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Effect of Knowledge Management Practices on the Performance of Nepalese Financial Institutions

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ABSTRACT

Knowledge Management (KM) is considered as a recent phenomenon prevailing in the management circle. Despite its growing concern, there are relatively few literatures showing clear linkage between knowledge management and organizational performance (OP) in financial sector. The main objective of this study is to measure the effect of knowledge management practices on the performance of financial institutions in Nepal. In this study, samples of 385 respondents were selected randomly from four different types of financial institutions of Kathmandu, Nepal. The statistical analysis was done to draw the conclusion. The results clearly showed that components of KM process (KM obtaining, KM organizing & KM applying) are positively correlated with the organizational performance measured in terms of Financial and Market Results, Organizational Effectiveness, Employee Satisfaction and Customer Satisfaction. Finally, this paper concludes that performance of any financial institution is significantly affected by various KM processes and practices adopted by these organizations.

KEYWORDS

Banking & Financial Institution, Knowledge Management, Nepal, Organizational Performance

INTRODUCTION

Knowledge and Knowledge Management

Knowledge is defined as a combination of experiences, information, data, expert insight and managerial intuition that gives an opportunity to evaluate new experiences and information about an organization. In any organization, knowledge is not entrenched to documents only but also in the day-to-day activities, processes and norms of the organization. (Davenport and Prusak, 1997).

Knowledge management (KM) is a concept that has emerged explosively and has become a hot topic over last few years. In a highly demanding business world 21st century, an organization's competitive edge almost wholly depends on how well it is able to manage and deploy its corporate assets. These assets can be categorized into tangible and intangible assets. In a traditional way, tangible assets like plant, machinery, equipment, inventory and financial capital are considered the most fundamental corporate assets. Intangible assets like knowledge

and intellectual property play a very little or vague role in any organization regardless from which industry it comes from.

To compete and become successful in their market, organizations now should learn to manage their intangible asset, that is "Knowledge" and this practice is generally known as Knowledge Management. KM has been defined in numerous ways depending on the purpose of research. Alavi and Leidner (1999) define KM as 'a systemic and organizationally specified process for acquiring, organizing and communicating both explicit and tacit knowledge for employees so that other employees may make use of it to be more effective and productive at work'. Duffy (1999) describes KM as 'a process capitalizing on organizational intellect and experience to drive innovations'. American Productivity & Quality Center suggests that KM is the strategy and process of identifying, capturing and leveraging knowledge to help organization compete in market. Earl (2001) advocates that KM can be viewed from seven dimensions with their focuses: (i) system: technology; (ii) cartographic: maps; (iii) engineering: processes; (iv) commercial: income; (v) organizational: networks; (vi) spatial: space; and (vii) strategic: mindset. It aims at knowledge capability and knowledge is seen as a key resource and KM as a way to gain competitive advantage.

Managing knowledge well can develop new opportunities, creating value for customers, obtaining competitive advantages or improving performance (Lloria, 2008). The activities of KM include knowledge capture, documentation, retrieval and reuse, creation, transfer and sharing of its knowledge assets integrated in its operational and business processes. The processes and practice of KM would involve the systematic organization, planning, scheduling, monitoring, and deployment of people, processes, technology and environment, with appropriate targets and feedback mechanisms, to facilitate the retention, sharing, identification, acquisition, utilization of knowledge and new ideas, in order to achieve strategic aims, for example, improved competitiveness or improved performance, subject to financial, legal, technical, resource, political, cultural and societal constraints (Lehaney et al., 2004).

Nowadays, financial institutions have been actively automating their manual processes. This has resulted in the creation of many information systems even within one organization. While these information systems were able to help them to better manage their processes and resources, they also have created a number of setbacks. One of the major setbacks of previous information system is that it has created huge volumes of data and information, resulting in a phenomenon called information explosion or information overload. This phenomenon occurs when one is faced with overwhelming amount of information, and he has to take time to go through the bulk of information and select the best one to use. When there is the load of information it could result in less reactive responses and reduction in capacity. With huge amount of information being created consistently, inefficiency occurs. Consequently, effective and efficient recovery of resource and knowledge has been an imminent research issue in recent times.

Organizational Performance

Even though the concept of organizational performance is a common terminology in the academic literature, its definition is difficult because of its multiple meanings. For this reason, there isn't a universally accepted definition of this concept. In the 50s, organizational performance was defined as the extent to which organizations fulfilled their objectives. Performance evaluation during this period was focused on work, people and structure of

organization. Later in the 60s and 70s, organizations have begun to explore new ways to evaluate their performance. So performance was defined as an organization's ability to exploit its environment for accessing and utilizing the available resources.

From a traditional perspective, organizational performance is commonly referred to as financial performance where considerations of budgets, assets, operations, products, services, markets and human resources are crucial in influencing the over-all bottom-line of an organization (Dixon, 1999; Thurbin, 1994; Smith, 2011). As such, the financial benefits of organizational performance are often associated with organizational success (Thurbin, 1994). However, the notion of performance embraces a far wider dimension of interpretations. With the focus on organizational learning, the performance outcomes associated with it need to be more carefully dealt with. The importance of performance measurement system is manifold. Not only does it demonstrate how an organization does, how well it does it and how much progress it makes over time in archiving its goals, most importantly, it helps to manage organizational change (Yeo, 2003). Hence, qualitative measures are more appropriate in investigating these key objectives that dominate and direct decision-making and action-taking levels.

Organizational performance comprises the actual output that is measured against its intended outputs of the organization. Richard et al. (2009) divides organizational performance into three specific areas of firm outcomes: (a) financial performance (profits, return on assets/investment); (b) product market performance (sales, market share); and (c) shareholder's return (total shareholder's return, value added).

Measuring organizational performance strongly affects the behavior of managers and employees. In this study, methods for measuring organizational performance in knowledge management can be categorized into four groups: financial and market results, organizational effectiveness, employee satisfaction and customer satisfaction. This study adopts a modified balanced scorecard method. The balanced scorecard is more useful than intellectual capital or a tangible and intangible approach because it shows cause and effect links between knowledge components and organization strategies (Kaplan & Norton, 1996, 2000).

KM and Organizational Performance

In the present economy, organizations believe that knowledge is the key economic resource and is crucial to sustaining competitive advantage. In other words, organizations must have the suitable knowledge in the required form and content for the purpose of achieving success (Anantatmula, 2007).

Many of studies have tried to establish the link between knowledge management and organizational performance. Seleim and Khalil (2007) looked into the relationship between knowledge management and organizational performance in the software firms of Egypt. This study showed that organizational performance was influenced by all dimensions of knowledge management.

One of the key benefits of introducing KM practices in organizations is its positive effect on organizational performance. According to Fugate et al. (2009), results collected in a logistics operations context prove the existence of a strong positive relationship between a Knowledge Management process and operational performance. Still, it is not well understood how different knowledge management strategies affect organizational performance. Choi et al. (2008) show that combining the tacit and explicit KM strategies indicate a complementary relationship, which implies synergistic effects of KM strategies on performance. Previous studies suggest that KM

fully mediates the impact of organizational culture on organizational effectiveness, and mediates the impact of organizational structure and strategy on organizational effectiveness. Boumarafi and Jabnoun (2008) investigated the relationship between knowledge management and organizational performance in the United Arab Emirates among 89 business sectors comprising manufacturing, banking, investment, insurance and service sectors. The study revealed that knowledge management was significantly correlated to organizational performance.

Similar finding was also reported by Daud and Yusuf (2008) in their study involving 100 SMEs in Malaysia. The study found that knowledge management has a positive significant relationship with organizational performance. Similarly, Rasula et al. (2012) examined the effect of knowledge management on organizational performance in Croatia and Slovenia. The study revealed that knowledge management practices have a positive impact on organizational performance. Similarly, Zaied et al. (2012) examined the role of knowledge management to enhance organizational performance in Egyptian financial organizations. The study showed significant relationship between knowledge management elements and performance improvement measures.

The effect of knowledge management resources on organizational performance was also examined by Emadzade et al. (2012). The study was conducted in Jordon and used 245 owners and managers form 86 small enterprises as respondents. The study found that knowledge acquiring, knowledge applying, knowledge protecting, and organizational structure had a positive relationship with organizational performance. However, knowledge conversion, technology and organizational culture, were found to have no effect on the performance. Agbim et al. (2013) examined the impact of knowledge management capabilities on organizational performance among 328 employees in the service sector in Nigeria. They found that technical knowledge management resource, cultural knowledge management resource, structural knowledge management resource, and human knowledge management resource were significantly and positively related to organizational performance.

Gholami et al. (2013) also investigated the impact of knowledge management practices on the performance of 282 Small and Medium-sized Enterprises (SMEs) in Iran. Results indicated that knowledge management practices directly influence the organizational performance of SMEs. Similar finding was reported by Shahbakhsh (2013), who explored the relationship between knowledge management and organizational performance of the education sector in Iran.

Although knowledge management has been widely discussed by many academicians and practitioners, there is paucity of literature and information on knowledge management in Nepalese context. Hence, research was needed to establish the relationship of knowledge management practices and organizational performance with its application to financial organizations in the developing countries. This research has examined general knowledge management process and practices of Nepalese financial institutions and its effect on the organizational performance of banking and financial institutions. Therefore, the major objective of this study was to examine the effect of knowledge management practices in increasing the overall organizational performance.

Conceptual framework and research hypotheses

The current study is of descriptive type that aims to investigate the effect of Knowledge Management practices in increasing the performance of an organization. Based on the intensive

literature review and previous discussions, the following conceptual research model was proposed as a platform to explore the relationship between KM processes (knowledge obtaining, knowledge organizing & knowledge applying) and Organizational Performance (financial and market results, organizational effectiveness, employee satisfaction and customer satisfaction). This empirical research model illustrates the relationship among variables included in the following conceptual model.

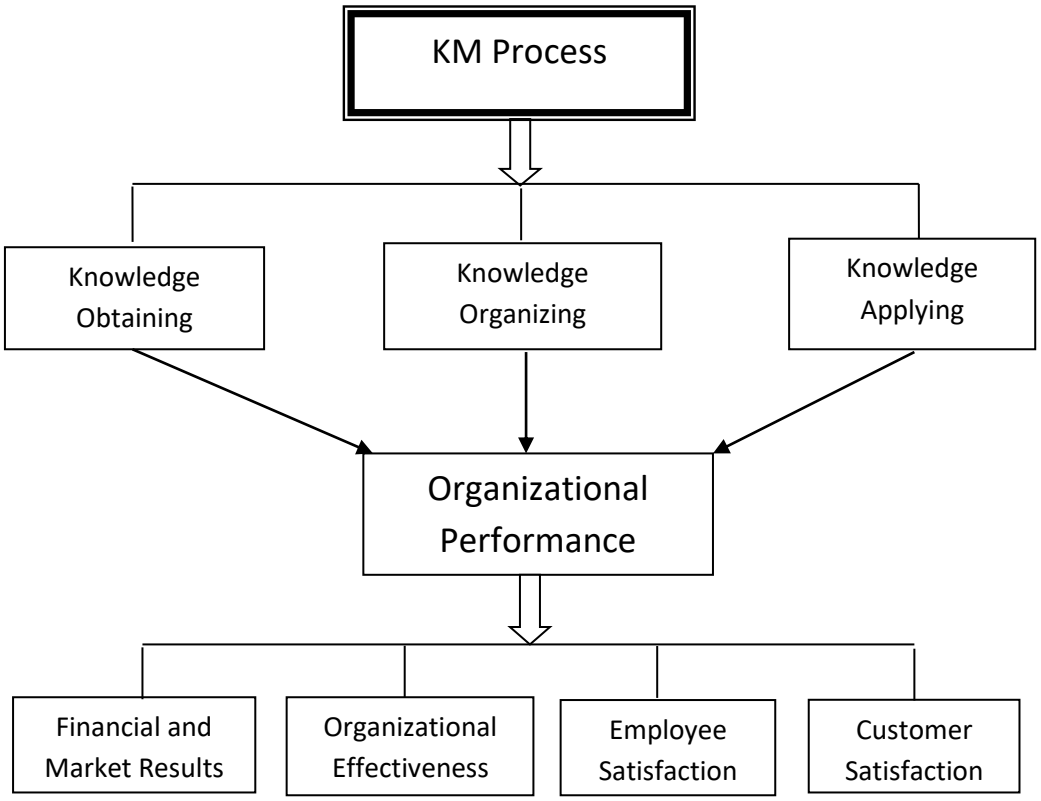

Figure 1: Conceptual framework.

Based on the conceptual model and literature review, following hypotheses were formulated:

H1: Knowledge management and organizational performance are positively correlated.

H2: Knowledge management positively affects Financial & Market Results of an organization.

H3: Knowledge management positively affects Organizational Effectiveness of an organization.

H4: Knowledge management enhances Employee Satisfaction of an organization.

H5: Knowledge management enhances Customer Satisfaction of an organization.

METHODOLOGY

The study is based on the quantitative research design. The data was collected from the banking and financial institutions of Kathmandu, Nepal by using the structured questionnaire survey. In total, 385 respondents were selected from banking and financial institutions of Kathmandu valley by using the proportionate stratified random sampling technique. The questionnaire was developed in five-point Likert Scale as (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree and (5) Strongly agree. The research instrument was pre-tested to ensure the validity and reliability of data. The collected data was analyzed through the statistical models: frequency distribution, Chi-Square test, correlation and factor analysis. The data is presented in the tabular form.

RESULTS

Table-1 describes the types of respondents of Nepalese banking and financial institutions participated in this study. Respondents are categorized based on four sectors including Government Banks (20%), Private Commercial Banks (40%), Development Banks (20%), and Finance and Cooperatives (20%). 64.4% male and 35.6% of female of various designation/job title from Chief Executive Officer to Clerical Staff were selected using stratified sampling method. Among them 21 respondents are high school graduates, 103 respondents hold bachelor's degree, 255 respondents hold master's degree and remaining 6 respondents got M Phil/PhD. Respondents with experience of less than six months were discarded and minimum six months to maximum 46 years were taken for analysis being mean years of experience 10.324 with standard deviation 7.87 years.

Demography

Table 1 shows the Gender distribution of respondents as follows:

Table 1 Gender of Respondents

Respondents	**Male (%)**	**Female (%)**
Government Bank	16.1	3.9
Private Commercial Bank	22.1	17.9
Development Bank	16.6	3.4
Finance & Cooperatives	9.6	10.4
Total	64.4	35.6

Source: Field Survey, 2016

Regarding the number of staffs working under the respondents, 39.0% have below 10 employees; 31.1% have employees between 10 and 20; 15.4% have employees between 20 and 30; 5.9% have employees between 30 and 40; 3.5% have employees between 40 and 60 and remaining 5.1% have employees above 60. From the date of establishment, it is found that 40.5% of organizations have been in business for 5 to 10 years, 35.9% for 10 to 30 years and 23.6% of them have more than 30 years of experience.

In Nepalese context, financial sector, especially banking and finance companies are very competitive. Knowledge is resource to gain competitive advantage in this sector. The following section provides the detail result of the study regarding the relation between different variables under study.

Correlations between variables

Observing the following table (Table-2), it is noteworthy to mention that all the factors of knowledge management are positively correlated (a>0.01, and a> 0.05) with the factors of organizational performance. There was significant relationship of knowledge obtaining, knowledge organizing & knowledge applying with financial & market results, organizational effectiveness, employee satisfaction and customer satisfaction. The results state that there is positive relationship between knowledge management practices with organization in the four different types of Nepalese banks.

Table 2 Pearson Correlations

	Knowledge Obtaining	Knowledge Organizing	Knowledge Applying	Financial & Market Results	Organizational Effectiveness	Employee Satisfaction	Customer Satisfaction
Knowledge Obtaining	1	.762**	.705**	.602**	.652**	.526**	.550**
Knowledge Organizing		1	.757**	.608**	.665**	.543**	.611**
Knowledge Applying			1	.658**	.696**	.561**	.648**
Financial & Market Results				1	.793**	.519**	.696**
Organizational Effectiveness					1	.611**	.681**
Employee Satisfaction						1	.649**
Customer Satisfaction							1
**. Correlation is significant at the 0.01 level (2-tailed).							

The result shows the significant relationship between the each factors of knowledge management at 0.01 level of significant. This proves the first hypothesis, ***H1: Knowledge management and organizational performance are positively correlated.***

Effect of KM on Financial and Market Results (H2)

From statistical analysis, it is found that R^2 value is .443 which means demographic variables explain only 44.3% of the variation in the dependent variable (Table 3). The adjusted R^2 value is .431 which means that the different demographic variables have contributed only 43.1% of total

value of knowledge applying in Financial and Market Results. The remaining 56.9% were contributed by other factors which are not included in this study. While gathering the knowledge applying and obtaining, it is found that R^2 value is .447 which means that demographic variables only explain 44.7% of the variation in the dependent variable. The adjusted R^2 value is .468 which means that the different demographic variables contributed only 46.7% of total value of knowledge management on financial and market results. The remaining 53.3% were contributed by other factors which is not included in this study. Again when knowledge applying and knowledge obtaining was gathered within the knowledge organizing, it is found that the R^2 value is .478 which means that demographic variables only explain 47.8% of the variation in the dependent variable. The adjusted R^2 value is .474 which means that the different demographic variables contributed only 47.4% of total value of knowledge management in Financial and Market Results, The remaining 52.6% were contributed by other factors which are not included in this study.

Table 3 Effect of KM on Financial and Market Results

Model Summary							
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate		
Knowledge Applying		.658[a]	.433	.431	4.02287		
Knowledge Applying + Obtaining		.686[b]	.471	.468	3.89093		
Knowledge Applying + Obtaining+ Organizing		.691[c]	.478	.474	3.87058		
ANOVA							
Model			Sum of Squares	Df	Mean Square	F	Sig.
Knowledge Applying + Obtaining+ Organizing		Regression	5221.797	3	1740.599	116.184	.000[d]
		Residual	5707.907	381	14.981		
		Total	10929.704	384			
a. Dependent Variable: Financial and Market Results total							
Coefficients							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			
1	(Constant)	8.843	1.207		7.329	.000	
	Knowledge Applying total	.612	.091	.400	6.730	.000	
	Knowledge Obtaining Total	.175	.050	.209	3.481	.001	
	Knowledge Organizing total	.108	.048	.146	2.242	.026	
a. Dependent Variable: Financial and Market Results							

The regression only analysis on knowledge applying, knowledge obtaining and knowledge organizing of respondents were found significant at $p \leq 0.05$ (.000), at F= 116.184 to total value of attitude of respondents towards Knowledge Management of Financial and Market results. However, it was found out that only three variables were significant which have p-value ≤ 0.05, namely knowledge applying, and knowledge obtaining of respondents. The other one Knowledge organizing was not significant to total value of knowledge management of financial and market result of organization since the p-value is .026. We may conclude by saying that two of demographic variables, namely, knowledge applying and knowledge obtaining have impact on total value of knowledge management of financial and market results.

Effect of KM on Organizational Effectiveness (H3)

Similarly, it is found that the R^2 value is .484 which means that demographic variables only explain 48.4% of the variation in the dependent variable (Table 4). The adjusted R^2 value is .483 which means that the different demographic variables contributed only 48.3% of total value of knowledge applying in knowledge management on organizational effectiveness. The remaining 51.7% were contributed by other factors which are not included in this study. While gathering the knowledge applying and obtaining, it is found that R^2 value is .536 which means that demographic variables only explain 53.6% of the variation in the dependent variable. The

adjusted R^2 value is .533 which means that the different demographic variables contributed only 53.3% of total value of knowledge management on organizational effectiveness. The remaining 46.7% were contributed by other factors which is not included in this study. Again when knowledge applying and knowledge obtaining was gathered within the knowledge organizing, it is found that the R^2 value is .549 which means that demographic variables only explain 54.9% of the variation in the dependent variable. The adjusted R^2 value is .545 which means that the different demographic variables contributed only 54.5% of total value of knowledge management on organizational effectiveness. The remaining 45.6% were contributed by other factors which are not included in this study.

Table 4 Effect of KM on organizational effectiveness

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Knowledge Applying	.696[a]	.484	.483	3.38847
Knowledge Applying + Obtaining	.732[b]	.536	.533	3.21899
Knowledge Applying + Obtaining+ Organizing	.741[c]	.549	.545	3.17773

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
Knowledge Applying + Obtaining+ Organizing	Regression	4677.832	3	1559.277	154.415	.000[d]
	Residual	3847.327	381	10.098		
	Total	8525.158	384			

a. Dependent Variable: Organizational Effectiveness total

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.759	.991		8.841	.000
	Knowledge Applying total	.516	.075	.382	6.916	.000
	Knowledge Obtaining Total	.170	.041	.229	4.113	.000
	Knowledge Organizing total	.131	.039	.200	3.314	.001

a. Dependent Variable: Organizational Effectiveness total

The regression only analysis on knowledge applying, knowledge obtaining and knowledge organizing of respondents were found significant at $p \leq 0.05$ (.000), at F= 154.415 to total value of attitude of respondents towards Knowledge Management on organizational effectiveness. Therefore, it was found out that three variables were significant which have p-value ≤ 0.05, namely knowledge applying, knowledge obtaining and knowledge organizing of respondents. We may conclude by saying that three of demographic variables, namely, knowledge applying, knowledge organizing and knowledge obtaining have impact on total value of knowledge management on organizational effectiveness.

Effect of KM on Employee Satisfaction (H4)

From statistical analysis, it is found that the R^2 value is .315 which means that demographic variables only explain 31.5% of the variation in the dependent variable (Table 5). The adjusted R^2 value is .313 which means that the different demographic variables contributed only 31.3% of total value of knowledge applying in knowledge management on employee satisfaction. The remaining 68.7% were contributed by other factors which are not included in this study. While gathering the knowledge applying and obtaining, it is found that R^2 value is .348 which means that demographic variables only explain 34.8% of the variation in the dependent variable. The adjusted R^2 value is .345 which means that the different demographic variables contributed only 34.5% of total value of knowledge management on employee satisfaction. The remaining 66.5% were contributed by other factors which is not included in this study. Again, when knowledge applying and knowledge obtaining was gathered within the knowledge organizing, it is found that the R^2 value is .359 which means that demographic variables only explain 35.9% of the variation in the dependent variable. The adjusted R^2 value is .354 which means that the different demographic variables contributed only 35.4% of total value of knowledge management on employee satisfaction. The remaining 64.6% were contributed by other factors which are not included in this study.

Table 5 Effect of KM on employee satisfaction

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
Knowledge Applying		.561[a]	.315	.313	4.22438	
Knowledge Applying + Obtaining		.590[b]	.348	.345	4.12488	
Knowledge Applying + Obtaining+ Organizing		.599[c]	.359	.354	4.09558	
ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
Knowledge Applying + Obtaining+ Organizing	Regression	3582.226	3	1194.075	71.187	.000[d]
	Residual	6390.824	381	16.774		
	Total	9973.049	384			
Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.491	1.277		7.433	.000
	Knowledge Applying total	.435	.096	.298	4.528	.000
	Knowledge Obtaining Total	.141	.053	.175	2.640	.009
	Knowledge Organizing total	.130	.051	.184	2.547	.011
a. Dependent Variable: Employee Satisfaction total						

The regression only analysis on knowledge applying, knowledge obtaining and knowledge organizing of respondents were found significant at $p \leq 0.05$ (.000), at F=1194.075 to total value of attitude of respondents towards Knowledge Management on employee satisfaction. However, it was found out that only one variable was significant which have p-value ≤ 0.05, namely knowledge applying of respondents. Rest of the two variables i.e., knowledge obtaining and knowledge organizing were not significant to the value of attitude of respondents towards the effect of knowledge management on employee satisfaction since the p value of each was .009, and .011 respectively. We may conclude by saying that the o only one of demographic variables, namely, knowledge applying has impact on total value of knowledge management on employee satisfaction.

Effect of KM on Customer Satisfaction (H5)

From statistical analysis, it is found that the R^2 value is .420 which means that demographic variables only explain 42.0% of the variation in the dependent variable (Table 6). The adjusted R^2 value is .419 which means that the different demographic variables contributed only 41.9% of total value of knowledge applying in knowledge management on customer satisfaction. The remaining 58.1% were contributed by other factors which are not included in this study. While gathering the knowledge applying and organizing, it is found that R^2 value is .454 which means that demographic variables only explain 45.4% of the variation in the dependent variable. The adjusted R^2 value is .451 which means that the different demographic variables contributed only 45.1% of total value of knowledge management on customer satisfaction. The remaining 46.7% were contributed by other factors which is not included in this study.

Table 6 Effect of KM on customer satisfaction

Model Summary							
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate		
Knowledge Applying		.648[a]	.420	.419	3.71219		
Knowledge Applying + Organizing		.674[b]	.454	.451	3.60704		
ANOVA[a]							
Model			Sum of Squares	df	Mean Square	F	Sig.
Knowledge Applying + Organizing		Regression	4133.641	2	2066.820	158.855	.000[c]
		Residual	4970.100	382	13.011		
		Total	9103.740	384			
Coefficients[a]							
Model			Unstandardized Coefficients		Standardized Coefficients	T	Sig.
			B	Std. Error	Beta		
1	(Constant)		10.495	1.055		9.952	.000
	Knowledge Applying total		.607	.081	.435	7.523	.000
	Knowledge Organizing total		.190	.039	.281	4.864	.000
a. Dependent Variable: customer satisfaction total							

The regression only analysis on knowledge applying, knowledge applying and knowledge organizing of respondents were found significant at $p \leq 0.05$ (.000), at F=158.855 to total value of attitude of respondents towards Knowledge Management on customer satisfaction. Therefore, it was found out that three variables were significant which have p-value ≤ 0.05, namely knowledge applying, and knowledge organizing of respondents. We may conclude by saying that two of demographic variables, namely, knowledge applying, knowledge organizing and knowledge obtaining have impact on total value of knowledge management on customer satisfaction.

DISCUSSION

The present study has examined the relationships among knowledge management dimensions (knowledge obtaining, knowledge organizing and knowledge applying) with organizational performance measured in terms of financial and market results, organizational effectiveness, employee satisfaction and customer satisfaction. It has been seen by the results that all the three dimensions of knowledge management lead to increased organizational performance and the whole knowledge management process causes an increment on these four variables of performance. Moreover, the findings show the positive and significant relationship between KM process and Organizational Performance in the banking and financial sector of Nepal.

The study suggests that organizations managing knowledge more effectively gain competitive position in the turbulent business environment. Effective knowledge management helps to become innovative organizations. Organizations gain competitive advantage and thus improve the overall performance, hence, organizations should focus on knowledge management dimensions such as knowledge obtaining, knowledge organizing and knowledge applying to improve overall performance and achieve the ultimate goal.

A similar type of study was conducted by Ahmed, Fiaz and Shoaib (2015) in banking sector of Lahore, Pakistan. Results showed that knowledge management activity, that is, knowledge acquisition, knowledge conversion, knowledge application and knowledge protection results in provision of quality services to customers, high customer satisfaction, efficiency in resource utilization, more profits and overall improved organizational performance.

The results are in line with the study of Vidovic (2010) which investigated the link between knowledge management and performance of an organization, using the data from the research conducted in Croatia. The research confirmed that there is a link between knowledge management and performance. The results are also consistent with that of Liao (2009) who conducted a study using a sample of Taiwanese knowledge-intensive firms engaged in manufacturing and financial services. Empirical evidence from the study also supports the perspective that Knowledge Management Strategies affect organizational performance. In contrary to this, Tanriverdi (2005) found only a weak correlation between a firm's use of knowledge and its financial performance. Furthermore, Zack, McKeen and Singh (2009) investigated the organisational impact of KM in terms of performance. 12 KM practices were identified and explored in terms of their impact on organisational performance within the context of business organisation in North America and Australia. The study revealed that KM practices were directly related to organisational performance which, in turn, was directly related to financial performance. On the other hand, there was no direct relationship found between KM practices and financial performance.

In addition, due to the extremely large number of exogenous factors, such linkage is obscure and difficult to be empirically validated (Bharadwaj, 2000). Therefore, many studies suggest more immediate indicators of KM performance such as level of knowledge sharing (Bock and Kim, 2002), and knowledge quality (Huang, Lee and Wang 1999). Results of this study are also in conformation to other empirical studies. Vaccaro et al. (2010) expressed that learning administration instruments are specifically connected to higher money related performance.

CONCLUSIONS AND FUTURE RESEARCH

This study provides first empirical evidence of the relationship between knowledge management and organizational performance in Nepalese financial sector. It also provides valuable information to the planners, policymakers and practitioner of banking and financial sector for accelerating innovation and performance level by adopting knowledge management strategy. However, this study is a cross-sectional research study where all data were collected at a particular time, so variables and analysis is restricted to that particular time-frame. Also, this study is limited to financial sector of Nepal. Further, studies may focus on other sectors, e.g. tourism, education, manufacturing and so on in different context.

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