THE IMPACT OF INVESTING IN HUMAN CAPITAL ON EMPLOYEES PERFORMANCE. THE CASE STUDY OF NMB MKWAWA IRINGA

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CERTIFICATION

The undersigned certify that, he has read and hereby recommends for acceptance by the Open University. The Dissertation entitled **the impact of investing in human capital in employees performance**, in partial fulfilment of the requirements for the master of project management **.**

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Dr. Salvio Macha

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DECLARATION

I, Sheraly Yusuph hereby declare that this research report is my own original work and that it has never been presented to any other University for similar or any other master degree award.

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Signature

SHERALY YUSUPH

………………………………….

Date

DEDICATION

To my family, relatives and friends who have patiently endured and cheered me all through during the long period it has taken to complete this project. No words can express my feelings for them for the sacrifice they have made but this token gesture is the least I can do for their deep real love, support and aspirations.

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ABSTRACT

This study investigated on the impact of investing in human capital on employees' performance success in Tanzania, using a case study of the National Microfinance Bank (NMB) Mkwawa Branch in Iringa Region. Specifically to: assess the relationship between human capital investments and employees performance, determine the impact of human capital potential on the performance of employees at the study area and finally examine the relationship between educational development and employees' performance. The research employed exploratory research and descriptive research designs. It also combined quantitative as well as qualitative research approaches. The questionnaires was used, Probability and simple random sampling techniques were deployed in data collection. The total number of selected respondents in this study were 45 and were all obtained from NMB Mkwawa branch. Quantitative data and qualitative were analysed through the use of content analysis The findings of the study indicated that there is a relationship between human capital investment and performance of the NMB Mkwawa Branch. This was most apparently reflected in the extent to which the bank was promoting stuff development through further education, trainings and workshops. The study also disclosed that investing in human capital has long term and sustainable outcomes such as enhancing customers trust due to improvement of service delivery. The study recommends that there is a need of promoting in-service training and further education related to career advancement particularly among employees working with financial institutions. These training lead to optimization of human labour which ultimately translates to increased organization production performance.

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LIST OF ABBREVIATIONS

ATMs	Automated Teller Machines
ARDL	Auto Regressive Distributed Lag
ANOVA	Analysis of the Variance
GDP	Gross Domestic Product
HDI	Human Development Index
IPO	Initial Public Offering
NMB	National Micro-financial Bank
ROI	Return on Investment
SEM	Structural Equation Model
SPSS	Statistical Packages for Social Science
USA	United State of America

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This Chapter covers the background to the study, statement of the problem, purpose and objectives of the study and research questions. Moreover, it contains the scope as well as significance of the study. Lastly, the Chapter winds up with significance of the study and operational definition of the key terms frequently recurring in the study.

1.1 Background to the Study

Tanzania embarked on financial liberalization in 1992 with the aim of sustaining growth in the Real Sectors (amenable economic sectors). This transformation was also aimed at boosting resource mobilization, motivating competition in the financial market and enhancing quality and efficiency in credit allocation. These reforms have changed the direction and quality of financial services offered in the country. New merchant banks, commercial banks, bureau de change, insurance companies, stock exchange, and related financial units have been established. The entry of new banks and non-bank financial institutions has enhanced competitions and improved the quality and type of financial products and services provided.

Following these developments, currently there are more than twenty registered banks and nine non-bank financial institutions. While the banking industry is experiencing massive growth of business and an increase in the annual profit, banks are also struggling to retain their talented employees from leaving either an industry or a particular bank to another due to pull and push factors. Presently, workers no longer stay at one company for too long. The most talented professionals often are courted by other businesses, and the effects of turnover can be costly. The time and money it takes to recruit, rehire and retain can quickly cut into a firm's bottom line. This was not the situation when the economy was centrally controlled by the state with the existence of four banks, namely the National Bank of Commerce, Tanzania Postal Bank, Tanzania Housing Bank and Tanzania Investment Bank.

National Microfinance Bank Plc (NMB) is one of the largest commercial banks in Tanzania, providing banking services to individuals, small to medium sized corporate clients, as well as large businesses. It was established under the National Microfinance Bank Limited Incorporation the Act of 1997, following the break-up of the old National Bank of Commerce, by an Act of parliament .Three new entities were created at the time, namely: NBC Holding Limited, National Bank of Commerce (1997) Limited and National Microfinance Bank Limited. Initially, NMB could only provide payment services as well as offer savings account, with limited lending capabilities, before becoming a fully-fledged universal retail bank. (NMB Bank Plc (2011).

In 2005, the Government of the United Republic of Tanzania privatized the bank when it sold part of its shareholding (49%) to a consortium led by the Cooperative

Centrale Raiffeisen-Boerenleenbank ('Rabobank Group'). Subsequently, there was further divestiture in 2008 when the Tanzanian Government off loaded another 21% of its shareholding to the Tanzanian public through an initial Public Offering (IPO).The listing of the bank's stock on the Dar es Salaam Stock Exchange has led to a diversified ownership structure.

Today NMB is fully fledged banking institution operating its services in 80% of the whole territory of the United Republic of Tanzania with 120 branches. In early 2007, NMB introduced Automated Teller Machines (ATM) services and at the end of the year more than 100 ATM were operational in some NMB branches and its strategic locations. Furthermore, NMB has introduced several market led products and services such as NMB personal account, bonus account, business account, student account, junior account, wisdom account, NMB Luku recharge and NMB airtime recharge for mobile phones. The mission of NMB is to provide access to a full range of financial services to the rural, per-urban and urban population in Tanzania in a sustainable and viable way where special attention is paid to micro-entrepreneurs, small and medium sized enterprises (SMEs), rural enterprises and agriculture (NMB Bank Plc (2011)

In the past (prior to economic liberalization in the mid-eighties), the government was the sole employer. This limited the freedom of employee to move from one organization to another. The current financial institutional reforms have made banks devote significant financial resources to benefits. Despite the economic transformation's which have also been going hand in hand with reforms in the financial institutions of Tanzania, there has been a mismatch between the human capital capacity of these institutions relative to client demands of service delivery . In fact, most of the benefit programs offered by these institutions have increasingly been too out-dated such that they reflect the typical situation of financial institutions in the Tanzania of the past 15 years or so, when financial institutions enjoyed relatively low turnover, which is no longer the case.

It has been remarked that the changing workforce and increasing competition from other employers has made professional employees especially in the banking industry become difficult to retain due to their tendency to attach more importance to self-material gains rather than to organizational loyalty, a tendency to which results in increased rates of voluntary turnover (Davis, 2001). Moreover, in the Human Resources literature, retention management has become a popular concept seeking to address the portfolio of Human Resources practices put into place by organizations in order to reduce voluntary turnover rates (Sherman et al., 2001; Steel et al., 2002). International policies also often address human capital flight, which is the loss of talented or trained persons from a country that invested in them, to another country which benefits from their arrival without investing in them (The Economics, 2010).

This study assessed the case of the National Microfinance Bank particularly because it is one of the financial institutions in Tanzania which have been facing a fierce competition for both business and human resources with other banks in the country.

More specifically, the study focused on evaluating the current state of the human resources at National Microfinance Bank. The rationale of devoting a research study on assessing the human capital is largely that human resources play a vital role for the competitiveness of the business in terms of providing better quality services to its customers, hence leading to competitiveness.

1.2 Statement of the Research Problem

Past studies have indicated that the concept of human capital focuses on individual and organisation performance. A number of researchers have shown that there is a strong linkage between the human capital and performance of organizations, thereby leading to sustainable competitive advantage. These researchers include Bai et al (2015) who found that human capital development has strong significant positive relation with satisfaction level of employees and customers, which eventually lead to organisational performance. Seleim, Ashour and Bontis (2007) concluded that human capital indicators had a positive association on organisational performance; the study further concluded that indicators such as Training lead to team work practices which result in superstar performance where more productivity could be translated to organisational performance.

Iqbal (2013) suggested that suggested that there is association between investment in the development of human capital and the bebefit of an organisation, he furher concluded that organisation that invest on training and development programs have employees productivity which ultimately contributes toward high organisational performance.

Mling et al (2012) suggested that performance to big extent depend on training employees received, he further concluded that human capital investment programs really positively influence organisational performance. Another study was conducted by Saka (2014) on Dubai special economic zone, the study concluded suggest that human capital development is affected by the firms type, its financial performance, the level of clustering in the free economic zone and what level of technical know-how spill over has influenced human capital development within Dubai free zone.

Gebrehiwot(2013) on his study on human capital development on economic growth of Ethiopia concluded that there is stable long run relationship between real Gross Domestic Product (GDP) per capita, education human capital, health human capital, Labor force, gross capital formation, government expenditure and official development assistance ..

From the individual level, Collis and Montgomery (1995) point out that the importance of human capital depends on the degree to which it contributes to the creation of a competitive advantage. From the economic point of view, transaction-costs indicate that firm gains a competitive advantage when they own firm-specific resources that cannot be copied by rivals. Thus, as the uniqueness of human capital increases, firm have incentives to invest resources into its management to reduce risks and capitalize on productive potentials. Hence, individuals need to enhance their competency skills in order to be competitive in their organizations.

Despite the efforts made by firms in human capital investment through training with the intention of improving employees performance, the problem of employee poor performance still exist This may be due to various factors such as shortage of staffs to perform the required task within a given period of time and failure to utilize the knowledge obtained during the training. Therefore, this study aimed at assessing the impact of investing in human capital towards employee's performance in Tanzania using NMB Mkwawa branch as the case study.

1.3 General Objective

The general objective of the study is to investigate on the impact of investing in human capital on employees' performance in Tanzania.

1.4 Specific Objectives

The study sought to attain three specific objectives, as follows:

- To assess the relationship between human capital investments and employees performance
- To determine the impact of academic level, work experience, and gender ratios on the performance

- To examine the relationship between educational development and employees performance

1.5 Research Questions

- Is there any relationship between the human capital investments and employees performance?
- What are the impacts of academic level, work experience and gender ratios on the performance of an organisation?
- Is there any relationship between educational development and employee's performance?

1.6 Significance of the Study

The findings of this study will generate empirical knowledge relevant for the banking industry and especially in Tanzania where such studies are lacking. This knowledge may be beneficial not only to academicians but also employers and employees in financial institutions. The point finds its most elaborate justification from in the fact that organization performance is key for its sustainability.

Besides that, the findings will be relevant for the Ministry of Finance and Planning which may draw some insight from the study on development of human capital for the purpose of enhancing performance of financial institutions in Tanzania. At the level of individual, the study will help the researcher to widen his understanding of the link between organization performance and the human capital potential. It created an opportunity to develop the research skills which will be relevant in future undertakings in academic or business institutions. Apart from that, the study could lead to attainment of a Masters' Degree.

The findings of this study will also add new knowledge in the academic world by not only adding a new piece of academic work but also the finding of the study will serve as a stepping stone for further researchers on the same or similar topics by suggesting areas for further studies.

1.7 Scope of the Study

This study was carried out in a short period of time due to constraints of the academic calendar of the university. It was conducted at National Microfinance Bank in Iringa Municipal where it was been claimed there was less consideration of staff development leading to less performance of the Bank staffs. One such sources claimed that majority of NMB staff are not developed but only use their personal experience rather than academic qualifications (NMB Bank Plc, 2010). Since the study focused on the Microfinance Bank at Mkwawa Branch, the results may not be generalized to the public sector or other private organizations dealing with non-banks operations.

1.8 Definition of Key Terms

Employee Performance

The word has something to do with the job related activities expected of a worker and how well those activities are being executed. Many business personnel directors assess the employee performance of each staff member on annual or quarterly basis in order to help them identify areas for improvement. Employee performance may also be understood as the standard criteria of employee behaviour at work place. These criteria mean more than how an employee does the work. On the other hand, employees are rated on how well they do their jobs compared with a set of standards determined by the employer.

Human Capital

In view of Schultz (1993), the term “human capital” means a key element in improving a firm assets and employees in order to increase productive as well as sustain competitive advantage. Human capitals refer to the processes that relate to training, education and other professional initiatives in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee’s satisfaction and performance, and eventually on a firms’ performance. In view of Schultz (1993), the term “human capital” means a key element in improving a firm assets and employees in order to increase productive as well as sustain competitive advantage. Human capitals refer to the processes that relate to training, education and other professional initiatives in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee’s satisfaction and performance, and eventually on a firms’ performance.

Human capital is the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value. Alternatively, Human capital is a collection of resources—all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state or a portion thereof.

It is an aggregate economic view of the human being acting within economies, which is an attempt to capture the social, biological, cultural and psychological complexity as they interact in explicit and/or economic transactions. Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training (Michael, 2013).

1.9 Organization of the Study

This dissertation consists of the six chapters. Chapter One is about general introduction to the study. Chapter Two is a review of literature related to the study while Chapter Three presents the research methodologies deployed. Chapter Four provides for Data analysis and presentation. Chapter Five is about discussions on findings and finally Chapter six is conclusions drawn from the study and also recommendations for action and for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter revisits what different some authors and researchers have documented about the aspects of organization performance and human capital. The Chapter begins with conceptualization of human capital, its origin and importance. The Chapter also discuss theoretical and conceptual issues. Then, it delves on the empirical studies relevant for the topic under the study.

2.2 The Concept of Human Capital

Human capital is the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value. Alternatively, Human capital is a collection of resources—all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state.

Adam Smith (1973) defined human capital as the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do them likewise that of the society to which he belongs.

Therefore, Smith argued, the productive power of labour is both dependent on the division of labour: The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is anywhere directed, or applied, seem to have been the effects of the division of labour. There is a complex relationship between the division of labour and human capital.

Chen and Lin (2005) defined investment in human capital as input made by company in talents and technology that benefit competitive advantages, are valuables and unique and should be kept out of reach of other countries. In other world employees possessing these qualities are qualified as human capital.

2.3 Origin of Human Capital

This is especially important in connection with children: to reduce unduly expenditure on their consumption may greatly lower their efficiency in after-life. Even for adults, after we have descended a certain distance along the scale of wealth, so that we are beyond the region of luxuries and "unnecessary" comforts, a check to personal consumption is also a check to investment (Pigou, 1928).

Human Capital Problems

Back in the early days of 2000, David Walker outlined the human capital problem as follows: 1) the federal workforce is aging--many with the most valuable skills and experience will retire in the next half decade 2) the federal government is not competitive in current job markets and will have increasing difficulty in attracting, hiring, and retaining talented new workers, 3) the downsizing of the 1990s has greatly slowed the infusion of new workers with new technological and other needed skills into the federal workforce and also decreased training investments by agencies (Hyde, 2002).

Walker's strategy for human capital planning focused first on having organizations assess their human capital levels and secondly by establishing succession planning and long overdue civil service reforms. By the end of 2000, Walker would add a fourth element-performance management and appraisal-in response to concerns that individual employee performance appraisals across government were greatly inflated and that performance agreements were not focused on accountability for results.

The real point is that effective strategic human resources management runs a risk when it bases its reason on preventing the collapse of the federal workforce as we know it. Sounding the alarm about the large number of federal executives who may leave due to retirement over the next five years may cut both ways. To some it is an incredible loss of irreplaceable organizational knowledge and expertise--to others it may be seen as a great opportunity to collapse layers of hierarchy, reduce the numbers of managers, and bring in contractors with different external perspectives.

There are three reasons why the human capital crisis might not happen soon. There is also a case to be made that the human capital crisis is actually not going to happen over the next five years, and maybe not even in the next decade (Hyde, 2002). This is under the condition that these three reasons will come into reality and not merely theories or principles.

The first reason is the problem with predicting retirement rates of older workers. The Hudson Institute covered this point thoroughly in its report Workforce 2020, warning first that: many graying boomers, their ranks reflecting the growing proportion of Americans in professional and managerial jobs, will prefer to remain active, employed, and earning. Indeed, many of them justifiably believe that they are entering the most productive years of their lives. Furthermore, many if not most white collar boomers will discover that their private savings and Social Security benefits fall far short of replacing their former earnings.

The Hudson Institute concluded first that workforce planning will be subject to greater uncertainty as it becomes harder to predict retirement ages. Second, and of greater concern, they warned of growing resentment among middle-aged subordinates towards graying boomers who block their promotion paths and potentially a need for creative organizational programs that offer "offline" or part time positions to move senior employees out.

A second reason that might impede the looming human capital crisis involves the changing conditions of work. As more and more organizations offer telecommuting, e-networking, and video-conferencing, and new forms of internal consulting and team assignments, it will be increasingly easier for workers to work and live in different places. Changes in work conditions and especially reductions in commuting time and more choice on working hours could make working longer a lot more attractive. More and more senior employees and professionals may be lured into thinking about living in luxury places and continuing to work virtually out of their DC offices.

Another part of this factor involves the move towards more contracting. If the Bush administration were to push for another 15-20 percent reduction of the federal workforce rolls, with a concurrent increase in contractors, there would only be a redefinition problem. One cannot estimate what percentage of departing federal executives will come back as contractors, but it is not likely to be trivial.

A third factor involves the federal government's ability to attract talent. There is every reason to believe that the federal government has the potential to be an employer of choice. This scenario follows the idea that growing numbers of younger employees are going to be influenced in their job choices by the rather dismal private sector record of the past few years in the wake of seemingly endless corporate buy-outs and mergers, corporate layoffs, and workforce consolidations. Governing magazine has recently reported that many state and local governments are now finding it easier to hire and keep information technology professionals. Then there is the potential impact of Enron. After all the scandals are sorted out, there will also be lessons about human capital and truth in employment.

The federal government may find that public sector jobs that offer paths to real careers, access to real training and development, actually have real job security, and do important work, are a lot more appealing to the new workforce generation. Indeed, there is already evidence to show that when hiring is done in real time, the federal government can indeed compete. The large number of applicants for fire fighting jobs in the Interior agencies and the Forest Service shows that federal jobs are still desirable.

To be fair, the human capital crisis is more than just looming retirements or noncompetitive recruitment. It is about having the right skills in the right place. To get to that point, there has to be a strategy and a process for developing and retaining an organization's talent pool. This is why strategic human capital management is always going to be important, whether the human capital crisis materializes or not. To that end, some final considerations are offered about how workforce planning and development might change over the next few years

2.4 Importance

The concept of Human capital has relatively more importance in labour-surplus countries. These countries are naturally endowed with more of labour due to high birth rate under the given climatic conditions. The surplus labour in these countries is the human resource available in more abundance than the tangible capital resource. This human resource can be transformed into Human capital with effective inputs of education, health and moral values. The transformation of raw human resource into highly productive human resource with these inputs is the process of human capital formation.

The problem of scarcity of tangible capital in the labour surplus countries can be resolved by accelerating the rate of human capital formation with both private and public investment in education and health sectors of their National economies. The tangible financial capital is an effective instrument of promoting economic growth of the nation. The intangible human capital, on the other hand, is an instrument of promoting comprehensive development of the nation because human capital is directly related to human development, and when there is human development, the qualitative and quantitative progress of the nation is inevitable (Hag, 1996).

The Life expectancy index reveals the standard of health of the population in the country; education index reveals the educational standard and the literacy ratio of the population; and the income index reveals the standard of living of the population. If all these indices have the rising trend over a long period of time, it is reflected into rising trend in HDI. The Human Capital is developed by health, education and quality of Standard of living. Therefore, the components of HDI viz, Life Expectancy Index, Education Index and Income Index are directly related to Human Capital formation within the nation. (Mokyr, 2004)

HDI is indicator of positive correlation between human capital formation and economic development. If HDI increases, there is higher rate of human capital formation in response to higher standard of education and health. Similarly, if HDI increases, per capita income of the nation also increases. Implicitly, HDI reveals that higher the human capital formation due to good standard of health and education, the higher is the per capita income of the nation. This process of human development is the strong foundation of a continuous process of economic development of the nation for a long period of time.

This significance of the concept of Human capital in generating long-term economic development of the nation cannot be neglected. It is expected that the Macroeconomic policies of all the nations are focussed towards promotion of human development and subsequently economic development. Human Capital is the backbone of Human Development and economic development in every nation. Mahroum (2007) suggested that at the macro-level, human capital management is about three key capacities, the capacity to develop talent, the capacity to deploy talent, and the capacity to draw talent from elsewhere. There is also strong evidence that organizations that possess and cultivate their human capital outperform other organizations lacking human capital (Crook, Todd, Combs, Woehr, and Ketchen, 2011).

Human capital is distinctly different from the tangible monetary capital due to the extraordinary characteristic of human capital to grow cumulatively over a long period of time (Mahroum, 2007) The growth of tangible monetary capital is not always linear due to the shocks of business cycles. During the period of prosperity, monetary capital grows at relatively higher rate while during the period of recession and depression; there is deceleration of monetary capital. On the other hand, human capital has uniformly rising rate of growth over a long period of time because the foundation of this human capital is laid down by the educational and health inputs (Becker, 1994). The current generation is qualitatively developed by the effective inputs of education and health (Hansen, 1970).

Some labour economists have criticized the Chicago-school theory, claiming that it tries to explain all differences in wages and salaries in terms of human capital. One of the leading alternatives, advanced by Michael Spence and Joseph Stiglitz, is "Signalling theory". According to signalling theory, education does not lead to increased human capital, but rather acts as a mechanism by which workers with superior innate abilities can signal those abilities to prospective employers and so gain above average wages (Michael, 2013).

The concept of human capital can be infinitely elastic, including immeasurable variables such as personal character or connections with insiders (via family or fraternity). This theory has had a significant share of study in the field proving that wages can be higher for employees on aspects other than human capital. Some variables that have been identified in the literature of the past few decades include, gender and nativity wage differentials, discrimination in the work place, and socioeconomic status. The prestige of a credential may be as important as the knowledge gained in determining the value of an education.

Following Becker, the human capital literature often distinguishes between "specific" and "general" human capital. Specific human capital refers to skills or knowledge that is useful only to a single employer or industry, whereas general human capital (such as literacy) is useful to all employers. Economists view firm specific human capital as risky, since firm closure or industry decline lead to skills that cannot be transferred (the evidence on the quantitative importance of firm specific capital is unresolved).

Human capital is central to debates about welfare, education, health care, and retirement. In 2004, "human capital" (German: Humankapital) was named the German Un-Word of the Year by a jury of linguistic scholars, who considered the term inappropriate and inhumane, as individuals would be degraded and their abilities classified according to economically relevant quantities.

The UN Human Development indices suggest that human capital is merely a means to the end of human development: "Theories of human capital formation and human resource development view human beings as means to increased income and wealth rather than as ends. African nations have invoked this argument with respect to slavery, other colonized peoples have invoked it with respect to the "brain drain" or "human capital flight" which occurs when the most talented individuals (those with the most individual capital) depart for education or opportunity to the colonizing country (Sami, M. 2007).

2.5 Theoretical Literature Review

It has been stated that ‘theories serve as a broad framework for practice and may also articulate the goals of a profession and core values’ (Walker and Avant, 2006). These scholars noted further that ‘practice must not only be evidence based but also theory based’. For the purpose of this study, the researcher used the theory of human capital to explain performance of an organization. The theory is described below:

2.5.1 Theory of Human Capital

The theory of human capital was developed during the emergency of human capital development by Schultz (1960s) and letter on by Becker (1962). These two scholars views human capital in different but close perspectives; Schultz analyzes the use of education as a form of investment whereas Becker view human capital formation as the rate of return to invest in education. However it is agreeable that both of the two views are correct and can be used in one another.

Using the theory to explain the situation of workers performance at NMB Mkwawa Branch in Iringa region, it was assumed that their working performance correlates with the level of human capital potential which may invariably be linked to the extent to which they have been educated in widening the knowledge and skills relevant for their jobs.

It is an aggregate economic view of the human being acting within economies, which is an attempt to capture the social, biological, cultural and psychological complexity as they interact in explicit and/or economic transactions. Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training (Michael, 2013).

Most theories attempt to break down human capital into one or more components for analysis usually called intangibles (Eric, 1997). Most commonly, social capital, the sum of social bonds and relationships, has come to be recognized, along with many synonyms such as goodwill or brand value or social cohesion or social resilience and related concepts like celebrity or fame, as distinct from the talent that an individual (such as an athlete has uniquely) has developed that cannot be passed on to others regardless of effort, and those aspects that can be transferred or taught: instructional capital (Eric, 1997).

In some way, the idea of "human capital" is similar to Karl Marx's concept of labour power: he thought in capitalism workers sold their labour power in order to receive income (wages and salaries). But long before Mincer or Becker wrote, Marx pointed to "two disagreeably frustrating facts" with theories that equate wages or salaries with the interest on human capital. The worker must actually work; exert his or her mind and body, to earn this "interest." Marx strongly distinguished between one's capacity to work, labour power, and the activity of working.

A free worker cannot sell his human capital in one go; it is far from being a liquid asset, even more illiquid than shares and land. He does not sell his skills, but contracts to utilize those skills, in the same way that an industrialist sells his produce, not his machinery. The exceptions here are slaves, whose human capital can be sold, though the slave does not earn an income himself.

An employer must be receiving a profit from his operations, so that workers must be producing what Marx (under the labour theory of value) perceived as surplus-value, i.e., doing work beyond that necessary to maintain their labour power (Woesmann, 2008). Though having "human capital" gives workers some benefits, they are still dependent on the owners of non-human wealth for their livelihood. Neo-Marxist economists such as Bowles have argued that education does not lead to higher wages by increasing human capital, but rather by making workers more compliant and reliable in a corporate environment (Michael, 2013).

Mbelle and Katabaro (2003) suggest that the link between economic growth and human development has been a subject of rigorous empirical econometric work since the 1970s. Education, which is an important component of human development, has been found to explain varying levels of return and economic growth.

Anderson and Beckmann, (2009) state that the foundation of the human capital theory lies in the fact that individuals and firms invest in human capital based not on present gains but on future pecuniary and non-pecuniary returns. Investments include various aspects such as schooling, training, acquiring information, migration, and activities that improve an individual's health. Disregarding the type of investment, human capital investment can be thought of as any other investment decision based on a comparison between the rates of return that equates the present values of earnings after the investment, with rates that could be obtained elsewhere.

Moreover, Gavaran et al (2011) as quoted in Marimuthu et al (2009) stated that human capital focuses on two main components which are individuals and organization. He further points out that the human capital have four key attributes which are; flexibility and adaptability, enhancement of individual competencies, the development of organizational competencies and individual employability. All these attributes generate and add value to individual and organization outcomes.

Marimuthu et al., (2009) argued that from the organizational level, human capital plays an important role in the strategic planning on how to create competitive advantage. The work of Snell et al., (1999) emphasize that a firms' human capital has two dimensions which are value and uniqueness. They argued that resources are valuable when they allow improvement of effectiveness capitalizing on opportunities and neutralizing threats.

Some recent literature shows the importance of training. In any case, it is fitting to point out that the workforce's lack of training is related to low competitiveness (Green, 1993). In turn, a greater human capital stock is associated with greater productivity and higher salaries (Mincer, 1997). Likewise, training is linked to the longevity of companies (Bates, 1990) and greater tendency to business and economic growth (Goetz and Hu, 1996). In addition, Doucouliagos (1997) has noted that the human capital is a source not only to motivate workers and boost up their commitment but also to create expenditure in R&D and eventually pave a way for the generation of new knowledge for the economy and society in general. Also, for small businesses, it is a valuable asset, which is positively associated with business performance.

Studies of structural unemployment have increasingly focused on a mismatch between the stock of job-specific human capital and the needs of employers (Michael, 2013). In other words, there is increasingly recognition that human capital may be specific to particular jobs or tasks and not general and readily transferable. Recent work has attempted to improve the linkages between education and the needs of the labour market by linking labour market data to education loan pricing (*ibid*).

The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do them likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit (Smith, 1976).

Therefore, Smith (1976) argued, the productive power of labour is both dependent on the division of labour: The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is anywhere directed, or applied, seem to have been the effects of the division of labour. There is a complex relationship between the division of labour and human capital.

2.5.2 Human Capital and Firm's Performance

In response to current global market changes, most firms have embraced the notion of human capital as a good competitive advantage that will enhance higher performance. Human capital development becomes a part of an overall effort to achieve cost effective and firm performance. Hence, firms need to understand human capital that would enhance employees' satisfaction and improve performance. Although, there is a broad assumption that human capital has positive effect on firm performance the notion of performance for human capital remain largely indisputable. The constantly changing business environment requires firm to strive for superior competitive advantages via dynamic business plan which incorporate creativity and innovativeness. This is essentially important for their long term sustainability. Undoubtedly, human resources input play a significant role in enhancing firm's competitiveness (Barney, 1995). At a glance, substantial studies were carried out on human capital and their implications on firm's performance on widely basis and obviously, human capital enhancement will result in greater competitiveness and performance (Sanusi, 2003).

From the individual level, Collis and Montgomery (1995) point out that the importance of human capital depends on the degree to which it contributes to the creation of a competitive advantage. From an economic point of view transaction-cost indicate that firm gains a competitive advantage when they own firm-specific resources that cannot be copied by rivals. Thus, as the uniqueness of human capital increases, firm have incentives to invest resources into its management and the aim o reduce risk and capitalize on productive potentials. Hence, individual needs to enhance their competency skills in order to be competitive.

From the organizational level, human capital plays an important role in the strategic planning on how to create competitive advantages. Following the work of Snell et al., (1999) it stated that a firm's capital has two dimensions which are value and uniqueness. Firm indicated that resources are valuable when they allow improving effectiveness, capitalizing on opportunities and neutralizing threats. In the context of effective management, value focuses on increasing profits in comparison with the associated cost. In this sense, firm's human capital can add value if it contributes to lower costs and provide increase performances.

Investment in human capital plays an important role in a country's economic development. By examining data from 98 countries in the period 1960-1985, Barro (1991) found a positive relationship between initial human capital and the growth rate of real per capita Gross Domestic Product (GDP). This means that when all other factors are controlled, countries with higher human capital may have higher economic growth. Higher human capital can basically determine a nation's productivity which is considered a very important source of economic growth besides the expansion of inputs. Numerous quantitative studies of the sources of economic growth in the West have demonstrated that the growth of human capital has been the principal source of economic growth (Todaro, 1985). The outstanding experiences of fast growing Asian economies such as Taiwan, Hong Kong, and South Korea are perhaps obvious examples of the importance of human capital to economic growth. Despite the lack of natural resources, these countries have managed to grow faster than any other countries, because they have had higher quality in human capital (Becker, 1992).

Economists and other social scientists have applied the concept of human capital since the 1950's in many ways (Bryant, 1990). Schultz (1972), who is considered a pioneer in human capital theory, classified investment in human capital into investment in(1) schooling and higher education, (2) post-school training and learning, (3) pre-school learning activities, (4) migration, (5) health, (6) information, and (7) investment in children. Hence, the concept of human capital has been used in a wide variety of ways. Becker (1975), for example, in his book *Human Capital* discussed investment in human capital in the context of the labor market. Investment in human capital also could be discussed in relation to changes in fertility decisions and mortality (Becker, 1992).

2.5.3 Empirical Literature Review

A study conducted by Seleim, Ashour, and Bontis (2007) analysed the relationship between human capital and organizational performance of software companies. Findings of their study revealed that the human capital indicators had a positive association on organizational performances. These indicators such as training led to team-work practices, tended to result in superstar performers where more productivity could be translated to organizational performances. This was also supported by Dooley (2000) who found a significant positive correlation between the quality of developers and volume of market shares. Based on these studies, we can conclude that human capital indicators enhance the firms' performance directly or indirectly. The conceptualization of human capitals is closely linked to some fundamentals of economics and firms' performance.

Mlingi et al., (2012) conducted a study in Tanzania titled Relationship between On the Job Training and Employees Performance in Courier Companies in Dar es Salaam; findings of their study revealed that "performance to a big extent depends on the training employees received. It may be with certainty, stated that on the job training programs really positively influence on employees performance.

Saka (2014), conducted a study in Dubai titled human capital development in special economic zones with the intention of establishing a framework to measure the impact of special economic zones on human capital accumulation. An in-depth literature review was conducted on human capital and special economic zones by focusing on the macro and micro levels, the study shed light on the factors that drive human capital development. The research concluded that; human capital development is affected by the firm's type, its financial performance, the level of clustering in the free zone, and what level of technical know-how spillover has influenced human capital development within Dubai free zones.

Popov (2013), conducted a study titled credit constraints and investment in human capital in Europe,Using a unique survey database of 8265 firms from 25 transition economies, findings of his study revealed that lack of access to finance in general, and to bank credit in particular is associated with significantly lower investment in on-the-job training. This effect is stronger in education-intensive industries and in industries facing good global growth opportunities.

Gebrehiwot (2013) conducted a study titled the impact of human capital development on economic growth in Ethiopia with the intention of investigating the long run and short run impact of human capital on economic growth in Ethiopia (using real GDP per capita, as a proxy for economic growth) over the period 1974/75-2010/2011. The ARDL Approach to Co-integration and Error Correction Model are applied in order to investigate the long-run and short run impact of Human capital on Economic growth. Findings of his study shows that there is a stable long run relationship between real GDP per capita, education human capital, health human capital, labor force, gross capital formation, government expenditure and official development assistance.

Backman (2013,) conducted a study titled regions, human capital and new firm formation in England with the intention of investigating the importance of human capital at the individual, firm, and regional level through its effects on returns to education, firm productivity and new firm formation. The empirical analysis is based on data for the period 1997 to 2007 and uses information at the municipality level in Sweden on new firm formation and access to individuals with a minimum of three years of higher education. For all municipalities, the empirical analysis revealed that the local and intra-regional access to human capital has a positive impact on new firm formation.

Iqbal (2013) conducted a study titled a framework for assessing the impact of investment in human capital development on organizational performance in Pakistan; adopts a cross-sectional time horizon and seeks to be exploratory and explanatory in nature. The main sample is comprised of 320 leading manufacturing organizations in Pakistan. A self-administered questionnaire is designed to collect data from human resource managers or individuals dealing with human resource development within the Pakistan manufacturing enterprises. SPSS-19 and Smart PLS packages are employed to analyze the quantitative data. Partial least squares method of structural equation modelling (PLS-SEM) is adopted for the testing of hypotheses. Findings of the study provide an evidence of association between investment in the development of human capital and the benefits to organizations. Furthermore, organization's that invest in training and development programs have high employee productivity which ultimately contributes towards high organizational performance.

Riley (2011) conducted a study titled market valuation of firm investments in training and human capital management in Illinois USA. Researcher uses regression analyses to test hypotheses regarding possible complementary relationships between firm-level factors and its human capital investments. Results of the study prove that training matters is appropriate event windows for investments in human capital.

Bai et al,. (2015) conducted a study titled impact of human capital variables on the effectiveness of the organizations in Pakistan with the intention of assessing the impact of Human Capital Variables such as acquisition of knowledge, skills and expertise of the employees on the satisfaction of the employees and on the effectiveness of the organizations. Simple random probability method was used for sampling selection and primary data was collected by administering questionnaires. Independent Samples T- Test showed that both genders are provided equal chances of human capital development. Correlation technique showed that human capital development has strong significant positive relation with satisfaction level of the employees and customers, which will eventually lead to the organizational performance.

Olayemi (2012) conducted a study titled human capital investment and industrial productivity in Nigeria using secondary data spanned through 1978 to 2008. Co-integration and Error Correction Mechanism (ECM) was employed to examine the nexus between human capital investment and industrial productivity. Granger causality test was also adopted as a supplementary estimation method to explore the nature of causality among the variables established in the model. The study found that government expenditure on education maintained a positive long run relationship with index of industrial production while government expenditure on health and Gross Capital Formation exhibited long run negative relationship with the dependent variable.

Ukenna at el (2010) studied the Effect of Investment in Human Capital Development on Organizational Performance in twenty-five small scale business owners were purposively selected in Awka metropolis of Nigeria, using a structured five-point Likert type. The finding is while keeping constant other factors that can impact on organizational performance, the study singled out human capital and it was shown that a high interrelation exist among the four variable measure predictors of human capital effectiveness. A key finding of this study is that, training and skill are stronger predictors of human capital effectiveness over and above knowledge and education. This study, in no small measure, provides penetrating insight for small scale business owners in the area of human resources management. Managerial implications, limitations and opportunity for further research are discussed.

Al-Beshtawi (2006) identify current practices of Jordanian banks concerning accounting for human resources and the extent of use internal and external data and accounting information. The study has concluded that there is very limited use of accounting data and information in these areas. the results of the study indicate that there are important factors have contributed to this situation are: (1) the absence of an accounting standard for disclosing information of human resources in the financial statements, and (2) the absence of the foundations and fundamentals of cost systems. Finally, the study was provided some suggestions that could cause the development of cost system on human resources and accounting

Huang (2011) investigates how ROI is best used during best used during the evaluation process to provide compelling data concerning the value of human resources and their contributions to the project so that companies may maximize the benefits of their investment in human resources. The impact of human resources on corporate profits is measured using a scientific and logical method that provides businesses with greater profits stemming from the effective use of human resources in the production process.

Bapna at el (2011) study the impact of human capital investments in the context of the Indian IT services industry. They find significant a positive impact of training on employee performance. An additional training course, on an average, helps employees improve their performance by 3.6%. They also investigate the mediating role of employment related characteristics and the type of training on the link between training and performance. And they find that employment characteristic such as work experience and whether the employee is a direct hire from an educational institution or a lateral hire from another IT services firm play a significant role in shaping the impact of training on performance. Interestingly, they also find that there is systematic superiority in the high experience laterals' ability to extract value from firm-provided training. Researcher found that there is a significant difference between the impact of specific versus general training and domain versus technical training on performance. In addition, the domain and technical training have a substitutive relationship. Taken together, these findings suggest that the value of training is conditional upon a focused curricular approach that emphasizes a structured competency development program.

Yahaya (2008) investigates the impact of investment in human resource training and development on employees' effectiveness in Nigerian banks. The results showed that Zenith Bank had the best Human Resource Management and Accounting practice performed best. The study also identified the main training and development activities in the three selected banks as orientation and on the job training, skills improvement training, utilization of the newly acquired skills, regular training and acquisition of job experiences in all areas of banking.

It was also found that respondents were significantly different in the assessment of training and development activities in their banks based on length of service and job status. However, the respondents were not significantly different in their assessment of training and development activities based on qualifications. Thus, the paper recommends that Nigerian Banks should evaluate the quality of their human resource regularly and provides adequate training and envelopment opportunities to their employees. Also, the professional bodies in Nigeria should develop a standardized scale for the assessment of human resource in Nigerian banks and other corporate organizations. Similarly, training and development programs designed for the employees should be comprehensive and related to their needs.

Bontis and Fitzenz (2002) conducted research on 25 companies in the Financial Services industry in 2002 to study the causal relationship between human capital Management and economic and business results, the results of the study revealed a holistic causal map that integrated constructs from the fields of Intellectual Capital, Knowledge Management, Human Resources, Organizational Behavior, Information Technology and Accounting. The integration of both quantitative and qualitative measures in an overall conceptual model yielded several research implications. The resulting equation model allows responding organizations and researchers to gauge the effectiveness of an organization's human capital capabilities. This will allow practitioners and researchers to be more efficient in allocating resources related to human capital Management.

Voisey&Baty (2002) implemented a global Human Capital survey based on data from over 1000 organizations in 40 countries that participated in the survey. The survey showed that organizations have to consider three important issues: 1) Documented Human Capital strategy should be integrated into the business strategy. 2) Effective people policies, and practices that deliver the strategy across the business, and 3) Human Capital Management which can implement policy and strategy and can influence the business. Results showed that: (1) participants with a documented human capital strategy have higher revenues per employee than those with no documented strategy, (2) lower termination for participants based in Europe, a reward system that better supports business objectives. It also showed that profit margins are higher where the human capital management is satisfied with its influence on business strategy.

Bontis (2001) measured the antecedents of effective Human Capital Management in 76 individuals from 25 companies in the financial services industry in the USA. Results allowed organizations to determine the effectiveness of their human capital capabilities. This will encourage senior managers to be more efficient in allocating resources with regards to human capital management. The potential outcomes of the study were limited since a program of consistent reevaluation can lead to the establishment of causal relationships between human capital management and economic business results.

Farooq and Aslam (2011) conduct a study on impact of training on employee's performance and concluded by saying that it is unable for an organization to be a distinctive and effective results producer without extraordinary input from its employees which is im possible without knowing their requirements for working in the environment. Low and high level employees should be equally treaded in provide training and response to their feedback.

Another study which was conducted by Ghannar (2015) on impact of human capital variables on effectiveness of the organization showed that Males are not preferred over females in provision of the chances of their human capital development variables. Both are given almost equal chances of Human capital development (trainings, education and assignments). The result have also confirmed that when employees are provided with ample chances of human capital development they become satisfied from organization, when they become satisfied from organization they will automatically perform better in the organization which will lead to satisfaction of customers of the organization. It is universal accepted that when employees and customers are satisfied from the organization, it means organization is performing well. Thus research showed that if an organization provide ample chances of human capital development that will increase the performance of the organization. Ghazawi (2012) conduct study on impact of investment on human resources activities on effectiveness on investment. The study reveal that return on investment (ROI) for each bank reflect the contribution of each employee to generate profit and the low number of employees in his study is an indication that the Bank can generate more return with a minimum number of employee. The study continue by concluding that the more the investment in employees the more generation of returns or profit.

Murrer et al,. (2004) concluded that investment in human capital especially training is positively related with stock market performance. They stated that Investors would be well served by considering firm human capital investment strategies as an integral part of their investment decision.

Bontis, and Richardson (2012) concluded that an organization is not enough to hire and promote brightest individual it find. The organization must nurture and support them into sharing their human capital through organizational learning's and externalities into information system to positively affect the business performance.

Barrett and Connell (2001) used data obtained from survey of Ireland enterprises to estimate the impact of human capital (Training) on productivity of the firm. The results of the study reveal that there is statistically significance positive correlation between training and productivity of the firm.

Khan (2005) stated that for Pakistan investment in human capital will serve the dual purpose by having productive workers and tool for elimination of poverty. Pakistan had achieved even higher growth rate due to its more investment in human capital.

Weisberg (1996) studied the impact on general human capital (GHC) and firm specific human capital (SHC) by analyzing the performance of 65 workers in 20 groups and found significant positive correlation between general human capital, specific human capital and firm performance.

Selem,Ashour and Bontis(2006) empirically studied 38 software development organization of Egypt and found a positive correlation between human capital and organization performance.

Studies on structural unemployment have increasingly focused on the mismatch between the stock of job-specific human capital and the needs of employers (Michael 2013). In other words, there is an increasingly recognition that human capital may be specific to particular jobs or tasks and not general and readily transferable. Recent work has attempted to improve the linkages between education and the needs of the labour market by linking labour market data to education loan pricing (*ibid*).

Finally, investment in training is desirable from both a personal and social perspective. From the organizational level, human capital plays an important role in the strategic planning on how to create competitive advantages. Following the work of Snell et al., (1999) it is stated that a firm's human capital has two dimensions which are value and uniqueness. The firm indicates that resources are valuable when they allow improving effectiveness, capitalizing on opportunities and neutralizing threats. In the context of effective management, value focuses on increasing profits in comparison with the associated costs. In this sense, the firm's human capital can add value if it contributes to lower costs, thereby leading to increased workers' performance.

2.6 Conceptual Framework

Human capital investment

- Investments
- Training
- Education
- Knowledge

Profitability
Productivity

Market share

Work flow improvement

Employee performance

Efficiency

Employee innovation

Pro active

Figure 1: The Link between Human Capital Investment and Employee Performance

Source: Marimuthu et al., (2009).

This study deployed the conceptual framework or model developed by Marimuthu et al., (2009) . According to his framework, the financial performance of an organization includes productivity, market share and profitability whereas non-financial performance includes customer satisfaction, innovation, work flow improvement and skills development. In this framework, the human capital is an independent variable while individual performance is the dependent variable.

As it has been hinted, the human capital investment includes investing in education, training, knowledge and skills so as to enrich human capital effectiveness. It has further been argued by many intellectuals such as Becker (1962 & 1964), Schultz (1960s) and Dooley (2000) that human capital enhances greater individual performance in terms of financial and non-financial performance. The financial performance of an individual includes productivity, market share and profitability whereas non-financial performance includes customer satisfaction, innovation, work flow improvement and skills development (Marimuthu et al., 2009).

2.7 Research Gap

Most of the studies available in the link between organization performance and human capital were conducted in other countries other than Tanzania. Therefore, this study aimed advancing research based knowledge on the concepts of human capital vis a vis organization performance, using a case of NMB Mkwawa Branch in Iringa, Tanzania.

CHAPTER THREE

RESEACH METHODOLOGY

3.1 Introduction

In chapter two, the literatures relevant for the study problems have been reviewed. This chapter describes the research design, research population and area, sampling design and techniques, data collection tools and analysis

3.2 Study Area

The study was conducted at NMB Branch at Mkwawa in Iringa. This Branch was selected because it has been in operation for a long time and had a big number of human capital programs. The researcher had had past experience in which he happened to be an employee of the bank. This familiarization of the bank helped him to obtain relevant data in a timely and cost effective manner.

3.3. Research Approaches

The word research approach refers to the methodology adopted to conduct the research. It basically involves the selection of quantitative, qualitative or mixed research approaches. During the study, the researcher adopted mixed research approaches because the study involved some rigorous application of numbers and descriptive statistics aimed to compare the human capital and employees' performance.

3.4 Target Population and Sampling Design

3.4.1 Study Population

Kothari (2004) defined population as the total of the items about which information is desired. The target population of this study included NMB staffs of Mkwawa branch in Iringa Tanzania; because the nature of the study which is invest in human capital do reflect the need to assess only employee and not NMB customers of Mkwawa branch in Iringa.

3.4.2 Sampling Design

A sampling design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample (Best and Khan, 2006). To ensure samples are equally selected from the population, the study employed probability sampling design during data collection. Respondents were chosen randomly for the study.

3.4.3 Sampling Frame

This is the listing of all population elements from which the sample will be drawn. The sampling frame for any probability sample is a complete list of all cases in the population from which sample will be drawn (Saunders, 2009). To ensure representation of sample size from the sample, a representative sample or 10% of the sample size was taken from the target population. It also considered issues of absolute and relative sample size.

3.4.4 Sampling Techniques

These are the procedures which the researcher adopts in selecting samples from the population. The researcher adopted simple random sampling technique and also purposive sampling technique. These techniques were chosen because of the study employed quantitative and qualitative research approaches.

3.4.5 Sample Size

This refers to the number of items to be selected from the universe to constitute a sample. Literature has suggested that the sample size which can be taken depends on the type of the research to be undertaken and the study design. Gay in Mugenda and Mugenda (2003) suggested that correlation research requires 30 cases or more. For descriptive study, ten percent of the population is enough for population of below 10,000 and for experimental studies; at least 30 cases are required per group. Therefore, to get the required number of respondents to represent the entire population, the following formula was used:

$$n = \frac{NZ^2P(1-P)}{d^2(N-1)+Z^2P(1-P)}$$

Where:-

N = Total population of respondent 50

Z = z value corresponding to the confidence level (5% confidence) = 1.96

D = Absolute precision = 7%

N = Minimum sample size required =2

n= 25 + 10% of those who will decide not to take part

Therefore, n = 25 + (2 X 10%) = 45 approximately 45 respondents

Thus, the total number of selected respondents in this study was 45 respondents

3.5 Types and Sources of Data

3.5.1 Primary Data

Primary data is a type of information obtained directly from the first-hand sources by means of surveys, observation or experimentation. It is the type of data that has not been previously published and is derived from a new or original research study and collected at the source such as in marketing, sales, accounts or production, among others. Primary data collection methods may be one of the most ideal sources of information. They are particularly suitable for survey since they are basic data and less likely to be biased information. These primary data were obtained from NMB staffs at Mkwawa Branch in Iringa.

3.5.2 Secondary Data

These are the types of data which have already been collected by someone else and which have already passed through statistical process. Different documents are used to get secondary information that is relevant for the study. Major sources of secondary information are the internet, database, official office files and progress monthly reports, to mention but a few. The researcher gathered secondary data from different sources reflecting the status of human capital investment. Some of them were the human resource documents, reports and other materials from both NGOs and Government Organizations in order to strengthen the research.

3.5.3 Research design

The research employed exploratory research design and descriptive research design. These designs were effective for developing concepts more clearly, establish priorities and develop operational definitions. They also help to attain objectivity and precision to ensure that the data collected are relevant. The researcher defined operational definitions such as human capital, investments and employees performance so as to know what they mean in relation to the study.

3.6 Data Collection Methods

The researcher used questionnaires to obtain data. These were chosen because they make results more reliable since respondents have adequate time to give well thought out answers. On top of that, they maximize the possibility of anonymity (Kidler, 1981). The questions were both close-ended and open-ended in order to increase validity of the responses. The questionnaires were administered at NMB branch of Mkwawa in Iringa.

3.7 Pilot Testing

Observation is the most commonly used method especially in studies relating to behavioural sciences. In a way, we all observe things around us, but this sort of observation is not a scientific observation. Observation becomes a scientific tool and the method of data collection for the researcher, when it serves a formulated research purpose, is systematically planned and recorded and is subjected to checks and controls on validity and reliability. The main advantage of this method is that subjective bias is eliminated, if observation is done accurately, the information obtained under this method relates to what is currently happening; it is not complicated by either the past behaviour or future intentions or attitudes, this method is independent of respondents' willingness to respond and as such is relatively less demanding of active cooperation on the part of respondents as happens to be the case in the interview or the questionnaire method.

3.8 Data Analysis

Analysis of data is the process of inspecting, cleaning, transforming, and modelling data with the goal of discovering useful information suggesting conclusions, and supporting decision making. The researcher used descriptive and inferential data analysis for data collected from the field and thematic content for analysis of qualitative data. The data collected were subjected to Special Package for Social Science computer software Version 20.

Additionally, 7 cross tabulation and frequency tables were used to assess demographic characteristics of the respondents.

Content analysis was used to analyse data. The output was presented in tables and figures for presentation of findings and interpretations.

3.9 Data Validity, Reliability and Ethical Consideration

3.9.1 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. It can also be thought of as utility. In other words, validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested (Kothari, 2004). To ensure validity of the data, the data were tested by using variances and pre testing of questionnaires and triangulation methods of data collection.

3.9.2 Reliability

This refers to the extent to which the data collection technique yield consistent findings if multiple measurement are taken, the variable measure will all be consistent in their value (Saunders, 2009). Data reliability is the cornerstone of making a successful and meaningful study. In order to collect reliable data, the researcher formulated the interview questions and questionnaires through an elaborate procedure which involved a series of revisions under the guidance of the study supervisors to ensure that fieldwork to be conducted would yield high quality data. Also, quotes from interview and statement from questionnaires were used to qualify quantitative data. In order to measure internal consistency, the researcher used Cronbach's alpha and Kaiser Meyer Olkin (KMO) method to test reliability of the data.

3.10 Ethical Consideration

During the study, the ethical issues was considered by seeking consent from respondents that the data collected or information provided by respondents would be used only for the study and not otherwise. Ethics and norms are standards of behaviours that guide moral choices about our relationship with others. The goal of ethics in research is to ensure that no one is harmed or adversely affected by the consequences of the research activities. To observe ethical concerns, the researcher informed the respondents about the motives of the study. He also sought their consent to participate in the study freely and unconditionally. In so far as academic ethics was concerned, plagiarism was avoided.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the findings from field study on the impact of human capital and employees' performance at NMB branch of Mkwawa in Iringa.

4.2 Respondents Characteristics

4.2.1 Academic Level of Respondents

The question was asked to the respondents about the education level aimed to determine whether it has an impact to performance of employees and organisation as well. The distribution of academic qualification of the respondents who were the staffs of NMB branch of Mkwawa Iringa region was as shown in table 4.1. the findings show that 22 (51.2%) had a Bachelor Degree qualification, followed by 11(25.6%) who had completed the high school. 7(16.3%) of respondents were diploma holders and 3(7%) of respondents were post graduate. The findings from table 4.1 indicate that most of the respondents working with NMB Mkwawa Branch had degree qualifications and for this level of education can perform well the activities being done at NMB. This implies that Academic level of education of the staff play a very significant role in employee performance as well as organisation performance. The results of this findings is also supported by previous researcher such as Nicholaous Bloom and John van Reen concluded that “Education is strongly correlated with high management scores. Managers with MBA or college Education are more likely to be aware of benefits of modern management practices like Lean Management but more surprisingly is that worker level of education is also positively associated with management scores”.

Table 4.1 Employees level of Academic

Response	**Frequency**	**Percent**
Bachelor level	22	51.2
High School	11	25.6
Diploma level	7	16.3
Postgraduate	3	7.0
Total	43	100.0

Source: Field Data (2015)

4.2.2 Gender of the Respondents

The question was posed to the respondents about their gender, The aim of analysing gender of respondent is to determine whether gender ratio have impact on performance of an organisation. The findings show that the males were 24 (56%) while the females were 19 (44%). These data show that the number of males is greater than that of females at NMB Mkwawa branch. Despite the fact, it is notable that the differences in gender distribution are not so significant. During the data collection, distribution of gender was considered by the researcher.

This implies that gender distribution within the Financial institutions have no any impact toward performance. However now a days in Banks they prefer much to recruit female staff due to their Honest, Turnover rate and commitment to work compared to males. The results in somehow differ from other researcher by considering Yan Wu and Cindy Troung (2013) they concluded that inclusion of female executives increasing bank performance ie “there is added values to having female executives on executive team”. Also the study recognizes the need of balanced gender ratio by concluding that “Having more balanced gender ratio resulted in greater impact on performance and risk taking”.

Table 4.2 Respondents Gender by percentage Ration

Gender	Frequency	Percent
Male	24	55.8
Female	19	44.2

Total	43	100.0

Source: Field Data (2015)

4.3 Working experience

The question was posed to the respondents about the working experience of the respondents. The finding show that .21(48%0 of respondents had 4-6 years followed by 9(20.9%) of respondents who had 0-3 years at NMB Mkwawa branch, 8(18.6%) of respondents have 18.6% and 5(11.6%) of respondents who had more that 10 years at Mkwawa NMB The rationale of the exploration was to know their experiences in matters regarding banking. Table 4.3 summarises the results The study findings revealed that work experience have a role toward performance of both employees and organisational performance however work experience alone have no significantly impact toward performance. Generally in order for an organisation to perform well work experience together with level of education among staff play a significant role. The findings are also supported by various researchers like J. Kevin ford (2001) who study relationship between work experience and job performance, the result revealed that relationship between work experience and job performance was positive regardless of the work experience measures used

Table 4.3 Employment Duration

Response	Frequency	Percent
0-3 years	9	20.9
4-6 years	21	48.8
7-10 years	8	18.6

More than 10 years	5	11.6
Total	43	100.0

Source: Field Data (2015)

4.3.1 Relationship between the Human Capital and Employees Performance

The question was posed to the respondents about the relationship between the Human Capital and Employees Performance Since education and training are some of the key elements that constitute human capital potential, the findings show that 18(41.9%) of respondents were strongly agree that there is a relationship between human capital and employment performance, 10(23.3%) of respondents agree, 8(18.6%) of respondents were not sure and 7(16.3%) of respondents disagree, as shown in table 4.4.

Table 4.4 Relationship between the Human Capital and Employees Performance

Response	Frequency	Percent
Strongly agree	18	41.9
Agree	10	23.3
Not sure	8	18.6
Disagree	7	16.3
Total	43	100.0

Source: Field Data (2015)

4.3.2 Impact of Human Capital Potential on the Performance of Organizations

The second specific objective of this study sought to assess the extent to which human capital potential impact on performance of organizations**.** Most of the respondents said that investing in human capital has positive effects to organizations. For example, the findings obtained from the study suggested that the performance of employees at NMB Mkwawa Branch has improved considerably following an increase of educational qualifications. The findings show that 20(46.5%) of respondents were strongly agree on the impact of human capital potential on the performance of organization followed by 10(23.3%) of respondents agreed, 6(14%) of respondents were strongly disagree and disagree and 1(2.3%0 of respondents was not sure. Moreover, the data in Table 4.5 show that the respondents believed that organizational trainings contribute to stability of organizations, among other impacts:

Table 4.5: Human capital Potential

	Frequency	Percent
Strongly agree	20	46.5
Agree	10	23.3
Not sure	1	2.3
Strongly disagree	6	14.0
Disagree	6	14.0
Total	43	100.0

Source: Field Data (2015)

4.3.3 Educational Development and Performance of Organizations

The question was asked to the respondents on the Educational Development and Performance of Organizations. The findings show that 20(46.5%) of respondents were strongly agree Educational Development and Performance of Organizations educational development and performance of organizations followed by 12(27.9%) of respondents agree, 7(16.3%) of respondents were strongly disagree, 3(7%) of respondents disagree and 1(2,3%) of respondents was not sure. Educational development generally include Trainings, workshops, Seminars, Short courses and high level institution studying which can be provided by staff of an organisation for purpose of increasing their performance in order to achieve organisational goal.

Table 4.6 Educational Development and Performance of Organizations

	Frequency	Percent
Strongly agree	20	46.5
Agree	12	27.9
Not sure	1	2.3
Strongly disagree	7	16.3
Disagree	3	7.0
Total	43	100.0

Source: Field Data (2015)

4.4 Discussion of Findings

This chapter presents the discussion of findings basing on research question with relation to various studies, theories and professional practice.

4.4.1 Discussion on the Human capital investment and employees performance.

In analysing the relationship between human capital investments typically training and employees' performance the study findings shows that there is strong relationship between the two variables. The findings of the study relates with the study conducted by other researchers. The study conducted by Bai et al (2015), shows that Training as a component of investment of human capital have a great impact toward employees performance. The study conducted by all researchers mentioned above shows that there is strong relationship between human capital investment and employees performance. Also the study shows that there is strong relationship between human capital and employee performance. The study also relates with other researcher such as Marimuthu (2009) who concluded that there are reasonably strong evidence to show that the infusion of human capital enhancement in an organisation promotes innovativeness and greater firm performance and recommended that an organisation should have effective plan especially in investing in various aspect of human capital as not only it affect the firm greater performance but also ensure the firm to remain competitive for their long term survival. Using education and training to improve human labor helps companies create a competitive advantage, as when companies train employees to produce goods or services not available from other businesses. Business owners and managers with specific technical skills can train employees to duplicate processes effectively and efficiently.

4.4.2 Discussion on the Impact of Human capital potential on performance of organisation.

The findings of the study revealed that investing in human capital potential has a positive effect on organisations. The results show that the performance of NMB improved considerably following increase in educational qualification. However in some cases Human capital potential may have a negative impact toward employee's performance. A vivid example here could be the information technology experts who use their technical expertise to commit fraud and money laundering.

Similarly, the respondents reported that investing in human capital boosts the image of an organization. In other words, it makes organizations trusted by clients. The source of this trust is that customers regard the well-educated as also potentially confident, professionally competent and less bureaucratic. However, some respondents argued that there are some instances in which professionalism and attainment of education does not necessarily translate to professional integrity and honest. For example, in the banking profession, some employees who are so educated through formal schooling or trained in some areas of skill mastery behave contrary to what they were taught at school. A vivid example here could be the Information and Technology expert who uses his or her technical expertise to commit fraud or money laundering. In this scenario, the person in question abuses the kind and level of education attained. It was also suggested that investing in human capital leads to maximizing organization profits. The reason behind this claim is that a learned employee may perform many duties at a relatively short time which could not be performed by as many as five or ten workers who are not educated an areas of professional specialization.

4.4.3 Discussion on the educational development and employees performance

It is conclude that employees and organisational performance is highly affected by educational development among the staff. NMB has experience the concept since in early 1990 its performance was not good in offering service compared to now due to innovativeness of highly educated staff which were recruited within the period of year 2000 to 2010.The concepts of Human capital development in Tanzania uprising highly from 2000 years to now, most of financial institution recruit graduates staffs and provide continuous trainings for purpose of increasing their performance as well as the performance of organisation. The results of this findings relates highly with findings from other researcher as follows: - Channa, Sareeta and Manish (2015) concluded that when employees are provided with ample chances of human capital development they become satisfied from the organisation they will automatically perform better in an organisation which will lead to satisfaction of organisation customers which in turn will increase performance of an organisation.

CHAPTER FIVE

CONCLUSION AND RECOMENDATIONS

5.0 Introduction

This provides conclusions and recommendations for action and for further studies.

5.1 Summary of the Study

This study investigated on the impact of human capital on the performance of organizations, using a case study of NMB Mkwawa Branch in Iringa. The literature review indicated that there was scanty empirical knowledge on the two conceptual issues of this study, namely: the variables of human capital investment vis a vis the performance of organization. On that basis, this study was intended to contribute towards widening an understanding of these concepts. Context analysis was used as method of data analysis. A total of 43 respondents were involved in the study. These respondents were obtained from the said bank using simple probability and random sampling techniques.

5.2 Summary of the Major Findings

The study revealed that that 44% of the respondents who were interviewed strongly agree that workers training enhance profitability of an organization, 24% agreed while 2% of the respondents said they were not sure. The study also shows that 45% out of the total sampled size of 43 respondents strongly agreed that organizational training increases production and stability, 25% agree and 3% said they were not sure.

Analysis of Questionnaires data proved that there is strong impact between human capital investment and employees performance. Findings of our study are similar to a great extent with the findings of the study conducted by Ghazawi (2012) titled The impact of investment in human resources activities on the effectiveness of investment in human capital in Dubai where by finding s of his study also indicate that investing in training and development has significant effect on human capital return on investment.

5.3 Conclusion

The research objective was to investigate the impact of investing in human capital toward performance of employees in Tanzania. The first study examine relationship of human capital investment and employees performance, second was to determine the impact of work experience, academic level and gender ratios if have impact toward performance and third objective was to examine relationship between educational development and employees performance.

The study findings show that direct relationship between level of investment in human capital and performance. The higher the level of investment in human capital the higher the performance. The study findings based on the second specific objectives shows that academic levels of education and work experience have an impact toward performance. The higher the level of education and work experience the higher the performance. The existence of well experienced staff with high level of education makes these staff more effective which increases customer satisfaction, trust and performance as well. The study also shows that gender ratios has no any impact toward performance of banks however some researcher recognise the impact of having female executives in executives team toward increase in performance.

The study also shows the contribution of educational development toward performance. By providing staff with enough trainings and chance for carrier development by allowing them to precede with various level of education this will improves skill of the staff which will improve their performance as well as performance of the bank.

Generally the study indicates the importance of positive relationship between human capital investment especially investment in training and employee performance. Investment in human capital is not beneficial for employee its ultimately beneficial for development of the organisation. If performance of employee is good it is going to affect the entire organisation in optimistic way.

5.4 Recommendations

5.4.1 for Action and Policy Improvement

In light of the conclusions of this study, the following recommendations are made.

It has been found that employees training and investing in human capita contribute towards making them work effectively and make their work appreciated by customers. It is therefore recommended that banks and other financial institutions have to heavily invest on career advancement. In particular, NMB need to invest staff professional development. Career advancement of the workforces is one of the best investments since the human resource potential has long term benefits. NMB should focus on fair human investment for the better and bank growth. This will lead to have creative and innovative staffs. The bank should avoid hiring new employees while disregarding the current employees. Equally important, the NMB should focus more on equitable and transparent human investments policies. These policies should not segregate workers along gender, title, education level, nationality or other forms of discrimination.

5.4.2 Suggestions for Further Studies

The findings obtained from this study cannot be replicated to reflect the situation of all banks in Tanzania. That being the case, there is a need of conducting further studies covering a larger sample in order to understand the impact of human capital on employee's performance in Tanzania.

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APPENDICIES

APPENDIX I: STUDY QUESTIONNAIRRES TO THE RESPONDENTS

Dear respondent, I am a master student at Open University of Tanzania undertaking an academic study on the impact of investing in human capital improves Employees performance by focusing on NMB branch of Mkwawa Iringa as a case study. Your responses will be treated confidential and used for only academic purpose.

SECTION ONE: Respondent profile

1. Gender

Male	
Female	

2. Age (tick the most appropriate answer)

18 – 30	**31 – 40**	**41 – 50**	**50 and above**

3. Highest level of Education or academic Qualification

Secondary	**Diploma**	**Bachelor**	**Masters**	**PhD**

4. For how long have you been working at this bank?

0-3	
4-6	
7-10	

Above 10 years	

SECTION 2: Study Questions

5. There is a Relationship between the Human Capital and Employees Performance

Strongly agree	
Agree	
Not sure	
Disagree	
Strongly disagree	

6. Impact of Human Capital Potential on the Performance of Organizations

Strongly agree	
Agree	
Not sure	
Disagree	
Strongly disagree	

7. Educational Development and Performance of Organizations

Strongly agree	
Agree	
Not sure	
Disagree	
Strongly disagree	

Thank you for taking your time

APPENDIX II: Budget and Justification (Financial Arrangement)

Financial arrangement provides a detailed explanation of the expected expenses that the researcher incurred during the process of conducting research. The following was an estimated budget for the whole study and the researcher may look for the most appropriate items for much lower price so as to meet the amount of funds available,

Table 3.1: Estimated Financial Plan

S/No.	**PARTICULARS**	**QTY**	**TZS** **UNIT COST**	**Total amount**
1	PREPARATORY PHASE			
	Ream of paper (Pcs)	2pcs	12,000	24,000/=
	Typing and printing costs / Page	6	1,000	6,000/=
	Photocopying- n= 60	4pgs	4 x 30 x 60	7200/=
	Staple Machine (Medium size)	1	7,500	7,500/=
	Staple Pins (Box)	2	2,000	4,000/=
	Folders (Pcs)	5	7,000	35,000/=
	Writing Pens	50	500	25,000/=
	Note books	3	3,000	9,000/=
	Research Assistant Training/day Allowance – 20,000/= @ Marker pen 5,000/= @	 2 5	6 x 3day x 20,000/= 3,000/=	= 360,000/= 15,000/=

	SUBTOTAL I			471100/=
2	DATA COLLECTION PHASE			
	Research Assistant /day	3 days	@ 40,000/=	240,000/=
	Researcher (Lunch only)	3 days	10,000/=	30,000/=
	Communication costs		50,000/=	50,000/=
	Transport costs		250,000	250,000/=
	SUBTOTAL II			570,000/=
3	DATA ANALYSIS & MANAGEMENT			
	Data entry clerk and cleaning	1	100,000/=	100,000/=
	Statistician for Analysis	1	150,000/=	150,000/=
	SUBTOTAL III			250,000/=
4	COMPILATION & PRODUCTION			
	Typing costs / Page	60	800	48,000/=
	Printing costs (Pcs)	60	200	12,000/=

	Dissertation Production (Pcs)	6	30,000	180,000/=
		SUBTOTAL III		**240,000/=**
		GRAND TOTAL		**1768,700/=**

Source: Research plan (2015)

APPENDIX III: Study Duration and Time Arrangements

The study took 11 months comprising of the activities as shown in the Cart below. A detailed time table scheduling all aspects of the research was produced. This included time taken to conduct background research, questionnaire or interview schedule development, data collection, data analysis and report writing.

Table 3.2: Showing Study Duration

ACTIVITIES	Expected duration (in Months: March,2015 -Aug, 2015)										
			3	4		5	6	6	7	8	8
Proposal writing											
Submission of the proposal and wait for comments from the supervisor											
Data collection											

Data analysis, compiling and preparation of manuscript											
Report writing											
Report submission											

Source; Researchers plan (2015)