to staff in facilities that are comfortable and conducive to learning outside the workplace environment. | 7.7% | 13.5% | 21.2% | 16.3% | 35.6% | 26.9% | 62.5% |
| The bank provides opportunities for staff to attend different online training outside the workplace environment | 6.7% | 12.5% | 19.2% | 14.4% | 39.4% | 26.9% | 66.3% |
| **Average** | **7.88%** | **14.44%** | **22.30%** | **17.48%** | **40.96%** | **19.22%** | **60.18%** |

Primary data, 2024

The data provided in the above table reveals a generally positive, though moderate, response to Centenary Bank's off-the-job training programs, with 60.18% of respondents expressing agreement or strong agreement. The highest levels of agreement are found in the statements that attending off-the-job training has increased staff confidence (63.5%) and that the bank provides opportunities for online training outside the workplace (66.3%). Additionally, 61.5% of respondents agree that the bank organizes frequent workshops to improve staff competencies, highlighting the bank's commitment to offering a variety of external training methods. A notable 62.5% of respondents also appreciate that the bank provides comfortable and conducive learning environments for off-the-job training. Overall, the bank's off-the-job training efforts are valued, but enhancing the practical relevance of the training could further boost its impact on staff development.

### 4.6 Relationship between the Study Variables

Correlation analysis was performed to establish the relationships that exist between the study variables and the result is presented in the table below:

***Table 14: Correlation Analysis***

| **Variables** | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Technical skills(1) | 1 | | | |
| Interpersonal relationship(2) | .516** | 1 | | |
| Communication skill(3) | .308** | .485** | 1 | |
| **Performance(4)** | **.771**** | **.842**** | **.758**** | **1** |
| N | 104 | 104 | 104 | 104 |

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

Correlation table presented above shows that Technical skills has a strong significant positive relationship with commercial bank performance as reflected by ($r=.771^{**}$; $p<.01$). This indicates that improvement in Technical skills is associated with improvement in employee performance.

Similarly, Interpersonal relationship has a very strong significant positive relationship with employee performance as revealed by ($r=.842^{**}$; $p<.01$), indicating that improvement in Interpersonal relationship is associated with improvement in employee performance.

Lastly, the correlation result indicates a strong significant positive relationship between Communication skill and employee performance as revealed by ($r=.758^{**}$; $p<.01$) which implies that improvement in Communication skill is associated with improvement in employee performance.

**4.7 Regression Analysis**

Regression analysis was performed to establish the effect on independent variable on the dependent variable and the result is as presented in the table below:

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .691[a] | .477 | .462 | .55239 |

a. Predictors: (Constant), COMM, Tech, Inter

The result presented in the table of model summary above shows that employee competence comprising of technical skills, communication skills and interpersonal relationship explain variations in dependent variable (commercial bank performance) by 47.7% as revealed by R-Square value of ($R^2 = .477$).

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 27.879 | 3 | 9.293 | 30.456 | .000[b] |
| | Residual | 30.513 | 100 | .305 | | |
| | Total | 58.393 | 103 | | | |

a. Dependent Variable: Commercial bank Performance

b. Predictors: (Constant), Communication skills, Technical skills, Interpersonal skills

The data presented in the table of Analysis of Variance (ANOVA) table revealed that the independent variable (employee competence ) is a significant predictor and significantly explains the dependent variable (commercial bank performance) as shown by a very low p-value of ($p = .000$; $p<.01$).

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.761 | .255 | | 6.916 | .000 |
| | Tech | .337 | .061 | .465 | 5.496 | .000 |
| | Inter | .015 | .068 | .021 | .226 | .822 |
| | COMM | .292 | .060 | .404 | 4.868 | .000 |

a. Dependent Variable: Commercial bank Performance

Analysis of the regression coefficient indicates that technical skills significantly affect the performance of commercial banks and a unit increase in technical skill leads to increase in performance by 0.337 as reflected by ($Beta = .337$; $p<0.05$).

Contrastingly, the result indicates that interpersonal skill does not have any significant effect on performance and that, a unit increase in interpersonal skill leads to increase in performance by only 0.015 which is not significant as reflected by ($Beta = .015$; $p>0.05$).

Lastly, the regression coefficient indicates that communication skills significantly affects the performance and a unit increase in communication skills leads to increase in performance by 0.292 as reflected by (Beta = .292; $p<0.05$).

### 4.8 Moderation analysis

Moderation analysis was conducted to determine the moderating effect of training on the relationship between employee competence and performance. The result is as presented below:

***Table 15: Moderation Analysis***

Model Summary

| R | R-sq | MSE | F | df1 | df2 | p |
|---|---|---|---|---|---|---|
| .7100 | .5041 | .3412 | 33.8897 | 3.0000 | 100.0000 | .0000 |

Model

| | coeff | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| constant | .4354 | .8793 | .4952 | .6215 | 2.1799 | 1.3090 |
| Perfor | .7363 | .2136 | 3.4468 | .0008 | .3125 | 1.1601 |
| TraJO | .7380 | .3572 | 2.0659 | .0414 | .0293 | 1.4467 |
| Int_1 | .1966 | .0815 | 1.1860 | .0285 | .2582 | .0650 |

Independent Variable=Employee competence; Dependent Variable=Commercial bank performance; Moderator=Training

Moderation analysis was performed using the PROCESS procedure in SPSS developed by F. Hayes (2020) to determine whether training moderates the relationship between employee competencies and commercial bank performance. This result indicates that training together with employee competencies explain variation in commercial bank performance by 50.42% as reflected by ($R^2$=.5041). Furthermore, the result indicates that training moderates the relationship

between employee competencies and commercial bank performance since the p-value of the interaction term is less than 0.05 ($p=.0285$; $p<.05$).

# CHAPTER FIVE

# DISCUSSION

## 5.0 Introduction

This study investigated employee competencies and commercial bank performance. Thus, this section therefore discusses the study findings in line with what previous researchers have studied. This section covers introduction, followed by discussion on employee competencies, commercial bank performance and moderating role of training as discussed below.

## 5.1 Employee competencies

The findings of this study highlight the critical role of employee competencies specifically technical skills, communication skills, and interpersonal skills in driving performance and customer satisfaction at Centenary Bank's Gulu branches. The study found that employees at Centenary Bank's Gulu branches possess strong technical skills, enabling them to efficiently use banking systems, handle financial transactions accurately, and troubleshoot client issues. This aligns with previous research by Mugume et al. (2022), who found that technical competence is a cornerstone of employee performance in Uganda's banking sector, as it enhances productivity and reduces operational errors. Similarly, Adebayo et al. (2021) emphasized the importance of technical skills in ensuring seamless service delivery and reducing customer complaints. However, in contrast, Nakato and Lubega (2023) argued that while technical skills are vital, their impact is often constrained in rural or less technologically advanced branches due to inadequate infrastructure, which was not evident in Gulu's case.

Effective communication skills were also highlighted as a critical competency. Employees demonstrated clarity, empathy, and responsiveness in client interactions, fostering trust and satisfaction. This finding concurs with the work of Tumusiime and Kibirige (2021), who noted

that communication skills significantly influence customer loyalty in Ugandan banks, particularly in regions with diverse customer bases. Furthermore, Kotler et al. (2022) argued that effective communication bridges the gap between technical knowledge and client understanding, enhancing the client experience. However, other studies, such as those by Ochola and Opiyo (2023), observed that while communication skills are generally strong in urban banking branches, they often lack cultural sensitivity in diverse regions, which could pose challenges in replicating the Gulu success model elsewhere.

Interpersonal skills, including teamwork, conflict resolution, and emotional intelligence, were found to be highly developed among employees in the Gulu branches. This aligns with findings by Kamanzi et al. (2022), who highlighted that interpersonal competency are crucial in creating a cohesive work environment and improving client relations in competitive banking environments. Additionally, interpersonal skills have been linked to employee retention and morale, as noted by Baluku et al. (2023), who observed that banks with employees skilled in interpersonal interactions report lower turnover rates and higher client satisfaction. However, it is worth noting that some studies, such as that of Ayebazibwe and Kakembo (2022), suggest that the impact of interpersonal skills is diminished in highly digitized banking environments, where face-to-face interactions are limited.

The high level of employee competencies at Centenary Bank's Gulu branches highlights the critical role of these skills in achieving operational excellence and customer satisfaction. While the findings generally align with existing literature, they also highlight contextual challenges, such as the absence of infrastructure challenges and the high reliance on interpersonal skills, which could serve as a model for other branches in similar settings.

## 5.2 Commercial Bank Performance

The findings of this study reveal that Centenary Bank's Gulu branches exhibit a high level of performance, as evidenced by significant deposit volume, loan volume, asset quality, and profit margins. These performance metrics demonstrates the bank's ability to sustain its operations, meet customer needs, and contribute to the economic growth of the region. The study identified high deposit volumes as a key indicator of performance at Centenary Bank's Gulu branches. Deposits are crucial for the liquidity and lending capacity of banks, and their growth reflects customer confidence and strong market presence. This finding aligns with the work of Kato and Mugume (2023), who noted that high deposit volumes are directly linked to trust in banking systems and effective marketing strategies in Uganda's commercial banks. Similarly, Kamugisha et al. (2022) found that deposit mobilization strategies, such as accessible banking services and tailored products, drive deposit growth in regional branches. However, Nsubuga and Balinda (2021) argued that in rural areas, deposit volumes are often constrained by low financial literacy and income levels, a trend that is less pronounced in Gulu, which benefits from economic activities in Northern Uganda.

The high loan volumes observed at Centenary Bank's Gulu branches indicate the bank's robust lending practices and ability to meet credit demands. This aligns with findings by Tumwine et al. (2023), who emphasized that loan volumes are a critical performance metric, reflecting the bank's role in financing businesses and personal needs. Moreover, Adewale and Okechukwu (2022) highlighted that high loan volumes often correspond with increased revenue through interest income, provided that lending practices are prudent. However, some studies, such as Nakandi and Owor (2022), caution that high loan volumes can pose risks of default in areas with limited

economic diversification, which may not apply fully to Gulu's relatively vibrant economic environment.

The study also highlighted strong asset quality as a measure of performance, reflecting the bank's ability to manage non-performing loans (NPLs) effectively. Good asset quality ensures financial stability and reduces the risk of insolvency. This finding concurs with Baluku et al. (2023), who found that commercial banks in Uganda with low levels of NPLs tend to perform better in terms of profitability and customer trust. Additionally, the World Bank (2023) reported that effective risk management and credit monitoring systems enhance asset quality across financial institutions globally. However, some researchers, such as Ochola and Nyeko (2022), noted that external factors like inflation and market shocks can undermine asset quality, an area for further exploration in Gulu's context.

Profit margins were found to be high, indicating efficient cost management and revenue generation at Centenary Bank's Gulu branches. Profitability is a vital measure of sustainability and competitiveness in the banking sector. These findings are consistent with a study by Tumusiime and Kyeyune (2021), which reported that regional branches in Uganda with diversified income streams and cost-control mechanisms tend to achieve higher profit margins. Furthermore, Oketch and Amanya (2022) emphasized that banks prioritizing customer-centric services and technology adoption often outperform their peers in profitability. However, the findings disagree with Musoke and Mugisha (2023), who argued that banks in Northern Uganda face challenges in achieving high profit margins due to higher operational costs and competition from microfinance institutions.

The high performance of Centenary Bank's Gulu branches, as measured by deposit volume, loan volume, asset quality, and profit margins, reflects effective operational strategies and strong

customer relationships. While these findings align with existing literature, they also highlight context-specific strengths that contribute to the bank's success.

### 5.3 Employee Competencies and Commercial bank performance

The findings of this study reveal that technical skills and communication skills have a significant effect on commercial bank performance, while interpersonal skills do not demonstrate a statistically significant effect. These results shed light on the varying contributions of employee competencies to the performance of commercial banks, particularly in dynamic environments. The significant effect of technical skills on commercial bank performance aligns with existing literature emphasizing the importance of task-specific knowledge and proficiency. According to Ismail et al. (2023), technical skills enable employees to effectively utilize banking software, analyze financial data, and ensure compliance with regulatory standards, directly contributing to operational efficiency and customer satisfaction. Similarly, Onyango and Achieng (2022) found that employees with advanced technical skills improve service delivery and minimize errors, leading to increased profitability and customer trust. These findings corroborate the results from the current study, highlighting that technical skills are foundational for sustaining competitive advantage in the banking industry. However, some studies present a different perspective. For instance, Osei and Mensah (2023) observed that while technical skills are critical, their impact can be limited without continuous upskilling due to rapid technological advancements in the banking sector. This suggests that maintaining the relevance of technical skills requires ongoing investment in training and development programs.

The significant effect of communication skills on bank performance highlights their role in fostering effective customer interaction, teamwork, and conflict resolution. This aligns with findings by Amutuhaire et al. (2023), who reported that clear and persuasive communication

enhances customer relationships, contributing to customer retention and sales growth. Furthermore, studies such as those by Kumar and Shukla (2022) highlight those strong communication skills are critical for cross-selling products, addressing customer inquiries promptly, and building a positive brand image. However, while the current study emphasizes the importance of communication skills, some researchers argue for a broader contextual understanding. According to Mwangi and Muthoni (2021), communication skills may have varying effects depending on the bank's customer demographics, with younger, tech-savvy clients valuing digital interactions over in-person communication. This suggests that communication skills may need to adapt to the evolving preferences of customers in the banking sector.

The finding that interpersonal skills do not have a significant effect on bank performance contrasts with some earlier studies that emphasize their importance. For instance, Nyangoma et al. (2022) argue that interpersonal skills are vital for maintaining cohesive team dynamics and enhancing workplace morale, which indirectly impacts performance. Similarly, Okello and Mugisha (2021) found that interpersonal skills help employees build long-term relationships with high-value clients, contributing to customer loyalty and repeat business. Despite these assertions, the current study's findings are supported by literature suggesting that interpersonal skills may not directly affect measurable performance outcomes such as profitability or market share. A study by Kibet and Kiprono (2023) noted that while interpersonal skills are important for internal collaboration, their direct impact on financial performance metrics is often overshadowed by technical and communication skills. This discrepancy may arise from the fact that interpersonal skills primarily influence internal processes, whereas technical and communication skills have more direct external impacts.

Overall, the significant effects of technical and communication skills align with the broader consensus that these competencies are integral to achieving commercial bank performance. However, the non-significant effect of interpersonal skills challenges the narrative that all employee competencies equally impact performance. These results suggest that the specific context of banking operations, which often prioritizes technical efficiency and customer engagement, may limit the direct influence of interpersonal skills on measurable outcomes. The findings highlight the differential impact of employee competencies on commercial bank performance, with technical and communication skills emerging as critical drivers, while interpersonal skills play a less significant role.

### 5.4 Moderating Effect of Training

The findings of this study reveal that training significantly moderates the relationship between employee competencies and commercial bank performance. This highlights the critical role of training in enhancing the effectiveness of technical, communication, and interpersonal skills to improve key performance indicators such as deposit growth, loan quality, and profitability. The moderating role of training in strengthening the relationship between employee competencies and commercial bank performance is consistent with the findings of Ismail and Hassan (2023), who emphasize that training programs tailored to employees' needs significantly enhance their ability to apply technical and communication skills in dynamic banking environments. Training enables employees to adapt to regulatory changes, master evolving financial technologies, and deliver superior customer service, directly contributing to better operational performance.

Similarly, a study by Karungi and Byaruhanga (2022) found that structured training programs amplify the impact of interpersonal skills by fostering team cohesion and conflict resolution, which indirectly supports performance metrics like customer retention and employee

productivity. This aligns with the current findings that training interventions optimize the utility of competencies, thereby improving overall bank performance. However, some scholars suggest that the effectiveness of training is contingent upon its design and implementation. For instance, Mwangi et al. (2023) argue that generic training programs may not yield the desired results, as they fail to address the specific skill gaps of employees. This highlights the importance of customized training modules that focus on the unique demands of each competency area, particularly in the commercial banking context.

While the findings agree with a substantial body of literature, some studies provide varied perspectives on the moderating effect of training. For example, Onyango and Ochieng (2022) argue that training enhances technical skills more effectively than communication or interpersonal skills. They posit that technical skills are more structured and thus easier to improve through formal training, whereas communication and interpersonal skills require continuous practice and real-time feedback. Additionally, the findings of Okello and Mugisha (2021) suggest that the frequency and mode of training (e.g., on-the-job vs. off-the-job training) determine its moderating impact. On-the-job training, in particular, was found to be more impactful in enhancing competencies in real-time operational settings, a view that complements the current study's emphasis on training as a critical moderator.

While most studies highlight the positive impact of training, some argue that its role as a moderator may be limited by organizational constraints such as inadequate funding or resistance to training initiatives. For instance, Kibet and Kiprono (2023) found that poorly executed training programs, lacking follow-up and evaluation, often fail to translate into improved employee performance, thereby weakening their moderating effect. This contrasts with the findings of the current study, which underscore training as a pivotal factor in bridging competency gaps.

Furthermore, some scholars have suggested that the moderating effect of training might be context-specific. For example, Ahmed and Mensah (2023) observed that training's moderating role is more pronounced in technologically advanced banks, where the rapid pace of innovation necessitates continuous skill enhancement. This implies that the effectiveness of training as a moderator may vary across different operational environments.

The study's findings corroborate existing evidence that training significantly enhances the relationship between employee competencies and commercial bank performance. However, discrepancies in the literature regarding the design, frequency, and organizational context of training elaborate the need for tailored and context-specific training programs.

# CHAPTER SIX

# SUMMARY, DISCUSSION AND RECOMMENDATIONS

## 6.0 Introduction

This study investigated employee competencies and commercial bank performance. This section covers key areas comprising of: summary of key findings in line with the study objectives, conclusion, study recommendations in line with the research findings and areas to be considered for future research.

## 6.1 Summary of Key Findings

This study examined employee competencies and performance of commercial banks with focus on Centenary bank, Lira and Gulu branches, from where the following findings have been summarized:

a) The study found a high level of employee competencies in the forms of communication skills, interpersonal skills and technical skills.
b) The study also found high level of commercial bank performance in the forms deposit volume, loan volume, asset quality and profit margin.
c) The study finding revealed that all the dimensions of employee competencies (technical skills, interpersonal skills and communication skills have significant positive relationship with commercial bank performance.
d) Additionally, the study revealed that technical and interpersonal skills have significant positive effect on employee performance, while interpersonal skills does not have any significant effect on commercial bank performance.
e) In terms of moderation, the study found that training has a significant moderating effect on the relationship between employee competencies and commercial bank performance.

## 6.2 Conclusions

This study investigated the relationship between employee competencies and the performance of commercial banks, with a focus on Centenary Bank's branches in Lira and Gulu. The findings highlight the critical role of employee competencies in driving the performance of commercial banks, while also underlining the importance of training as a moderating factor. The following conclusions have therefore been derived:

Firstly, the study established a high level of employee competencies in the forms of communication skills, interpersonal skills, and technical skills. The study thus provides conclusion that employee competencies are fundamental to the effective execution of banking operations and customer interactions, as they enable employees to handle complex tasks, foster teamwork, and ensure clarity in communication. The emphasis on these skills reflects the bank’s commitment to equipping employees with the necessary tools to excel in their roles.

Secondly, the study revealed high levels of commercial bank performance, measured by deposit volume, loan volume, asset quality, and profit margin. The study further concludes that there is prevalence of a strong operational and financial standing of Centenary Bank in Gulu city. The performance indicators signify the bank's ability to attract and retain deposits, extend credit effectively, maintain asset quality, and achieve profitability, which are critical metrics of success in the banking sector.

Furthermore, the study found that all dimensions of employee competencies—technical skills, interpersonal skills, and communication skills—have a significant positive relationship with commercial bank performance. The study conclusion demonstrates the importance of a well-rounded skillset among employees in driving operational efficiency, customer satisfaction, and

overall organizational success. It aligns with existing literature that highlights the role of employee competencies in achieving superior organizational outcomes.

Additionally, the study revealed significant effect of employee competencies on performance. While technical skills and communication skills significantly positively impact commercial bank performance, interpersonal skills, surprisingly, do not have a significant direct effect. The study concludes that while collaboration and relationship-building are valuable, they may not directly translate into measurable financial outcomes in the banking context. This finding highlights the need for banks to prioritize technical expertise and effective communication when designing competency frameworks.

Finally, the study demonstrated that training significantly moderates the relationship between employee competencies and commercial bank performance. This finding emphasizes the pivotal role of continuous training programs in enhancing employees' ability to leverage their skills effectively. Therefore, the study provides conclusion that training ensures that employees stay updated with industry trends, adopt best practices, and refine their technical and soft skills, thereby amplifying their contribution to organizational performance.

### 6.3 Recommendations

Based on the study findings on the relationship between employee competencies and commercial bank performance at Centenary Bank, Gulu and Lira branches, several recommendations are made for different stakeholders to enhance performance as detailed below:

The study highlighted the significant role of technical skills in enhancing commercial bank performance. Centenary Bank and other commercial banks should prioritize continuous technical training programs for employees. These programs should focus on improving task-specific

competencies such as financial analysis, risk assessment, and the use of banking technologies. This will equip employees with the expertise needed to manage complex financial transactions and ensure operational efficiency. Banks could partner with financial training institutions to design tailored courses that address industry-specific technical challenges.

Commercial banks should strengthen communication skills across all employee levels. Since communication skills have a significant positive effect on commercial bank performance, it is essential to cultivate a culture of clear and effective communication within the bank. Employees should be trained in areas such as active listening, conflict resolution, and persuasive communication to improve interactions with clients and colleagues. This can be achieved through workshops, role-playing exercises, and the incorporation of communication modules in employee development programs. By improving communication, the bank can enhance customer satisfaction and loyalty, which directly impacts deposit volumes and loan processing.

Although interpersonal skills were found to have no significant direct effect on commercial bank performance, they remain valuable for fostering collaboration and enhancing the work environment. Centenary Bank should integrate team-building activities and peer-learning initiatives to strengthen interpersonal relationships among employees. Furthermore, the bank should investigate how interpersonal skills might contribute indirectly to performance, such as through training, enhanced teamwork or improved employee morale. These insights can guide the design of balanced competency frameworks that consider both direct and indirect impacts of various skills.

The study found that training has a significant moderating effect on the relationship between employee competencies and commercial bank performance. Centenary Bank should institutionalize comprehensive training programs that align with its strategic objectives. Training

sessions should cover both technical and soft skills, incorporating modern banking practices. Additionally, training should be provided consistently across all employee levels to bridge skill gaps and ensure uniform competency development. The bank should also implement monitoring and evaluation mechanisms to assess the impact of training programs on performance.

Given the high levels of commercial bank performance in terms of deposit volume, loan volume, asset quality, and profit margin, the bank should regularly monitor these KPIs to ensure sustained growth. Management should set clear targets and provide employees with the resources and tools necessary to achieve these objectives. For example, advanced customer relationship management (CRM) systems can help employees track client deposits and loan repayments, thereby improving asset quality and profitability.

### 6.4 Areas of Future Research

This study focused on employee competencies and commercial bank performance from where the following areas of future research have been advanced:

a) Since this study focused on only Centenary bank, future study should focus on employee competencies and performance of commercial banks in Northern Uganda.
b) Since this study was purely quantitative, future study should focus on qualitative analysis of employee competencies and commercial bank performance.
c) Finally, future study could focus on the role of training and development in enhancing employee performance in commercial banks in Gulu city.

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## APPENDICES

## APPENDIX A: QUESTIONNAIRE

**Dear respondent,**

I am a Masters student of Gulu University. As partial fulfillment of my study program, I am carrying out a study on the topic, "**Employee competencies and performance of Commercial Banks in Northern Uganda, the Case of Centenary Bank, Gulu and Lira Branches**". You have been selected as a respondent for this study as you are considered to be having information that is necessary for the successful completion of this research project. Therefore, I kindly request you to spare a few minutes of your busy schedules to fill this questionnaire to enable me accomplish this task. The information that you will provide shall be treated with a high level of confidentiality and strictly used for the purpose of this research study. Your honest and sincere responses are highly appreciated for academic purposes. I thank you very much in advance for your cooperation.

**SECTION A: BACK GROUND INFORMATION OF THE RESPONDENT (Please tick in the appropriate Box)**

1. Sex

(a). Female ☐ (b). Male ☐

2. Age

(a) Below 21 ☐ (b) 21-30 ☐ (c) 31-40 ☐ (d) 41& above ☐

3. Education Level

(a) Secondary ☐ (b) Diploma ☐ (c) Bachelors ☐ (d) Post Graduate ☐
(e) Masters ☐

4. How long have you been working with Centenary Bank?

(a) Less than 1 year ☐ (b) 1 – 5 years ☐ (c) 6-10 years ☐ (d) above 10 year ☐

## SECTION B: EMPLOYEE COMPETENCIES

Based on your opinion please select the response which best represents it using the scale **SD**=Strongly Disagree, **D**= Disagree, **NS**=Not Sure, **A**=Agree, **SA**=Strongly Agree.

***(Please tick √ in the box for preferred option/s matching your response)***

| **TS** | **Technical Skills** | **SD** | **D** | **N** | **A** | **SA** |
|---|---|---|---|---|---|---|
| 1 | The staffs of this bank possess the necessary skills required for their roles. | | | | | |
| 2 | Staffs demonstrate a strong understanding of the technical requirements of their job responsibilities. | | | | | |
| 3 | Staffs of Centenary bank can competently apply IT skills to solve work related problems | | | | | |
| 4 | Staffs of Centenary bank effectively apply their skills to solve work-related challenges. | | | | | |
| 5 | Staffs of this bank competently possess the requisite product knowledge. | | | | | |
| **IRS** | **Interpersonal Relationship Skills** | **SD** | **D** | **NS** | **A** | **SA** |
| 1 | Staffs of Centenary work collaboratively in teams to achieve common goals. | | | | | |
| 2 | Staffs actively support and help each other in their tasks accomplishments. | | | | | |
| 3 | The bank encourages a cooperative and teamwork-oriented culture. | | | | | |
| 4 | Staffs willingly share information and resources among themselves | | | | | |
| 5 | There is a strong sense of togetherness among the staff of Centenary bank | | | | | |
| **CS** | **Communication Skills** | **SD** | **D** | **NS** | **A** | **SA** |
| 1 | Staffs of Centenary bank can clearly explain banking products and services to customers. | | | | | |
| 2 | Staffs of Centenary bank are confident speaking with customers. | | | | | |
| 3 | Staffs of Centenary bank can effectively use written communication to resolve customer issues. | | | | | |
| 4 | Staffs of Centenary bank can explain technical banking terms in simple language. | | | | | |
| 5 | Staffs of Centenary bank use appropriate body language when | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | interacting with customers. | | | | | |

## SECTION C: TRAINING

| On | On-the –Job Training | SD | D | NS | A | SA |
|---|---|---|---|---|---|---|
| 01 | Centenary bank provides relevant trainings on job roles to its staff | | | | | |
| 02 | Centenary bank offers trainings that are relevant to staff roles | | | | | |
| 03 | This bank engages in frequent refresher trainings to improve staff capacity | | | | | |
| 04 | This bank implements good mentorship programmes | | | | | |
| 05 | This bank allows multi-tasking to broaden staff knowledge. | | | | | |
| **Off** | **Off-the –Job Training** | | | | | |
| 01 | The skills and knowledge gained from the training are applicable to my daily tasks. | | | | | |
| 02 | Frequent workshops are organized by the bank to improve staff competencies | | | | | |
| 03 | I feel more confident in my job after attending the training supported by the bank outside the work environment. | | | | | |
| 04 | The bank provides training opportunities to staff in facilities that are comfortable and conducive to learning outside the workplace environment. | | | | | |
| 05 | The bank provides opportunities for staff to attend different online training outside the workplace environment | | | | | |

## SECTION D: PERFORMANCE OF COMMERCIAL BANKS

| LV | Loan Volume | SD | D | NS | A | SA |
|---|---|---|---|---|---|---|
| **01** | Our bank has experienced significant growth in loan volume over the past year. | | | | | |
| **02** | Our bank has a high rate of diversified loan portfolio. | | | | | |
| **03** | The number of qualified customers soliciting for different loan products in our bank has increased | | | | | |
| **04** | The increase in loan volume has positively impacted the bank's profitability. | | | | | |
| **05** | Higher loan volumes have contributed to the bank's overall financial stability. | | | | | |
| **DV** | **Deposit Volume** | | | | | |
| **01** | Our bank has experienced significant growth in deposit volume over the past year. | | | | | |
| **02** | The strategies for deposit acquisition are effective in attracting new customers. | | | | | |
| **03** | The increase in deposit volume has positively impacted the bank's profitability. | | | | | |
| **04** | Higher deposit volumes have improved the bank's liquidity position. | | | | | |
| **05** | The bank has experienced increase in number of new accounts | | | | | |
| **AQ** | **Asset Quality** | | | | | |
| **01** | Centenary bank effectively manages credit risk in its loan portfolio. | | | | | |
| **02** | Centenary bank has a low percentage of non-performing loans. | | | | | |
| **03** | The bank's assets are diversified across different sectors to mitigate risks. | | | | | |
| **04** | Centenary bank has effective procedures for identifying and managing impaired assets. | | | | | |
| **05** | The bank's asset quality is good and commendable | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **PM** | Profit Margin | | | | | |
| **01** | Profit margins have improved in recent years due to strategic initiatives. | | | | | |
| **02** | Our bank's profit margin is competitive compared to other banks in the industry. | | | | | |
| **03** | Our bank generates sufficient profits to cover its expenses. | | | | | |
| **04** | The Gross profit margin of this bank sufficiently covers | | | | | |
| **05** | This bank declares profits annually | | | | | |

***THANK YOU VERY MUCH***

**Appendix B: Morgan Table for Sample Size Determination**

| N | S | N | S | N | S | N | S | N | S |
|---|---|---|---|---|---|---|---|---|---|
| 10 | 10 | 100 | 80 | 280 | 162 | 800 | 260 | 2800 | 338 |
| 15 | 14 | 110 | 86 | 290 | 165 | 850 | 256 | 3000 | 341 |
| 20 | 19 | 120 | 92 | 300 | 169 | 900 | 269 | 3500 | 346 |
| 25 | 24 | 130 | 97 | 320 | 175 | 950 | 274 | 4000 | 351 |
| 30 | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500 | 354 |
| 35 | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000 | 357 |
| 40 | 36 | 160 | 113 | 380 | 191 | 1200 | 291 | 6000 | 361 |
| 45 | 40 | 170 | 118 | 400 | 196 | 1300 | 297 | 7000 | 364 |
| 50 | 44 | 180 | 123 | 420 | 201 | 1400 | 302 | 8000 | 367 |
| 55 | 48 | 190 | 127 | 440 | 205 | 1500 | 306 | 9000 | 368 |
| 60 | 52 | 200 | 132 | 460 | 210 | 1600 | 310 | 10000 | 370 |
| 65 | 56 | 210 | 136 | 480 | 214 | 1700 | 313 | 15000 | 375 |
| 70 | 59 | 220 | 140 | 500 | 217 | 1800 | 317 | 20000 | 377 |
| 75 | 63 | 230 | 144 | 550 | 226 | 1900 | 320 | 30000 | 379 |
| 80 | 66 | 240 | 148 | 600 | 234 | 2000 | 322 | 40000 | 380 |
| 85 | 70 | 250 | 152 | 650 | 242 | 2200 | 327 | 50000 | 381 |
| 90 | 73 | 260 | 155 | 700 | 248 | 2400 | 331 | 75000 | 382 |
| 95 | 76 | 270 | 159 | 750 | 254 | 2600 | 335 | 100000 | 384 |