

**THE MODERATING EFFECTS OF SERVICE INNOVATION ON  
THE RELATIONSHIP BETWEEN SOCIAL MEDIA USAGE AND  
PERFORMANCE OF SELECTED MICROFINANCE  
INSTITUTIONS IN MERU COUNTY**

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CONFERMENT OF MASTER OF BUSINESS ADMINISTRATION  
DEGREE OF KENYA METHODIST UNIVERSITY**

**SEPTEMBER, 2021**

## DECLARATION AND RECOMMENDATION

### Declaration

This thesis is my original work and has not been presented for a degree or any other award in any other University.

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### Recommendation

We confirm that the work reported in this thesis was carried out by the candidate under our supervision.

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## **DEDICATION**

I dedicate this thesis to my father, Justine Ileri Kathungu and late mother, Susanna Ileri for instilling in me the value of education at an early age.

## **ACKNOWLEDGEMENT**

My profound gratitude goes to the Almighty God for preserving my life throughout this thesis and most importantly for making it a success. It could not have been someone else but the great that I am, to God be the glory. I wish to express my deep appreciation to my able supervisors Dr. Rintari Nancy and Dr. Clement Nkaabu, Dr. John Muchiri, respondents, data analysis assistant Richard Sheundah, editors and Stratford Peer Reviewed Journals and Tools for publishing my paper in the Journal of Strategic Management.

## **ABSTRACT**

In the world today social media platforms have snowballed and sparked both opportunity and concern on how their use affects the financial performance of selected microfinance institutions. Implementation of premeditated plans and practices supports companies to comprehend these set plans hence recognizing how to create strategic adoptions for the impending changes and implement with plans in the accomplishment of the same. Engaging in service innovation as one of the strategies is dire to performance. Service innovation stresses well-organized measures to complement actions that seem erratic hence can withstand their decisions aimed at lessening threats in business. The goal of this study was to determine the moderating impacts of service innovation on the link between social-media usage and the performance of chosen microfinance institutions, Meru County. Social media usage and employee adoption were the independent variables while service innovation was the moderating variable and performance formed the dependent variable. The study was guided by uses and gratifications theory, innovation dissemination theory, and stakeholder's theory. The study targeted ten Micro-Finance Institutions in Meru County randomly selected from the Association of Microfinance Institutions of Kenya (AMFI-K)'s website. The researcher carried out a pilot study in Key Microfinance Institute in Meru town using the prepared questionnaire, to test its quality, clarity, and length. The study determined that social-media is realistically relevant due to its ease of use and the fact that many consumers prefer it to the traditional method banks and financial institutions have been operating. It further found out that employee's adoption of service innovation depended on many factors including; religion, personality, perception, values, level of employment in the organization, and leadership. This study thus recommends that there should be a paradigm shift in strategy that can enable the adoption of service innovation so that it can act as an enabler in the performance of Micro Finance Institutions.

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## ABBREVIATIONS AND ACRONYMS

<b>ADTMFIs</b>	Association of Deposit Taking Microfinance Institutions
<b>AMFI-K</b>	Association of Microfinance Institutions- Kenya
<b>CAK</b>	Communications Authority of Kenya
<b>CBK</b>	Central Bank of Kenya
<b>CGAP</b>	Consultative Group to Assist the Poorest
<b>CLA</b>	Cost Per Loan Asset
<b>CMC</b>	Computer Mediated Communication
<b>DTMFIs</b>	Deposit Taking Micro Finance Institutions
<b>IT</b>	Information Technology
<b>ICT</b>	Information Communication Technology
<b>IRC</b>	Internet Relay Chart
<b>KPMG</b>	Klynveld Peat Marwick Goerdeler
<b>MFI</b> s	Microfinance Institutions
<b>NBFI</b>	Non-Bank Financial Institution
<b>ROA</b>	Return on Asset
<b>ROE</b>	Return Equity
<b>ROI</b>	Return on Investment
<b>SACCOs</b>	Savings and Credit Corporative Societies
<b>SNS</b>	Social Network Sites
<b>SPSS</b>	Statistical Packages for Social Sciences

## DEFINITION OF TERMS

**Asset:** An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit.

**Brand:** The term brand refers to a business and marketing concept that helps people identify a particular company, product, or individual.

**Competition:** In economics, competition is a situation in which one company tries to be more successful than another.

**Microfinance Institutions:** a financial institution that provides small loans to people who otherwise wouldn't have access to credit.

**Performance:** the extent to which an investment is profitable, especially concerning other investments.

**Service Innovation:** changing the way you serve your customers to create greater value for them and deliver more revenue for your organization.

**Social Media:** websites and applications that enable users to create and share content or to participate in social networking.

**Technology:** Business technology refers to applications of science, data, engineering, and information for business purposes, such as the achievement of economic and organizational goals.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

In particular, the chapter addresses the background, research problem, goals, hypothesis, implications, beliefs, and purpose of the study in that sequence.

#### **1.2 Background of the study**

Knowledge concerning technology has transformed countless facets of humanity. Hansen et al. (2010) recommend the extraordinary growth and utilization of technology which assists social interaction that has remained one of the chief phenomena of these days. For example, the way we do things play or socialize. This phenomenon has been made easier by the affordability of smartphones and internet accessibility.

Social media is the most trending mode of communication on its own and many people have had to depend on its existence for interaction in a magnitude not imagined before across the globe. Societies have had to accept its transformational nature in creating a new way of life creating a paradigm shift in business models as well. Looking at how social media started as a tool for social interaction has now fallen over to companies embracing its force and adopting its use to spur growth in terms of finances. The outreach of social media has stood up to its calling in several users as well as cost-effectiveness within a very short time. Yet a large chunk of financial service providers is still trying to find ways of making their businesses profitable. It's also prudent to put it that the growth of any business in this way calls for laws and regulations to govern such situations which financial service providers should be privy to (Taylor & Kent, 2010).

Nonetheless, Ali and Khan (2013) admit that banking institutions have been a bit heavier in embracing and using social-media. Those solutions given have not been implemented based on the main bank operations but as a departmental program in a not so well taken care of attitude. What these banks have forgotten is that there are various opportunities this social media gives not only to clients but affect production. Pragmatic business managers are developing new ways of doing business that are affecting the way business is done globally. Occasionally, the traditional industries and corporates with much bureaucracy these days have awakened to the fact that innovation is a must to survive. These innovations must be adopted quickly, incorporated, and implemented.

It's been reported time and again that China and parts of India have developed and enjoyed the benefits that social media provides. This has seen an increase in its usage in this part of the world compared to Africa. Yet it's also observed in equal terms that despite this growth in usage many of the financial service providers haven't adopted its use either. KPMG 2018 report suggested that banking industries in Kenya have failed to capture the social media usage phenomenon which is a tool that can help to check on trending, engage with customers, create lasting relationships, and provide timely services.

According to Sibanda (2018), Indian population is people in the age bracket of the 30s with a social inclination to using social media than the traditional way of socializing. As such the opinions that this is a future customer base and any bank who might want to stay relevant in not so far future will need to engage this crop rather than later. These future customers have so much different needs compared to

10 years back. A quick and cost-effective strategy to capture these needs will surely work for these financial service providers, (Kourdi, 2011).

In business Axson (2013) says that income collection is one way to measure the financial performance of any business vis-vis the accumulated assets. Taylor and Levine (2016) agree by saying that accumulated assets need to be utilized in a way to support the business growth both financially and otherwise. Accordingly, to David (2013), adds many forces, affect the growth of any business and might be from those emanating from within or outside the company. Those coming from the company can as well be controlled by management unlike those who are born external.

On the other hand, an Online Business Dictionary puts it that the known standards, and accuracy, speed, and completeness can be used to show how performance has been achieved and agreement on these measures shows better performance. This is why (Green et al. 2014 ; Dauda, et al., 2010) puts it that there is a requirement in strategic management which should be efficient to predict things or actions that seem not known leading to avoiding risks. Many evident points to the fact that a good strategy always results in better performance of an institution.

David (2013) agrees that strategy involves evaluation of its aspiration and sets aims and strategies to meet all prevailing and possible competitors, reassessment of every strategy regularly intending to determine how it has applied and whether it is thriving or requires an additional fresh strategy to meet altered circumstances, fresh technology, fresh aspirations, or new shared, economic, or fundamental atmosphere to achieve better performance. Toivanen (2016) put it that making and upholding



reliability strategies ought to be a chief objective for companies. In these altering situations, institutions have continually modified their actions and interior arrangement to reproduce the new exterior certainties. Lack of action to do this may put the expected accomplishment of the institutions in danger,

However, Gral (2014) opines that appreciation of performance in an organization is of significance. Performance may be measured using revenue from operations, the income stream from activities of the company, and total product sales. This also enables institutions to evaluate their financial health over a long period for example MFIs can compare industries in their sphere to determine their financial health and level of competition as a result of reports generated in which shareholders can make decisions on their performance (Taylor & Levine 2016).

In addition, David (2015) illustrates that the performance of any firm is tied to the strategies which have been put in place like service innovation. David says that service innovation, for example, social media usage is a process involving technology that is meant to give profits to whoever is using them since the major aims of a business entity is to access its customer, look for ways on how to retaining them, advance business process and operations, create new ways to manage the same services at the end of the day giving the desired impact to clients and the organization.

Kazmi (2011) emphasized that the importance of service innovation is derived from rewarding the increasingly altering consumer requirements which have turn out to be a chief apprehension for most institutions as a result of the relaxation of the marketplace. Institutions consequently are giving the impression of backing

innovative ways to please consumers' needs to keep hold of them and to uphold spirited performance.

Social media as a service innovation strategy of companies and as put by Financial Times Lexicon (2014) is based on internet communication that gives a chance to people to communicate and share information over a connection channel. This sharing of information can be through social media channels like Twitter, or Facebook, or WhatsApp or Instagram, or SMS. The benefits derived from the use of these social media platforms are beyond measures to a business for example brand marketing in a very short time.

Due to this phenomenon, adds Rozzani et al. (2013) Social-media has piqued the interest of credit intermediaries, who are now developing new strategies to capitalize on the immense potential of social-media. However, Gakii (2017) in her study, notes that DTMFIs are no exception and are actively using these channels to better serve their customers as well as recruit new members, make their presence felt, sell their products as well as mine massive amounts of data that effectively are now giving these institutions a better guide for making managerial decisions.

A report by the Reserve Bank of Zimbabwe (2017) shows that Zimbabwe has picked up social media usage as a result of the internet emerging. It also reports that financial service providers have remained steadfast in implementing social media usage despite fluctuating economic activities. Locally, Kenya is undergoing dynamic change processes in the financial sector. The business atmosphere in which Kenyan organizations function became tumultuous in the present century due to untried changes that put forth heavy demands on the institutes, (Agarwal et al., 2015).

New technological innovations have opened up many sources of generating revenue thereby enhancing the financial performance of microfinance institutions and other forms of businesses in the financial sector (Ali & Khan, 2013). The execution of strategy is always the major focal point in the study of strategic management (Kazmi, 2011). The globe is going through a multitude of challenges such as an upsurge of service innovation, product prices, and misuse of accessible resources (Dauda, et al., 2010).

### **1.2.1 Micro Finance Institutions in Kenya**

According to Harris (2013), microfinance is institutions that as offering a range of financial services such as mortgages, payment solutions, and fund transfers, among several others services. These services are majorly accessed by the low-income class that normally has no access to any other formal financial sector services.

Globally there is previously critic that microfinance is victorious in sinking deficiency in money and economical activities among people resulting in people being poor. Regulators of microfinance institutions are trying to make these industries self-sustaining to help poor families. Investors and donors argue that microfinance can as well be self-sustainable if only they can reach the poor household (CGAP, 2010). Surprisingly Gral (2014) encourages banking practices that are good can as well make these banks self-reliant and more so alleviate poverty among its clientele.

The Central Bank of Kenya (C.B.K) regulates microfinance institutions in Kenya, where The Microfinance Act 2008 and Microfinance Regulations issued within providing more specifics regarding the officially recognized, legislative, and

management framework. The Act permits the Deposit Taking Microfinance Institutions official to marshal for savings from customers in general, lending thus endorsing competition, competence, and admission. In Kenya as of August 2017, CBK had licensed fifteen (15) DTMFIs, (CBK, 2018). MFI's role is to fill up a necessary gap deeply rooted in the financial services industry through loans to the citizens.

According to Njagi and Kombo (2014), argues that the advent of microfinance in Kenya can be traced to 1984 with the beginning of (K-Rep) as a Non-Governmental Organization capital program for Small and Medium Enterprises (SMEs), originally fronted by World Associates. In 1989 K-Rep now Sidian Bank changed its facilities to micro-credit progressing which has converted its core business since.

Nevertheless, as a consequence of the proliferation of microfinance, there was a need to develop The Association of Micro Finance Institutions of Kenya (AMFI), which was established in 1999 under the Societies Act to strengthen the Kenyan Microfinance Industry. Currently, it has a membership of 59 organizations with almost 6.5 million people (AMFI, 2013). The mixed market data, on the other hand, approximate the number of microfinance clients was 11 million by 2016 in Kenya. The registered DTMFIs had a stable assets development of over 31% translating to Ksh. 220 billion by December 2016 (David, 2015).

In Meru county, there are several MFI that lend money to the residents. Micro, Small, and Medium Enterprises (MSME) involved in commerce, farming, service, and industries that encourage long-term human development are the target groups. The number of MFIs has increased tremendously in addition to the ones that are

there. The latest in the market is Meru County Microfinance which exclusively serves micro-entrepreneurs through the group-based model in the vast county. The use of social media by these MFI is gaining currency since many customers have mobile phones and can access the internet via computers.

## **1.2 Statement of the Problem**

Financial institutions have long been associated with how they do perform in terms of their finance and financial incomes. Any diligent investor in MFI will first look at its financial performance through its books of accounts assesses investment status, or if regulations have been followed or not.

The information available through researchers on the majority of financial institutions brings out signs that financial sustainability has a positive effect on MFIs' performance. Meaning that developing stable strategies on outreach penetration improves the financial performance of an MFI, (Green et al., 2014). More profoundly therefore researchers believe that indicators of financial performance like return on investments, and liquidity level are among other sound financial incomes measures.

However, recent trends indicate that social indulgence and performance are taking the upper hand. Institutions have come to realize that the social indulgence and wellbeing of their clients go hand in hand with how profits are realized. This is seen through the income, loan, and saving behavior the customers engage in. It's also seen in the way lives of the community that the MFIs are operating in has taken a dynamic shape, for example, the locals are engaged in activities like projects which generate incomes, in turn, this has created jobs and at least reduced poverty levels.

The major problem in this study remains to explore the moderating impacts of service innovation on the connection between social-media usage and performance of chosen microfinance institutions in Meru county. The internet technology revolution, especially smart innovation, has given companies throughout the world a new face and a paradigmatic change. Globally, banks have moved towards the deployment of various social media platforms to offer customer service thereby enhancing their financial performance. Whereas this has been positively undertaken by the banks, evidence shows that it has been a problem to translate it in many of the Microfinance Institutions in Meru County, begging the question why? Why has it worked in Banks and not Microfinance institutions?

Research conducted by Ahmad (2016) at Brunel University in London found a substantial agreement on MFI financial performance and usage of social media. Owino et al. (2016) did another study and their main focus was on Equity Bank and their main objective was seeking to reveal the impact of social media usage in Kenya.

A few studies on social-media use have arisen. Mwambui (2011) researched using social-media for fundraising in Kenya. While Munene and Nyaribo (2013) investigated social-media in the workplace and its impact on employee efficiency, both research suggesting a favorable relationship between social media usage and institutional performance.

The rules of engagement in any research are to fill a gap that hasn't been looked into, information hasn't been available, and thus creating a basis for any given study to be undertaken commonly referred to as a gap. This study saw a gap to be filled

after going through the many scholarly articles, and examples of studies outlined above, that showed there is glaring evidence that not any of them tried to explore the moderating influence of service innovation on the connection between the use of social-media and MFI performance. Due to these reasons, it was important to conduct the study to fill the identified gap.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The study's overarching goal was to look at the moderating impacts of service innovation on the connection between social-media usage and the performance of chosen microfinance institutions in Meru County. The goal of the research was to look into how social media has been used as a service innovation strategy in MFIs.

#### **1.3.2 Specific Objectives**

- 1) To evaluate the relationship between social media usage and the performance of selected MFIs
- 2) To assess the relationship between service innovation and the performance of selected MFIs
- 3) To evaluate the moderating effects of service innovation, the relationship between social media usage and the performance of selected MFIs
- 4) To establish the employees' adoption of service innovation and the performance of selected MFIs

#### **1.4 Hypotheses of the Study**

H0: Social media usage has no relationship with the performance of selected MFIs

H0: Service innovation has no relationship with the performance of selected MFIs

H0: There is no moderating effect of service innovation on the relationship between social media usage and the performance of selected MFIs.

H0: Employees' adoption of service innovation does not affect the performance of selected MFIs.

#### **1.5 Significance of the Study**

The study's relevance was to recognize the usage of social media to drive development in marketing tactics, resulting in MFI's excellent performance. In this situation, it is believed that the research would aid in the development of new marketing techniques utilizing social media in the financial industries, especially MFIs.

Microfinance institutions in Kenya will benefit to a great extent in the way they manage their institutions through the highlights of leaders and strategies needed to perform better financially. The study would provide insight and familiarity with the impact of social media on financial performance among Kenyan microfinance firms. The study's results can help microfinance institution organizations identify multiple social media exercises and communication with customers to develop strategies for deploying these alternative development lines of communication to enhance consumer value, development, consumer acquisitions, and interplay in Customer Relationship Management (CRM).



It would help the regulators of the industry for policy formulation about social media usage. Researchers will realize the benefits of this study as they embark on their studies based on social-media usage and economic realization in the financial sector.

### **1.6 Limitations**

One of the limitations was accessing the target population as a result of their tight schedules thus to overcome this phenomenon, there was the necessitating of substitutes at some point but not all through the study.

There was also a lack of confidence by the respondents and the unwillingness to cooperate because of fear of the unknown but the assurance by the researcher that this was for academic purpose and that the researcher was not coming from a competitor or employed by a competitor was a panacea of some sort.

### **1.7 Assumptions**

The MFIs have changed from manual usage to digital usage/operations. This study assumed that there are policies put in place for use of computers in the targeted MFIs and that the MFIs have internet connectivity.

### **1.8 Scope**

Meru County was designated as the focal point where the study took place. Meru County is geographically located in the Eastern region of Kenya (formerly Eastern province). Meru County is vast in its coverage because it has a total of over 7000km<sup>2</sup> and a population of approximately 1.5 million people. The fact that it's in the Mount Kenya region of Kenya has influenced the way these people live and practice business other economic activities. These economic activities derive the base by the fact that agriculture is the mainstay of most of the population. It's with

this that many microfinance, SACCOs, and banks have set shop in Meru County to capture these vast customers, which has informed the research study in this area.

The study, however, aims to target ten registered MFIs that will specifically include; Faulu Kenya, Bimas, ECLOF, Jamii Bora, KWFT, SMEP, SISDO, Unitas, Century Microfinance Bank Limited, and Meru County Microfinance Corporation. Remu Microfinance Bank Limited which was branded to Key Microfinance Bank Limited was chosen as a pilot study institution and the data gotten was not considered in the final study since its main purpose was to be used as a questionnaire refinery. In the meantime, the respondents in this study included; senior managers, tellers/field officers, and customers making a population of 530 and a sample size of 223 respondents.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This part explores the literature on the mitigating influence of social media usage on financial performance as given by various scholars. The chapter contains a theoretical framework, empirical literature review, and summary of literature review based on performance selected MFIs in Meru County and its determinants which are related to the subject of this study.

#### **2.2 Theoretical Framework**

Several researchers have attempted to explain the reasoning behind social media and its effect on the performance of firms. Three theories were utilized in line with the objectives of the current research.

##### **2.2.1 Uses and gratifications theory**

This theory is predominantly used to describe how individuals or people utilize media to accomplish their desires. Satisfaction of needs is the perfect duty played by the media. Functions of media have been outlined as interpersonal communication, interaction, knowledge, awareness creation, entertainment, and escape. Johnson (2016) advances that the main objective of this theory developed by Elihu Katz and Jay Blumler is to describe the association between listeners or viewers and how they purport to utilize the media. To understand more Elihu Katz and Jay Blumler, used the question, why do individuals or masses choose to use certain media, and what is the satisfaction do they derive from them? They illustrated that people have varied reasons why they use certain media summarized as a result of individual tastes.

In addition, Ahmad (2016) says that the theory is additionally connected to Maslow's Hierarchy of needs as a motivational aspect. Uses and gratification theory emphasizes the unrestricted determination of viewers and is deterministic as television can be cast off in diverse techniques and for diverse resolves. This theory undertakes that there is nothing as complete certainty. The viewers are said to have full mechanism over the consequence of media on them as the consequence can be selected by the viewers themselves. The theory is thoroughly connected to a human mindset of desires, reasons, and inspiration.

However, Perse (2014) opines that the theory is said to fulfill different needs at a different level for an instant; emotional needs talk about expressive contentment and preference persons derive from viewing movies, series, or soap operas. Intellectual needs where persons use media to get facts and accomplish their psychological and knowledgeable desires, however, people watch television frequently to satisfy these wants. Personal consolidative desires are the desires for self-confidence and esteem meaning that people want a guarantee to launch their prestige, integrity, forte, and command.

The uses and gratification philosophy are a unique way of utilizing media to generate actual communications packages if it is applied correctly. It defines the associations shaped amongst the media and its dynamic viewers. The viewers may be inactive or active choose and consumption the media to accomplish their requirements and needs. These persons may use the media for a diversity of causes comprising, learning, escaping, entertainment among others (Sarah, n.d.).

Elihu Katz and Jay Blumler industrialized a few classes as to why individuals utilize the media; companionship, personal development, escape, news among others. Katz emanated up with a somewhat altered list concerning causes for media usage: socialization, intellectual needs, and sentimental needs (Perse, 2014).

Ahmad (2016) puts it that Elihu Katz and Jay Blumer's theory is profoundly reliant on why active viewers trademark certain conclusions grounded on their prospects and requirements. Many types of research had indicated those viewers' satisfaction can be gotten from; social context, exposure, and media contents that one can access.

However, Sarah (n.d.) in her publication, says that an institution needs to utilize the uses and gratification philosophy to emphasize on objective viewers and learn how this viewer is fulfilled by what they uncover themselves to. Public relations duty is to aid fetch composed establishments and persons and this is efficiently showed when media establishments understand unrestricted outlook, which is then curved into satiating content in the appreciations of those consuming the media. She completes that uses and gratifications can be put on to the public relations arena in respect to how public relations specialists can successfully mark any viewers grounded on their requirements.

Grellhesl and Punyanunt-Carter (2012) did research based on this theory. The study focused on the uses and gratification model and examined the seven greatest required satisfactions using SMS text communication and revealed existing tendencies as to which uses and gratifications are greatest and slightest prevalent as

well as important alterations amongst feminine gender and masculine genders and texters when U&G theory is applied. A complete of over 400 university learners who willingly responded in the research discovered that there were gender variances between precise uses and gratifications needs, over text communication.

Alex (2012) conducted research that sought to explore the usage and satisfaction of internet services among Ugandan adolescents. It intended, in particular, to discover M-net services and availability, to control their incidence of usage, and to analyze the motives/gratifications desired by university students utilizing M-net services and resources in Kampala's public middle-level institutions. It was shown that the proportion of students utilized M-net mostly to build and sustain online social relationships, as well as to communicate, but seldom for academic objectives.

Precisely, Otiso (2015) did another study to explore the satisfactions pursued from SMS by Kenyans and in what way this might be influenced for local development in ICT. The adoption and use of the Facebook Network — the most popular social platform both locally and worldwide – received special attention. It was discovered that 76.1 percent of individuals polled had an active Profile page, while nearly half of the quasi was either sore losers or had previously created an Online profile. (Kauffman & Riggins, 2010; Lindley et al., 2019.)

Aside from that, Ngaira (2014) conducted research in which the major conclusion was that management was not interested in developing a standardized protocol of indicators for analyzing the function of strategic communication in business effectiveness, which social media may utilize (Kauffman & Riggins, 2010).

However, Sundar and Limperos (2013) argue that the essence of every individual to mingle with persons like household and families is a societal communicating want. Folks use media to mingle and network over social interacting places like Twitter, my space, and Facebook, and many more. The latest in thing is WhatsApp groups and Instagram. People who have mobile phones have created groups that they use to communicate or disseminate information much easier. This has also made financial institutions' life MFIs create more groups for customers so that information can reach individuals on a timely basis. People also use media to upsurge their collective exchanges by receiving subjects to a conversation with the neighboring and beloved ones. Media also aids by offering persons with themes and philosophies to dialogue/deliberate with their contacts and nearby ones, snowballing their communal contact capabilities.

According to Ahmad (2016), a quick examination of usage and satisfaction research reveals that the major audience gratification criteria reported by different scholars appear to center around fairly similar themes. Katz et al. (1973) provided a good reference of the current findings of relevant scholarly work in their study on the art of fulfillment, which was targeted at research towards laying the framework for U&G.

He referred to Schramm's dualistic fantasist-escapist or information-based motivational elements. Lasswell's four roles of "supervising, affiliation, entertainment, and conventional transmission" for mankind as a whole, as well as entities and subcategories within the community, were also highlighted. McQuail,

Blumler, and Brown's four-category categorization are also stated as a distraction, intimate connection, individuality, and monitoring. The basic concept of the sense of connectedness or detachment is similarly emphasized in Katz, Gurevitch, and Haas' work.

Today, UG&T has more significance than eternally as an instrument for accepting how we as persons attach with the knowledge everywhere, these know-hows extent everything from the mobile phones and internet to video gaming too. UG&T research into cellphones practice has initiated that persons pursue a total of satisfactions from their telephones, as well as fondness/friendliness, showbiz, and flexibility, just to mention affection. With this in mind, this theory is important to this study since, in addition to satisfying some of the requirements of people, social media also plays a role in communicating with people about their fellow human, the media, and their surroundings. People need to know how their financial performance is doing, how their accounts are, how or who has deposited money in their accounts, who has been doing business with them, and so forth. Social media if used well can be able to fulfill these needs and many more.

### **2.2.2 Innovation dissemination Model**

Dissemination has been distinctively identified as the progression through which an invention is transferred over assured networks over the period between the associates of a communal system (Rogers, 2014). He argues that the distribution of a network entails four rudiments necessary in dispersion advancement which are time, social system, innovation itself, and communication channels. The aim of transmission is innovativeness, which might be a concept, such as technical or



technique. In this regard, the four qualities of innovations are adaptability, tangibility, testability, and comparative benefit (Rogers, 2014).

Studies by Rogers (2003); Dillon and Morris (1996) point out the following factors to influence dissemination; compatibility (the level to which the users are consistent with social norms and practices), relative advantage (the improvements advanced by the technology in the available processes), trial ability (the possibility to subject innovation to trial before its adoption), observability (the level to which the output the technology and benefits are clear to see) and complexity (the ease of learning and using technology). These elements cannot, however, be used to predict both the extent and velocity of improvement transmission since they are not jointly restricted.

The study by Tornatsky and Klein (1982); Roger (1983); Wetherbe and Brancheau, (1990) were further explored by Moore and Benbasat (1991) who expanded the modernization distinctiveness array to 9 out of the 9-modernization distinctiveness, three were openly selected on or after the Rogers theory: compatibility, trial ability and comparative benefit. Ease of use was the fourth characteristic, was relatively close to the complexity of Rodgers.

However, it was critical to note that both ease of use and relative advantage is subjective attributes because they can be capable of being perceived separately depending on the perceptions of a personality. Ajzen and Fishrbein (1980) agree that attitudes towards a particular behavior and object differ significantly. Three further characteristics were brought to the book by (Moore & Benbasat, 1991). They

acknowledge image as an independent predictor of adoption which was a deviation from studies by (Rodgers, 1983). The image perception holds that the adoption of a particular innovation enhances the social status of a firm.

Some theoretical gaps emerged after the analysis of the (Rogers, 2003) dissemination of modernization theory through the eyes of the Dubbin structure, meaning that some crack in the hypothesis appears (Lundblad & Jennifer, 2003). Institutions are by themselves portrayed as a social arrangement although teams or subdivisions exist within organizations that also act as social systems.

The unique elements and issues of teams or departments and their influence on innovation are however not addressed within the organizational context at large. Lundblad and Jennifer (2003) argued that in scenarios where innovation dissemination occurs across organizations, such as between hospitals, schools, and clinics within the health sector, boundaries are not well addressed. For organizational dissemination of innovation of theory, the theory defines the type of decision-making process set for the adoption and implementation of the identified innovations as not obligatory, cooperative, ability, and dependent innovation verdict.

Critics of this theory say that Rogers' theory does not however state if the nature of the operating mode of the organization is required for the application of the theory to apply and the types of organizations in which the theory is applicable (Lundblad & Jennifer, 2003).

Research in the use of innovation dissemination has been extensive, for instance Hadullo, et al. (2018) conducted a study that explored the factors that influence the receipt and acceptance of asynchronous e-learning systems at Kenyan institutions, and they offer a conceptual model based on Rogers' diffusion of innovation theory. The findings revealed that e-learning knowledge and advantages were the most significant factors influencing adoption for all participants.

A study was done by Abdi (2016) that set to research on the adoption of e-government among the medium business enterprises in Nairobi County. The study aimed to seek out the acceptance level of medium business ventures. The findings revealed low adoption of the Nairobi County portal by the medium businesses in Nairobi.

However, this theory is much used in this research since it bases its argument on innovation. Service innovation is part a parcel of industries that need to be ahead of the pack always. And as stated above on the factors that help to influence dissemination innovation, social media has been tested and proven to be observable, relative advantageous, compatible with the financial operations of many MFI through complex yet easy to use since even the novice users can communicate or read any message sent to them by this financial institution. Safaricom on its M-Pesa platform sends monthly statements through e-mails that one can be able to see how his account has been operating. Many of the MFIs send weekly SMS reminders of when to pay loans or when to check their balances. This has made things much

easier and as stated the relevancy of this theory to the study cannot further be from the truth.

### **2.2.3 Stakeholders Theory**

This model was originally brought forth by Ian Mitroff in 1983. This theory bases its argument on business ethics and organizational management. It depicts itself on principles and ideals in the management of the business.

In describing the Stakeholders Theory, Clarkson (1994) posits that an organization is an arrangement of shareholders working within the bigger arrangement of the location and its environment that it exists in that gives the required market structures, and legal framework for the company to operate in. In any business, there are establish reasons why it operates and at the end of the day creating benefits to the shareholders in terms of wealth hence turning this wealth into services or better still goods.

In support of this perception Blair (1995) puts it that the model supports the view that to operate efficiently, administrators of business need to take into accounts the interest of shareholders. Calculated decisions should be measurable and time consistent, this includes the decision to start new ideas of innovation or acquisition of other business that might lead to negative development or positive performance.

It's believed by many scholars that Stakeholder Theory is grounded in areas like organizational behavior, sociology, and regulations geared towards special needs in individuals rather than the shareholders who are believed to have major stakes in a business. In a more profound understanding is that stakeholder theory has its roots in socio-political view vis-a-vis strategy based on integration on available market and allocation of resources as a business enabler (Kourdi, 2011).

However, another school of thought by Kourdi (2011) points to two different types of shareholders this is because of Stakeholder Theory and they are; stakeholder identification which gets its basis on managers' understanding of who the stakeholders are and stakeholder salience which describes how the managers handle the stakeholder under a given environment. Leisyte (2014) argues that candidly by cautioning managers on the failure of them not focusing on other stakeholders like employees and customers or clients. This failure is a result of thinking the investors are more important than any other individuals in the business, this he says might result in deteriorations of the business.

Oscar (2014 n.p) did research that pursued to conclude shareholder participation in the comprehension of premeditated ideas at Tallow oil in Turkana, Kenya. It was guided by two main objectives specifically: to create shareholder participation in the premeditated progression of Tallow Oil limited and to create investor participation in the understanding of calculated goals at Tallow Oil Limited. The research additional exposed that accomplishment is effortlessly

accomplished when institution nurtures enhanced shareholder participation practices which lead to enlarged productivities, superior collaboration, and management with the indigenous community which pointedly run to fruitful technical operation development and thus accomplishment of the administrative objectives.

On the other hand, Rai (2012) did another study that concentrated on the management of stakeholders and he concluded that courtesy to shareholders has developed significantly during the premeditated administration development in all establishments. Accomplishment and undoubtedly endurance for administrations depends on nourishing important shareholders and what they want to be achieved for the organization to perform.

Specifically, Neaves (2015) adds that from an investigative viewpoint, a stakeholder practice can support administrators by endorsing examination of how the firm joins into its larger situation, how its ordinary functioning actions distress shareholders inside the firm and directly outside the firm. Scholars such as Freeman, for example, recommend that each firm fill out a standard stakeholder database with various stakeholder groups. Overall groups such as financiers, owners, activists, state, customers, unions, employees among others need to be known and readily given records of shareholders, who they are, and what they do in the company (Kourdi, 2011).

However, any sensible manager would not create foremost choices for the firm

without considering the impression on each of these precise shareholders. As the society vicissitudes over time, and as the matters for pronouncement alteration, the exact investor map varied. Since the requirements of society alteration over time, the comparative standing of shareholders will also vary as the society changes, finished the phases of transition, growth, maturity, or even startup.

Nevertheless, Elbanna (2010) advocates that undoubtedly, in all circumstances, shareholder administration is a means to an end that may have zero to do with the well-being of shareholders. A contributory method is fundamentally theoretical meaning that it is grounded on fundamental rubrics for example to attain x or y, then embrace x or don't adopt practices y. In a self-justifying condition, shareholder worries might be accomplished to circumvent shareholder exploits that may weaken the business's intentions. In a hands-on condition, shareholder apprehensions could be accomplished by edifice conviction with shareholders.

An addition, Daboub and Calton (2016) agree that such rubrics in dissimilar arrangements and complications can be castoff to characterize the company information on how to achieve shareholder associations. Important shareholder management is a part of the business stratagem but formulates and not a motivational approach. Alternatives of the tactical investor management method are the straight properties ideal and the abstinence ideal. In straight properties ideal, the manager's approaches and activities towards investors are said to have a straight effect on the company's financial performance and self-governing of the plan. In the abstinence ideal, decision-making aligns towards investors who do

influence plans by controlling the association between plan and budget.

However, Chew and Gillan (2016) in their hardcover of guidance aristocratic “corporate governance at the crossroads”, contend that Stakeholder Theory does not offer solo business aim, but directs managers to attend to the ‘Big Man’, that is the shareholders. They went additionally to argument out that deprived of the simplicity of assignment delivered by a solo appreciated objective; corporations implementing stakeholder theory will experience administrative misunderstanding, struggle, disorganization, and possibly even reasonable disappointment. They settled that numerous aims are no aims at all. According to Mansell (2013), by taking into account the dogmatic line of thought of a social agreement to the establishment; shareholder philosophy weakens the philosophies on which a flea market bargain is grounded.

However, looking at the predominant surroundings beneath revision, this model divulges a lot that applies to this current research. Shareholders perform a chief part in the accomplishment of any association. Their requirements and preferences must always be taken into consideration due to changing needs. These days, customers don’t want to line up and pick their cheques. They would rather this is done in the comfort of their homes through innovations that will be quick and efficient.

The shareholder’s realization through leadership and in this case “shareholders” need to realize that their investment in strategies that will make their business



perform better is of great importance. The other shareholders who can be described as the customers, employees, and suppliers must understand that a company's gravitating to innovation is aimed at improving its operation while keeping on with the business activities. The social media innovation has put this into focus hence the need for managers and stakeholders to adapt to this change and satisfy their customers for the growth of MFIs.

## **2.3 Empirical Literature Review**

### **2.3.1 Social-Media Usage and Performance**

Empirically, Taylor & Kent, (2010) defines social media as an application based on the internet which allows the content generated by users to be exchanged. The virtual method where people interact and communicate has rapidly increased in the last few years. Through social media, people set business communication, swap, and distribute in a short time possible that reaches a wide variety of people (Ahmad, 2016).

However, Meikle (2016) stated that social media has made organizations be able to get closer to their clients in a record time and having spent very little money. In turn, they can achieve efficiency through increasing revenue and reducing costs of operations. Misati and Kamau (2017) add that social media is an influential platform designed for communicating brand attitude as well as brand values are given that the many platforms facilitate open forms of communication.

Social media is the new excitement in the promotion that has business enterprises and institutions rushing to generate news broadcasts, create networks that influence customers and supporters thus shaping societies in cyberspace. Social media can be

used for internal communication as well as a technique of appealing to both current and possible new clientele (Taylor & Kent, 2010). As a result, it has presented itself as the true occupational revolution, resulting in the introduction of various social media apps such as FB, Twitter, IG, WhatsApp, Zoom, Meet, and LinkedIn. Businesses that tapped into the early connection of social media have been earning unprecedented profits. With superior improvements projected to be in the system, the profits are going to be skyrocketing as they capture more customers that are using it (Kaplan, & Norton, 2015).

As of October 2016, internet subscriptions in Kenya had grown by 8.2% from the last quarter. Based on Communications Authority of Kenya sector statistics, this signifies that the number of Kenyans getting online is increasing. Nevertheless, Eckerling (2014) stipulating how social media is measured using tools like Return on Investment (ROI) explains the same using the following steps: social media goal-setting, right platforms determination, campaigns tracking, reporting findings, and reviewing results. Through ROI, the numbers of customers gained can be estimated. For instance, Facebook views number on advertisement reflects awareness increase; the interest in a product might be represented by the number of clicks, (Misati & Kamau, 2017).

Companies may also refer to social media as consumer media, according to Eckerling (2014). The greatest significant features that social media has been; directness barriers are unimportant; the gratified is accessible and the discourse is significant; you offer evidence but as well receive the response and other facts. The

second one is community – common benefits, relaxations, desires are generating crowds everywhere. Thirdly, social media has involvement – everyone is uninterruptedly convoluted in this influence development; to share the update, to give an opinion, to give consultation on matters politics, professional consultation, among others. The fourth feature is connectedness – enduring linking, relations between persons, assets, lifespan elegances among others.

According to Daowd (2016), the chief advantage of getting social media to any firm's operation as a strategy in marketing is to make a stage that draws the consideration of customers and forecasts of merchandises, amenities, and competencies or stimulate them to segment their opinions on a theme or subject of mutual attention. Firms are using social media as a cultural change mechanism, human resource application, problems solving tool, marketing, and innovation among other users to better their operations.

Nevertheless, Daowd's research tried to investigate and find clarification on the effect of social media on DTMFIs' performance in developing countries such as India, Jordan, and Kenya. In his study, a quantitative approach was adopted in collecting data from employees of DTMFIs. The findings revealed that social media has a substantial impact on the performance of DTMFIs. The study advocated for the use of social media in marketing, branding, and engagement as strategies for enhancing DTMFI performance.

Tamrakar (2016) investigated the link between social media and financial success in his study. The sample size was 180 single-mode companies from more than 10

sectors. According to the report, the social media response has been fully priced in dividend yields. According to Gakii (2017), in her discussion, she notes that DTMFIs are no exception and are actively using these channels to better serve their customers as well as recruit new members, especially the tech-savvy millennials and analog generation.

Additionally, Gakii further argues that commercial banks, SACCOs, insurance companies, and other financial services firms are using social media to make their presence felt, effectively sell their products as well as mine massive amounts of data that is now giving these institutions a better guide for making strategic decisions.

Businesses and organizations are quickly shifting business environments which demands them to be strategically intelligent. The growing dynamism of the financial environment is credited to globalization occurrence, a mounting achievement on the product market, and disparity in stakeholder and client requests. Businesses especially MFIs have to adapt to these variations by changing their strategies of dealing with the market situation. This can be achieved through logical inventions such as increased social media presence, speedy delivery of products to the market, quality improvement, and reducing operational costs.

In this regard, Owino et al. (2016) utilized a descriptive merge survey to investigate the impact of social media on brand equity in Kenya's banking business. According to the findings of the study, there is a favorable link between image and customer interactions in the banking business. The study advocated for the use of social media to foster mutually advantageous connections with clients.

On the other hand, Mutero (2014) indulged in research. The study found that social media interaction has been embraced by commercial banks and the most dominant platform was Facebook having the highest number of users and interaction between firms and customers. The study recommended some measures to be put in place by commercial banks to encourage wide participation of the customers from which Micro Finance Institutions can borrow a leaf from.

Schivinski and Dabrowski (2013), tried to determine customers' perceptions of companies as a consequence of social media communication in their study. In this study, 504 Facebook members were utilized as the sample, and variations were measured using a cross-analysis of structural formula. The study found out that user-generated social media content, brand equity, and attitude have a positive relationship.

In addition, Odhiambo (2012) did research to find if social media was further successful than the customary media on product management. His research employed a case study as the scientific research methodology. Through assessment among customary publicity channels and social media, the latter was discovered to be more effective. The study also found that one cannot implement social media alone without incorporating the other forms of traditional advertising channels.

A recent McKinsey research work evaluated firms on how they employ technologies like social media that comprise social networking and social-media competencies. The review presented that professional use of these platforms has enlarged progressively since 2007. Similarly, commercial use of microblogging tools for example Facebook has increased tremendously (Bughin et al., 2015). Elsewhere,

statistics on acceptance, the McKinsey review also discovered how businesses are using this knowledge. The review established that, although the uses of shared networking tools diverge extensively, they are typically practical in outwardly fixated developments such as congregation market intellect and associate advertising energies. Interior use of these know-hows seems to be less mutual between those corporations surveyed.

According to Bughin et al. (2015), social media apps such as wikis, social media, social tagging, and microblogs may now facilitate communication in arrangements that differ from those associated with traditional computer-mediated data transmissions such as videoconferencing, e-mail, instant messaging, and corporate networks.

Conferring to a review by worldwide checking firm McKinsey, 85% of businesses subscribed to the use of Web 2.0 tools in their administration. Social schmoozing places inspire industries to change their old-style advertising plans and emphasizes speaking predictions and customers, to emerge and extend the association between the corporation and client. When forecasts grow to distinguish, like, convince or complete cooperating with their agents on communal schmoozing places, they are likely to do business with that corporation, according to (Durak, 2018).

Burson-Marsteller (2010)'s research backed up the findings of Fortune's Global 100 companies. That is, 75% have Twitter accounts, 56% have Facebook fan pages, 45% have YouTube video channels, and 35% have blogs. Enterprises that use social media as part of their strategy generate greater revenue. Efforts that use social media in several actual aspects of the company, on the other hand, are reaping regular real

rewards such as accumulation merchandise contentment, deals, search engine optimization (SEO), online transportation, client satisfaction, and money.

Durak (2018) wrote that to assess client opinions best practices by managers need to get rapid feedback and insight from them to use this data to improve customer service provision, perception, and make products tailored to their needs. Many businesses, luckily, have realized that social media is an implement to screen client deeds, markets, vis-a-vis competition from new entrants or existing enterprises. This has given them an upper hand on occurrences in the business including changes needed, adjustments to plans, services, and products. Sites like Flaxo and LinkedIn, have provided capabilities to communicate or search for new workers or employees. This has given social media an impetus because it's easy to use and its capability to reach a wider audience in record time, engage shareholders, employees, and customers making it a force to reckon with.

However, this has been made possible by the fact that people can get or own cheap mobile phones and laptops. This has made businesses communicate with their customers through social media or online sites faster. These sites can push news around friends and the community rather than waiting for the evening news. Kenya has adopted the use of social media even though the risk involved for business cannot be downplayed. Yet, whether we talk of the opportunities therein, says Munene and Nyaribo (2013) the conversation goes on regarding social-media regardless of the opportunities and risks. It has been revealed that Kenya has the most active online users in Africa and by the year 2013, there were over 80,000 Twitter accounts and approximately two million Facebook users. This has benefited the social-media space since much of the population own internet-enabled

cellphones and use the internet most frequently.

According to Munene and Nyaribo (2013), Kenya has almost 65 percent mobile telephone penetration. This has been made possible by easily accessible smartphones that are cheap yet can be used on social media other than calling and sending short messages. The other reason is the fact that the prices for data usage have dropped gradually by providers such as Safaricom, Airtel, and Telekom. It is therefore prudent to point out that many of these Kenyans already get their news and information through social media long before the traditional media does. For this reason, many businesses need to capture these users of social media to advance their services in a manner acceptable and adopted easily.

In Meru County, the use of social media by these MFI is gaining currency since many customers have mobile phones and can access computers. Most of the MFIs are using bulk SMS or Facebook chats on WhatsApp groups to communicate with their customers on topical issues like new services and products among many other issues (Mecha, et al., 2015). Misati and Kamau (2017) point out that many users of social media acknowledge that its use has made work easier. For example, loans are easily disbursed through the M-Pesa platform. In Meru County, these MFIs are also using social media to lend money on a short-term basis. The customer does not need to go to the MFI offices as is evident in Faulu Kenya and Bimas Microfinance.

### **2.3.2 Service Innovation and Performance**

Conway (2013) terms service innovation as a provision of service that is grounded on some technique that is accepted to increase profit to its designer. These



innovations customarily influence the buyers' discernment of the business and the service grounded on the satisfaction stemming from its use. Battisti et al. (2013) acknowledge that service innovation like social media takes domicile in dissimilar procedures using dissimilar influences such as knowledge, staff training, research, and information technology infrastructure among others.

Many scholars insist that concentration on the subject of service innovation has an unswerving impression on the logic of accepting the act of innovations and in what way they underwrite to improved business performance (Battisti, et al., 2013).

Aside from the improper strategic plan backed by the issue of service innovation, there is presently growing interested in research that seeks to identify the relationship between savings in innovation and their performance. Such interest intersects with the fact that the financial directive in which institutions operate entails an essential remodel of competition, which affects mutual discovery, the subterfuge of new estimates, the capacity to produce pioneering schemes, and the potential to organize and achieve widespread capital resources according to Hagen et al. (2014), which are among the issues that all disturb the actions.

Moreover, the concept of performing is relative to the service innovation theory can be deliberated from numerous standpoints. However, this is in addition to small features that various researchers have wanted to understand service innovation in connection to the performance as applied in businesses.

Understandably so, however, numerous motives may enlighten the improved concentration in research looking to discourse the boundaries between service novelty visa-vise enactment. Financial development in the amenity sector and its

standing in shared growth have permitted service innovation to be understood as a new aspect for the development of far-sightedness (Barcett, 2015; Gallouej, 2017). It, therefore, suits to say that in this wisdom, the accomplishment of innovation empowers improved managerial performance that is imitated in growth as well as output (Cainelli et al., 2016).

Additionally, globalization of financial prudence has endorsed a new authenticity, permitting the formation of businesses that were previously inconceivable. In quick observation of this is that institutions track innovation that improves performance and are directed at the contest which distinguishes themselves in their predisposition (Baregheh et al., 2014).

Parida et al. (2015) argue that scholarly work and research in the area of strategic management indicates that strategic management practice is all about outlining how the method will be accomplished. There is an assumption of having three essentials into it; First, a strategic select phase which involves the formulation of a conceivable course of action. The second stage is the assessment of the likelihoods within. The third phase is the strategic implementation phase. Fagerberg (2015) points out that the world is going through a multitude of challenges such as an upsurge in product prices, service innovation, and misuse of accessible resources. Consequently, the management must invent new methods of dealing with the dominant situation to subsequently meeting the market requirements hence benefiting from the strategies put in place.

However, changes in the process of product innovations and customer demands at hand have originated increasing heaviness on managers and employees to affectedly advance output and monetary performance. Competition has shaped a reckless

business where firms needed adjustments to survive. Economic innovation in the credit business has remained encouraged by the powers labeled by Palmer (2015) as predominantly concerning new supply network structures, such as mobile banking and social media interactions.

The industry has brought additional taxes for customers to get their accounts, which has led to additional significant costs to each institution. A requirement to combat these expenditures motivated by a principal cost savings era has seen numerous banks positively become copious of the control at the workplace. These control funds originated mainly as a result of workplace computerization commonly referred to as scientific modernization.

### **2.3.3 Employee Adoption of Service Innovation and Performance**

The choice to use and apply technology by an organization or individual can, as defined by (Hayes et al., 2016), be referred to as the adoption of service innovation as the point at which innovation is cognitively embraced by a person or individuals.

Andujar and Çakmak (2020) suggest that the integration of technological features and usefulness into organizational processes by workers' acceptance of service innovation. They note that the dedication to investment in and the use of technology to support key business operations may be defined in an organizational setting. Branch et al. (2017) state that technological advancement investigates the actions of private people or company leaders to accept or not accept the technology to be integrated into the firm as a whole. This process starts with the understanding of a certain sort of technology or equipment and proceeds through phases that culminate

in its usage or rejection.

Studies have shown that the use of innovation by a person depends not only on attitudes but also on organizational policies, methods, and actions (Peansupap & Walker, 2015; Lewicka, 2016). Organizations must establish circumstances to facilitate the quantity and type of assistance given to those who would influence the application of innovation. The accessibility of training and supply of support should include the circumstances for facilitating.

Trainings Al-Gahtani and King (2015), management support Igbaria, et al. (2016), and incentives include organizational variables (Bhattacharjee, 2017). Employees might be motivated by organizational influence to innovate. Individual variables are one of the most significant elements to accept innovation, according to (Lewis et al., 2016) it refers to the cognitive understanding of the innovation by individuals.

Numerous research revealed that the introduction of innovation has a more significant impact on individual characteristics such as perceived value, personalized innovation, experience, image, or innovation delight (Lewis, et al., 2015). Employees are pushed by their social environment when adopting innovation.

An essential influence in adopting innovations is probably played by innovation utilized by others in the social environment for employees. Peer conditioning is the extent to which socioeconomic group members affect the conduct of each other in adoption (Talukder & Quazi, 2018). Ajzenz and Fishbeinss (2018) describe such pressure as regulating the suitability of technology uptake.

From this viewpoint, employees might take on an invention, not for its value but because of the societal pressures experienced. Such influence may be seen by those whose ideas and opinions are significant, especially members of social networks (Igbaria et al., 2016). There were contradictory perspectives as to whether males are using technology more than women. Quazi and Talukder (2018) have shown that variables have a major effect on the adoption by consumers of technological advancement.

Descriptive characteristics such as age, gender, employment, academic departments, academic qualifications, tenure, or working time are all important. They claim that the more competent one is, the sooner he or she adapts to changes. The younger the easier it is to embrace, but the older the person, the harder it gets to adjust to the advances.

Whereas considerable credible research has been developed for this adoption method for certain adapters, the organization focuses on Technology Adoption and found mixed outcomes. Complex policy systems consisting of several functional specializations and organizational bureaucracies, such as various clinical and administrative personnel that frequently compete to influence and resource the implementation of project goals include organizations such as hospitals.

As a result, choices on the innovative take are tending to be utilized for partisan reasons, typically announced, criticized, and destroyed by some and apathetically disregarded by most others concerned with other corporate objectives (Igbaria et al., 2016).

The adoption of employees is highly essential but is not often taken into account in the majority of organizational performance studies. The success of innovation inside an organization is a significant element for the company's portfolio, existence, development, and growth (Snell, 2016). A manager may use the system to assist people to improve and accomplish their performance targets by adopting the system positively (Gallup, 2018). So what workers typically perceive, is what they believe and do. Employees in a company are essential to their accomplishments since the driving force behind or otherwise of any organization depends on their achievements (Mullins, 2016).

The primary innovation comprises changes in the key intended behavior of the Company to ensure the progress of the changing state, Ansoff and McDonnell (2017) say strategic innovation is a range of decisions and activities that have an impact on the development and implementation of a strategy to implement the goals of a company. The organization's better strategy argues that the strategy of a successful firm must be well linked with the external circumstances.

The change in the business environment affects the performance of the firm. Adjustments to fit the company might be seen as a tactical reaction in the face of chaotic and complicated circumstances. Successful progress in innovation demands that the internal and external surroundings are constantly scanned in every single natural variable which underlines the company's current and future operations (Thompson & Strickland, 2017).

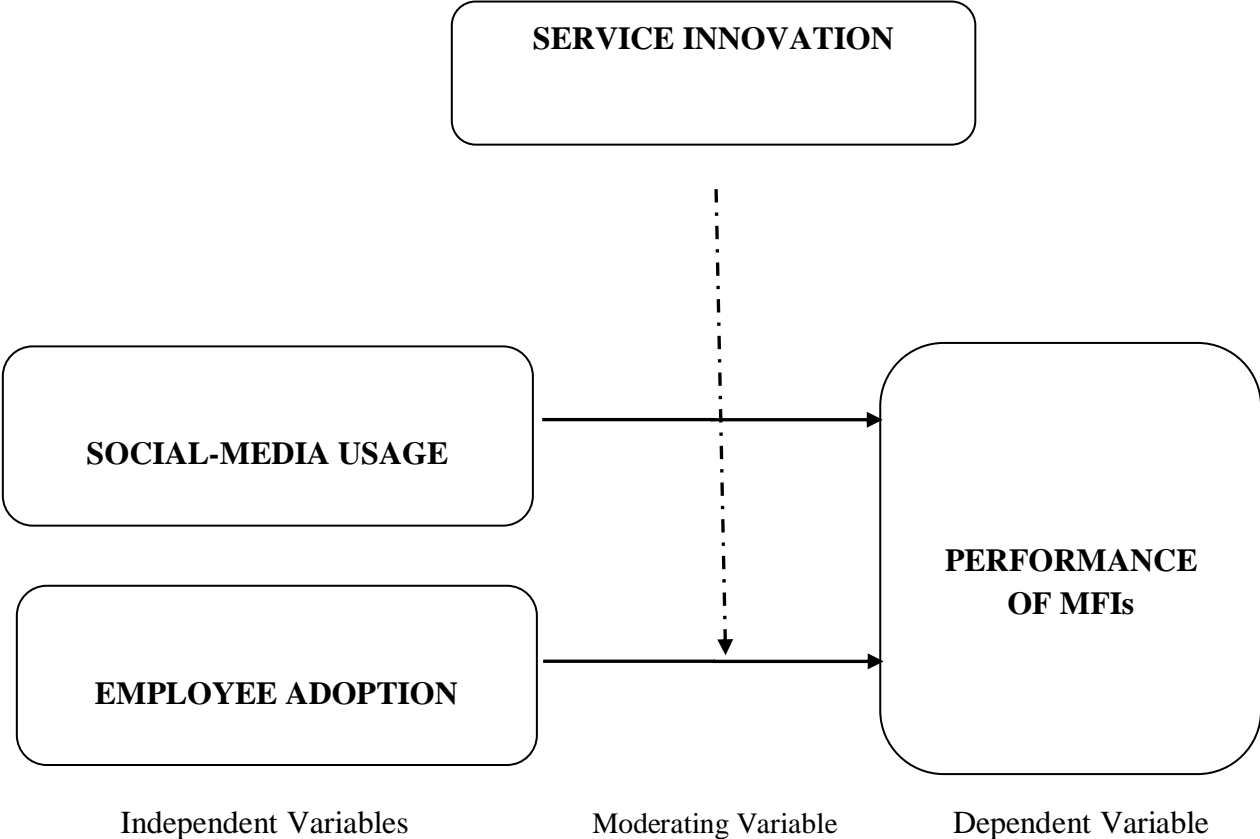
Brandwatch (2015)'s statistics on the use of social media emphasize the huge worldwide acceptance and reach of social media. The global population was 7.3 billion as of July 2015. Internet users were 3,17 billion; social media users were active 2 trillion; 91percent of the total of leading retail brands utilize two or more social media platforms. The average Internet user numbers are 5,54. In addition, as of the preceding year, social media users have increased by 176 million. Every day, twelve million new active Social Media cell phone users were added.

When an organization aligns its surroundings, internal potential, and plan, the existence and achievement continue. The first stage in the reaction of the company's risks, technical developments, political, economic, social, and cultural difficulties is to do an environmental scan (Pearce and Robinson, 2016). For this reason, the strategy of a firm must underline a change in the aggressive condition of its products and services in the enterprise by placing its competitors at the forefront.

**2.4 Conceptual Framework**

**Figure 2.1**

*Conceptual Framework*





## **2.5 Conceptualization of the study variables**

### **2.5.1 Concept of Performance**

Krause (2005) considers the idea of performance to be either the degree to which the objectives can be achieved or the capacity to deliver the key features of the organization for the stakeholders concerned. Therefore, performance is mostly seen in a multidimensional set of standards. Wettstein (2002) argued that the level of satisfaction of stakeholders may be viewed as a performance.

EFQM (2003) describes the level of achievement that a person, team, business, or process has attained. Grüning (2002) on the other hand states that achievement is a company's capacity to achieve objectives. In other words, it fulfills expectations and is thus affected not just by results but also by the associated targets.

According to Alazzard and Separri (2018), performance hints at intentional disclosure of interdependencies among internal and external structures, operations, and management. They add that it is examined in time or conventional bias by the assessment standards.

The concept of performance has evolved. Iulia (2017) makes a comprehensive demonstration about the concept of performance, during its progression, out of which several authors have taken a look. Georgopoulos and Tannenbaum (2016) discuss performance as the corresponding outcome of managerial productivity which characterizes an organization as a communal arrangement revolving around assets and incomes in accomplishing its objective. The benchmarks used for measuring performance include inter-organizational tensions, tractability, and production.

In addition, Yachtsman and Seashore (2015) describe the performance as the business's ability to undertake the setting to attain rare and indispensable possessions to its purpose. Price (2017) argues that performance is identical to administrative helpfulness and its practices. The subsequent principles of assessing performance include; efficiency, conventionality, and institutionalization.

However, Labrousse (2016) portrays firm performance as being a sequence of characteristics precise to it; a corporation skilled at surviving with external rivalry, a well-run firm which accomplishes to enumerate its creative exertion at minimal expenses, a firm talented in manipulating a position and creating a significant increase in profits. Yachtman and Seashore (2015) recognize measures of assessing performance as compliance, output, and flexibility. Labrousse (2016) uses the subsequent standards in evaluating performance as output, productivity, fulfillment, elasticity, progress, and endurance. Thus, terming performance as the ultimate consequence of appraising the achievements.

However, Yachtsman and Seashore (2015) are key researchers who succeeded in describing the theory of financial performance based on the following criteria; revenue boundary, portion lucrativeness, wealth output, degree of functioning wealth, and degree of actions. These standards merely characterize pointers for gauging cost-effectiveness and fiscal outlook, representing the innovativeness in performance. Georgopoulos and Tannenbaum (2016) argue that performance is an idiosyncratic and comparative concept, stating six-pointers that culminate in a firm's performance: development of the supplementary importance, yield on betrothed

assets, development of secure resources, vicissitudes in the employees, casing the functioning requirements from the operational wealth and chosen accountability associated with personal funding capability.

Georgopoulos and Tannenbaum (2016) do not delineate performance but view it in terms of five ranking pointers; development, viability, output, accountability, and creditworthiness. In addition, Bourguignon (1995) describes the performance as being strong-minded by realizing the administrative aims. Burlaud and Langlois (2015) deliberate that performance is not wicked or respectable in itself. It is the identical performance that can be assessed as decent if the neutral is diffident.

Lorino (2015) argues that performance calculation contains a financial indicator demonstrating the consequence of the firm and a financial pointer connected to the engaged resources. He contemplates that performance for a business shows the whole lot that underwrites the development of the price cost connected and not individually what contributes to the cost diminution or the cost upsurges. That is, the confidence that the firm's performance hinges its capability to the method control for its consumers.

Nevertheless, Marmuse (2014) terms performance as that which documents detachment from the competition on an extended lease by being stimulated in relating to all sectors of the organization. Arguably, Lorino (2015) prescribes that performance is the perception of superiority, which is grounded on four features the association proficiency, communal distinctiveness, attaining the purposes, and the

standing of the administration. Constant performance is the eventual aim that is envisioned to be attained by a business or an institution worth surviving in present conditions. A concurrent, aim is to attain international performance that is strong-minded and habituated by a combination of interior and exterior limitations, procedural and anthropological standards, and measurable ones.

In the realm of resource management, however, performance management is a notion. It is a continual increase in the classification, calculation, and performance of personnel and promotes the association's intentional objectives (Aguinis, 2019). Performance management is sometimes incorrectly demonstrated as an assessment, while the latter is an autonomous part of the latter. At contemporary, performance shows an ultimate duty in the existence of the articles initiated in an everlasting adaptation to the market of those stresses by applying fresh and efficacious management approaches. These plans must mix with the fundamental frugality, signifying modest, passionate settings and underneath these environments. In addition, the feasibility of financial intermediaries cannot be attained or deprived of talking about performance. Performance measurement is an indispensable aspect of performance management in which it entails measuring individuals' change complexity, genuinely bent on reduced statistical concepts that can be effortlessly interconnected and replaced (Marmuse, 2014).

According to Marmuse (2014), the benchmark of product management is the explanation of authenticity via measurement. Aguinis (2019) believes that performance measurement is at the heart of the quality management technique and

its effective operation.

Some researchers argue that to measure the performance of a business one should look at productivity. This is why Nicoleta (2018) added that productivity is a method of monetary competence which highlights the monetary significance of an initiative. It reviews the excellence of the lead events at each phase and all heights. It creates the output of influence of production and consumption of all industrialized actions. Exploiting effectiveness is the purpose of any capital which is the aim of the total action captivation that is housed in a market bargain. Productivity offers assets for both the evolving individual financial actions and for separate growth but with limited consumption.

Micro Finance Institutions play a major role in any given economy. They are, however, faced with factors that threaten their survival. For this reason, many researchers have studied the determinants that impact their performance. According to Gral (2014), the determinants are classified into two: micro and macro determinants. Micro determinants result from MFIs accounts, they are mainly influenced by policy objectives and decisions made by management. Macro determinants are non-related to the management of MFIs, they focus on macroeconomic and industry-related variables that are reflected in legal, economic, and environmental factors affecting financial institution's performance (Taylor & Levine, 2016).

Burrja (2019) argues that the return resolute by the competence of expending immovable assets articulates the echo among the valuable financial consequence created by a sequence of rapid indicators and the worth of fixed assets delivered by the financial intermediaries. In the measurement of financial performance, many researchers use ROA or better still ROE. Research on micro-precise features has attached the specifics on various variables including and not limited to capital adequacy, operational efficiency testing the moderating effects on ROA or ROE alike. Taylor and Levine (2016) in their investigation revealed that possibility in ROA and ROE established undesirable association with bad credit.

In addition, Palmer (2015) argued that the size of MFIs vis-a-vis capital competence has an association and effect on performance. The basis for this is that large MFIs raise less expensive capital thus registering more profitability. Other studies, however, do not agree with this concept, Mersland and Strøm (2014) argued that by increasing the size of MFIs, there will be less cost-saving hence suggesting that large firms will eventually face scale inefficiencies. This negative relationship is attributed to management cost for instance agency cost. Loan risk has been painstaking as the main risky distressing income (Rausch et al., 2013).

More operational efficient MFIs are theoretically expected to be more profitable. Efficiency in loan distribution to the customer is measured by cost per loan asset ratio which is found through separating whole working cost with loan sum. Researchers have conflicting arguments on operational efficiency and profitability. Pan et al. (2014) found a negative relationship while other findings like Bolton et al. (2015) indicate an optimistic connection.

Customer outreach can be measured through institutions' active customers or accounts. This number consists of borrowers of credit or depositors who are currently accessing any financial services offered by the institution. This measure is more relevant compared to the sum number of loans disbursed or clients attended to in a period. A single client may hold multiple accounts with an institution and it's therefore important to track the number of active accounts to eliminate double counting in arriving at the number of individual accounts.

The reporting of loan collection is complicated as institutions use different ratios in measuring different things. Self-reported collection performance by institutions may understate the degree of glitches. Consequently, it is significant for gathering recording to be substantiated by a knowledgeable and liberated person(s) for it to be observed consistently (Taylor & Levine, 2016).

Bolton et al. (2015) contend that Assortment at Risk (AAR) is the typically used factor of assortment excellence. It is testing the quantity of credit assortment that is in debts as a quantity of the entire established assortment. A credit is characteristically deliberated at risk if its compensation decreases or is not paid in due time. Certain organizations use the credits at-risk degree that counts the number of credits in debts and not their quantities. Pan et al. (2014) posit that several microfinance institutions receive a significant number of grants and subsidized loans from their funders which may complicate the analysis of profitability. Creative accounting can be used to portray a different state of an institution's profitability but guidelines set, external auditors, and tax authorities tend to limit this sort of creativity.

The integrity of a company's assets is critical since they are relied on in times of quasi loans and profit production. Current assets, loan portfolios, fixed assets, and other investments are examples of institutional assets. An organization must foresee, prevent, and control hazards, as well as cover losses, by taking into account the amount of risk associated with the assets it owns. The ratio of net non-performing loans to gross loans can be used to assess asset quality. Institutions that take on greater risk are those with a high rate of loan growth. Profitability will be poor for an organization with significant credit risk (Pan et al., 2014).

Liquidity is defined as the aptitude of an institution to generate enough cash to meet its obligations mostly of depositors (Ongore & Kusa, 2013). An institution's level of liquidity and its profitability are positively related. The liquidity level of an institution is composed of the total loans disbursed to the customer deposits ratio and the customer deposits to assets ratio. An institution is considered liquid when its assets and investments can be easily reliable at short notice to enable it to meet payment obligations promptly. There are two dimensions of liquidity: the time required to convert the assets into money and the certainty of the realized price.

Bolton et al. (2015) proposed three techniques used to measure liquidity in analyzing the liquidity gap. The future funding requirements of institutions are measured by making a comparison of the number of assets and liabilities which will mature within a specific time. The other technique is cash flow forecasting that indicates the inflow and outflow of cash over a period. Lastly, there is scenario planning which considers possible future events by analyzing alternative possible scenarios.



Leng et al. (2014) say that several factors in the external environment affect financial performance; inflation, interest rates, and other variables representing market characteristics like market concentration, ownership status, and size of the industry. They add that market risk entails the risk of asset value related to systematic factors. Though market risks cannot be completely diversified, they can be circumvented. Interest rate and relatively currency value are the major market risk for concern since they greatly impact on MFIs performance.

### **2.5.2 Concept of Social Media**

Kaplan and Haenlein (2010) describe social media as an "activity among individuals in which they produce, share, and exchange information and ideas through virtual networks known as social media sites." It is predicated on mobile and web-based technology. In many aspects, social media differs from conventional media, including quality, reach, frequency, usefulness, immediacy, affordability, and durability.

Newspapers, web forums, weblogs, social blogs, microblogging, wikis, social networks, podcasts, photos or pictures, video, Zoom, Meet, and social bookmarking are all examples of social media technology. Twitter, Facebook, Linked In, Instagram, Foursquare, Zoom, Meet, Whatsapp, Skype, and YouTube are the most popular social networking platforms in Kenya.

The concept of social media was developed and made prominent by the creator of Facebook, Mark Zuckerberg, in Harvard University whereby he wanted to communicate with his Harvard university friends. Twitter came from a brainstorming session by its founder Evan Williams. Neither of the founders may

have had any idea just how revolutionary their inventions would become a couple of years later (Close 2012).

However, Kumar and Sundaram (2012) observe that previously, the internet was not all that abuzz with the activity as observed today. Sites emerged in the 1990s which allowed users to create contents that saw sites such as Six Degree.com coming to life.

In a nutshell, Anthony (2016) of the Mass Communication Department of the University of North Carolina at Pembroke compiled the following statistics proving that indeed the internet and social media have overtaken any other form of communication in the history of the world. Facebook operators overall scaled to over 2 billion, Twitter had 800million listed operators, Word Press presented 80million writers referred to as bloggers, YouTube topped 1.1 billion monthly operators with 6billion opinions per day which supplement ways in which content producers were enabled to earn income from blogging. It is estimated that around 65 billion apps have been downloaded in Apple's company's downloading section of iTunes music section.

Another social media platform that has gained a following is Flickr, which had over 100 million operators and can store over 10 billion pictures. On the other hand, Instagram had more than 200 million users and has a storage capacity of over 5billion pictures. However, LinkedIn Myspace and Dropbox boasted of 330million, 30million, and 150million users respectively. Google plus had 410 million operators while Reedit had 72million monthly users with 6 billion monthly page viewership.

Consumers nowadays are highly dynamic and demanding, necessitating a very dynamic strategy to reach and influence their actions. Social media in business enables anybody to define or segment a belief virtually anywhere on business activities. As other clients read their remarks or evaluations, each contributing client creates a segment of the advertising subdivision.

Without a question, the viral expansion of community sites has ushered in a time of a social media marketing phenomenon. According to The Economist (2010), if Facebook were a country, it would rank third behind China and India. In 2011, more than 60% (60%) of social media operators tracked items from corporations such as Coca-Cola, the English Premier League, and other athletic organizations (Belleghem et al., 2011). The large number of customers who use social media for information gathering, communication with products, and the dissemination of opinions about goods and services attract a large number of merchants' focus.

### **2.5.3 Concept of Service Innovation**

An impression, repeat, or piece that is perceived as showing new standards by a separate or distinctive component of acceptability is referred to as an innovation (Rogers, 2015). According to Taylor & Kent, (2010), innovations are complex and ambiguous. These developments, broadly defined as the strength of development and community uniqueness, are a dominating element in an organization's financial performance.

Operations are transformation processes that use inputs in terms of materials, labor, time, unprocessed data, management, and capital to create outputs. According to Taylor and Russell (2011), both manufacturing and service operations have five core

performance objectives; quality, speed, dependability, flexibility, and cost management and as noted by (Letungule & Letting, 2012) that these objectives are very challenging to achieve more so in service firm operations in the creation of customer value.

Due to the service characteristics of heterogeneity and co-creation, the service operations environment is very unpredictable and results in high variability with sudden and unexpected changes which has been explained by (Browning, 2010) as the key challenge in customer value creation. Continuous updating of product attributes and adjustments in service delivery, argues (Letungule & Letting, 2012) is a requirement to maintain greater customer value. Continuous and differentiated product updating is a competitive requirement as held by (Dimiyati, 2011) that can be utilized to attain fresh purchaser worth; an argument supported by Mutunga et al. (2014) who qualify this as being the basis of managing the frequent changes in customer tastes and preferences.

According to Tritos (2013) besides the competitive priorities of quality, cost control, speed, and flexibility, innovation is the primary source of competitive advantage. To achieve competitive advantage by offering value to the customer, (Murat et al., 2013) argue that it requires a firm to be different and superior in many and new elements such as service offerings, processes, systems, quality, and speed than the competition. The attainment of this competitiveness depends on the adoption of innovativeness in services, processes, and products in the acceleration of customer value creation as found out by (Ngugi et al., 2013). In addition, Christensen (2013) claims this can be achieved through innovation which has been recognized as a critical asset that is necessary for the attainment of superior customer value.

Innovation in services, according to Langdon (2011) can be approached from different views which typically need to be integrated into one clear perspective to come up with the best possible result in the creation of a superior customer experience. These perspectives when analyzed lead to two main dimensions of innovation; conservative and disruptive innovations. Radical innovation based on the disruptive innovation's theory argues Browning (2010) is a foundational concept to understand for anyone hoping to do well against the competition. However, the key feature of radical innovation according to (Christensen, 2013) is offering away from the familiar ground to uncharted territory, doing something new and original, rather than continuing with the existing practices or copying the activities of the competition in customer value creation.

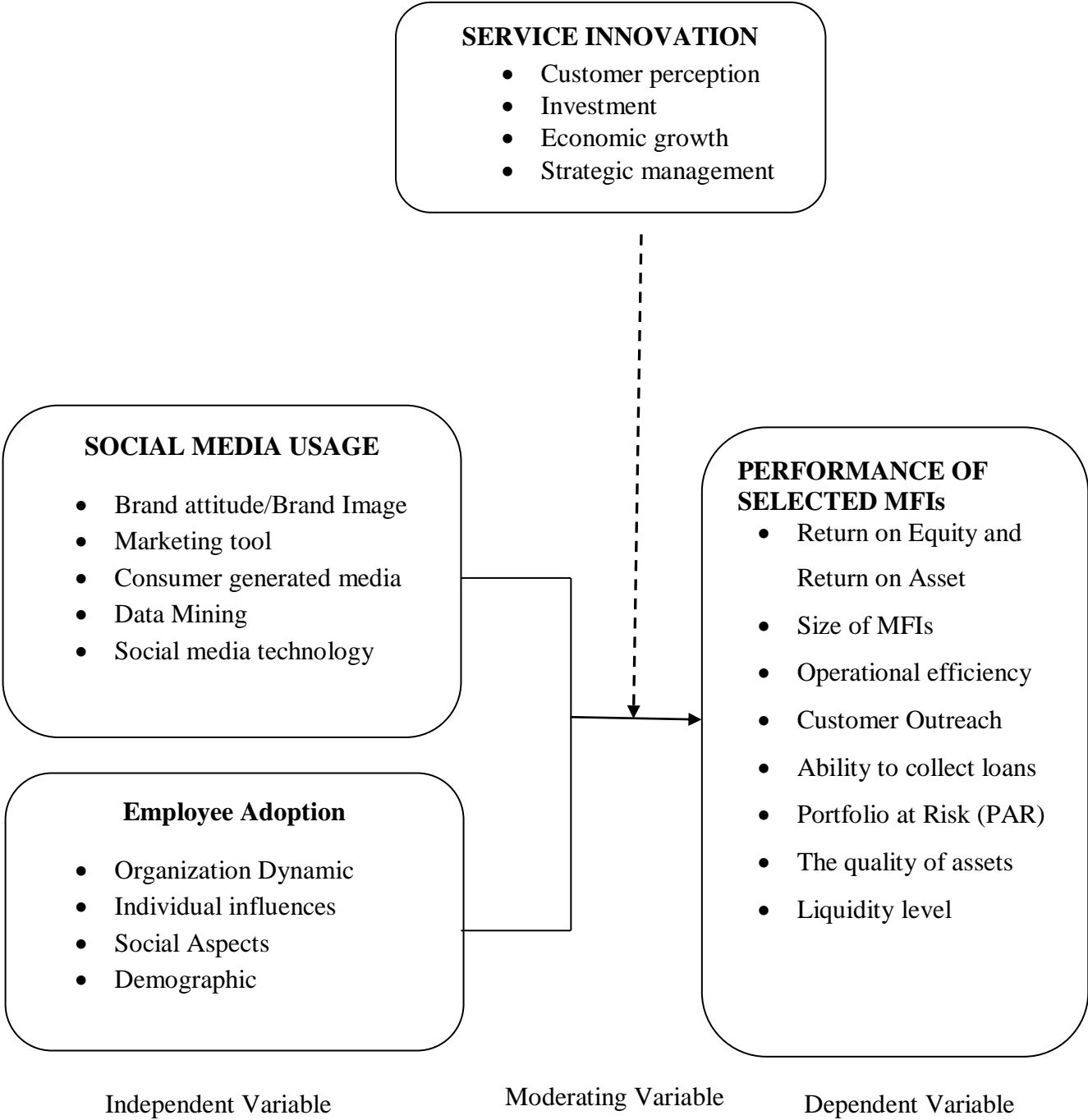
According to Tuan and Venkatesh (2010), the process of firm innovativeness is impacted by several factors. The organization's vision, structure, culture, and other support mechanisms to a greater extent influence firm innovativeness. Service operations at the firm level, notes (Okibo & Shikanda, 2011) usually develop a certain momentum and it often becomes easier to continue on the present course than embrace innovativeness and change to new approaches in customer value creation.

Most organizations, argues Tritos (2013) move forward by continuing with a series of relatively small changes which do not add new value in service offerings. Christensen (2013) criticizes this approach on the basis that it interferes and contradicts with the current products because it is too conservative, satisfied with the current performance.

**2.6 Operational Framework**

**Figure 1.2**

*Operational Framework*



## **2.7 Summary of Literature Review**

Empirical reviews studied in this thesis, except Tamrakar (2016) agree that social media has an impact on financial performance. Nevertheless, these reviews fail to focus on Micro Finance Institutions creating a gap for this study. However, Tamkarar (2016) focused on mono brands while (Mutero, 2014) focused on commercial banks.

In addition, Odhiambo (2012) did research to determine if social media was more successful than conventional media on brand management while (Schiivinski & Dabrowski, 2013) sought to determine punters' sensitivity of brands concerning social media interactions. Failure to concentrate on variables like social media usage, service innovation as a moderating variable on their studies provides an opportunity for more research to be conducted.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Overview**

This section provides an overview of the steps used to achieve the research's goals and objectives. It refers to the study ideology, design evaluation, study population, target population, specimen setting, sample size, pilot study, research instruments, instrument validity, reliability, data collecting technique, data analysis, hypothesis testing, and operational definitions of variables used in this study.

Research methodology is an understandable collection of methods that complement additional procedures, and appropriately, bring statistics and answers that will reproduce the researcher's objectives to a useful venture. According to Kothari (2014), the investigation technique is a method to systematically cracking the study delinquent. It may be implicit as a discipline of learning how the study is completed systematically. In this study, the methodology mentions how the research was completed and its reasonable plan.

#### **3.2 Research Philosophy**

The research philosophy was grounded upon standards, morals of purpose and rationality with its driving force being facts collected over conventional reflection or observations and involvement controlled empirically through measurable surveys and practices including mathematical examination of data collected (Kovalainen, 2018).

The argument is that research philosophy is an ordinary discipline and is categorized by the challenging of beliefs or assumptions industrialized from current philosophy



or theory over-dimension of visible collective validities (Saunders et al., 2019). This focus believes the common environment occurs empirically and superficially, that awareness is allowed only if it is founded on descriptions of this external validity and including laws and regulations, (Erikson & Kovalainen, 2018).

### **3.3 Research Design**

According to Denscombe (2012), a research design is a framework used by scientists to simplify the navigation of common study procedures to generate solid evidence with the fewest mistakes and with purpose. A research design, according to Lavrakas (2018), is a design or overview of the study that controls the technique of research from detailed testing, investigations, and propositions to documenting the research findings or discoveries. According to Kothari (2014), a research design is the elaborate stage of conditions for gathering and analyzing data in a method that aims to attach relevance to the research effort with a low-cost procedure.

In this research, the descriptive research design was used. Descriptive research analyses the contemporary circumstances, in a manner, to indicate what people believe as true or false, what activities the community is doing now or practicing towards a certain goal (Beins & McCarthy, 2012). Lavrakas (2018) invokes the idea that descriptive research comprises research questions, surveys, and observation in a manner geared towards achieving the goals of the research at the end of it describing the way things are currently.

This can be assisted by looking at how the data collected is related hence termed a correlation survey. The amount of association among the variables is articulated as a

correlation coefficient (Ary et al., 2010). The correlation survey research design distinguishes relations between variables and estimates the importance of a variable score compared to an alternative variable.

The descriptive correlational design was also employed in this study, which aided in the structuring of qualitative designs to create both qualitative and quantitative data from stated objectives and explain the relationship between variables under examination (Creswell 2008). As a result, this study employed both regression and correlation designs to investigate the connection between the independent factors and the dependent variable by moderating the different factors with the predictor variables.

**3.4 Target Population**

The study targeted ten registered MFIs. They include; Faulu Kenya, Bimas, Eclof, Jamii Bora, KWFT, SMEP, SISDO, Unitas, Century Microfinance Bank Limited, and Meru County Microfinance Corporation. The respondents in this study included; Senior Managers, Tellers/Field Officers, and Customers making a total of 530 targets as indicated in Table 1.

**Table 3.1**  
*Target Population*

<b>Target Group</b>	<b>Target Population</b>
Senior Managers	80
Tellers/Field Officers	150
Customers	300
<b>Total</b>	<b>530</b>

**Table 3.2***Targeted Respondents and Microfinance Institutions*

<i>Microfinance Institutions</i>	<i>Targeted Respondents</i>	<b>Senior Managers</b>	<b>Tellers/Field Officers</b>	<b>Customers</b>
Faulu Kenya		8	25	80
Bimas		6	12	25
Eclof		5	9	19
Jamii Bora		5	8	20
KWFT		10	17	15
SMEP		6	14	10
SISDO		5	9	9
Unitas		9	15	18
Century Microfinance		11	18	26
Meru County Microfinance		15	23	78
<b>Total - (Target population)</b>		<b>80</b>	<b>150</b>	<b>300</b>

**3.5 Sample and sampling Techniques****3.5.1 Sampling Frame**

A sampling unit describes the catalog of all resident elements and specifies which framework is used (Ary et al., 2010). The basic units may shape the foundation of the sampling procedure in which case they are referred to as sampling units, this list is referred to as sampling frame, (Denscombe, 2012). From the target population, the sampling frames included; senior managers, teller's/field officers, and customers.

The study considered the respondents since they were the ones that used social media and because they were directly involved in ensuring service delivery.

**3.5.2 Sampling techniques**

Simple random sampling was used to pick all of the respondents from the chosen MFIs and population.

**Table 3.3**

*Population and sampling*

<b>Target Group</b>	<b>Target Population</b>	<b>Percentage (%)</b>	<b>Sampling Size</b>
Senior Managers	80	15	80/530 x 223 = 34
Tellers/Field Officers	150	28	150/530 x 223= 63
Customers	300	57	300/530x 223 = 126
<b>Total</b>	<b>530</b>	<b>100</b>	<b>223</b>

Cochran (1977) formula was used to arrive at the sample size;

$$n = \frac{z^2pq}{e^2}$$

- Where: - **n** = The Required Sample Size
- z** = Confidence level at 95% Standard Value of Deviation (1.96)
- p** = Estimated Target Group in The MFIs (0.5)
- q** = (1-p)
- e** = margin of the error the study is ready to accept -5%

$$n = \frac{(1.96)^2 (0.5) (0.5)}{(0.05)^2}$$

$$n = \underline{\underline{384}}$$

Since  $N < 10,000$

$$nf = \frac{n}{1 + \frac{n-1}{N}} \longrightarrow nf = \frac{384}{1 + \frac{384-1}{530}}$$

$$= \frac{384}{1+0.7226}$$

$$\underline{\underline{= 222.9188}}$$

Therefore, the sample size is **223** respondents.

### 3.6 Data Collecting Instruments

The quality of the data collection tool is commonly actual and aimed at the accomplishment of a study hence after formulating a suitable data collection method, one has to take into interpretation the difficulty of the subject, degree of response, population targeted, and time (Kothari, 2014). According to Goes and Marylyn (2013), a research tool is an instrument used to gather data. A device is

consequently termed as an instrument intended to measure familiarity, boldness, and abilities.

There are three basic kinds of questionnaires as designated by (Saunders and Thornhill, 2009) open-ended questions, close-ended, using a 5-point Likert scale, or amalgamation of both including structured questions which this research employed.

A Likert scale is a scale frequently involved in research that works with questionnaires. Likert scales are virtuous since they demonstrate the forte of the individual's state of mind to whatever is in the inquiries. They are easy to examine, easy to gather data, are more spread out and rapid (Saunders & Thornhill, 2009).

### **3.7 Data collection procedures**

Data collection as defined by Gravwmeijer et al. (2019) is the complete, methodical gathering of material relevant to the research hypothesis using approaches such as meetings, observer interviews, focus groups, tales, and case studies. In this research, the collection procedures mentioned were assisted by primary and secondary data.

The university provided permission for the researcher to proceed with his research work. The permission was followed by authorization hunted from National Commission for Science Technology and Innovation-NACOSTI a body mandated by the government to regulate innovations and research in Kenya which was granted.

However, it's prudent to note here that the consent to conduct this research was sought in the following areas, the government jurisdiction authority represented by the area county commissioner, the chiefs, and assistant chiefs on a need basis. The

microfinance institutions that the research was done were asked to provide consent on behalf of the targeted population. The respondents were requested to fill the questionnaires.

### **3.8 Pilot study**

Before the actual study took place a questionnaire was developed for a pilot study. Piloting, according to Saunders et al. (2019), is the practice of testing research tools on respondents who will not be utilized in the main study. Piloting guarantees that the research instrument is properly defined and that it is interpreted the same way by different respondents.

In this study, Key Microfinance Institute, an MFI with over 20 employees, over 5 branches, and over 1000 customers was chosen for the pilot study since it has the same characteristics as the targeted MFIs in the study. The pilot study other than ensuring that the questions to be administered were correct, was to ensure that there was clarity, the suitable language used and contents developed that could be measured, verifiable and consistent. This led to adjustments to ensure they solicited the needed information.

#### **3.8.1 Validity of Research Instruments**

According to Rubin and Babbie (2018), validity is the accuracy and importance of inferences based on search results. However, Saunders et al. (2019) argued that the purpose why all individuals don't have identical assessment cut is that they fluctuate concerning the characteristic of the test measures. In this study, questionnaires were pre-tested to guarantee they were not out of order and that the contributors comprehended the queries.

### **3.8.2 Reliability**

The dependability or amount to which a device measures something similarly each time it is used under the same conditions with comparable findings and repeatability of the measurement is referred to as reliability. A gauge is considered trustworthy if a threshold on the same examination agrees. While a gauge may measure relatively dependably, it may not always be what it is supposed (Best & Kahn, 2018).

### **3.8.3 Test of Regression**

Regression is the statistical instrument with the aid of which we are in a locus to approximate or forecast the unidentified standards of one variable from recognized values of additional variables (Gupta & Gupta, 2019). The description is similar to that of Maddalla (2019) who termed regression as the willpower of arithmetical relationship among two or more variables where one variable that is the regressor is the reason of comportment of additional one commonly said to be the regressand. Linear regression is a test that examines if the dependent variable is clarified through one or more forecasting variables. There are three key standards of regression: normalcy, multi-coordinating, and parallelism.

Linear regression requires the connection of independent and dependent variables to be direct, according to Creswell (2013). The evaluation of linear regression requires that all variables be multivariate. You can use a histogram or a Q-Q-Plot to test this postulation. Normalities such as the Kolmogorov-Smirnov test can be assessed with suitable testing. A non-linear change can alleviate this problem when the data is not typically distributed. Analysis of linear regression requires no autocorrelation in the



data. Autocorrelation occurs when there are no independent residuals. That is if the  $(x+1)$  value is not independent of the value  $(x)$ .

Multicollinearity happens when two or/and additional variables, for example, variable X and variable Y are extremely correlated hence making collective alteration among variables, commonly referred to as Pearson Correlation (P-Value) (Bryman, 2012). Multicollinearity reduces the competence of the approximations for the constraint meaning that as multicollinearity upsurges, the consequence of every one of the self-determining variables on the reliant variable declines (Luke & Rubin, 2016).

In this situation, the coefficient of correlation of Pearson was used to regulate any relationship. Nevertheless, the analysis of corrosion was done to determine if multicollinearity phases posed a challenger to the investigation. A VIF exceeding 10 was construed to indicate multi-linearity concerns (Bryman, 2012; Hair et al., 2012).

### **3.9 Data analysis and presentation**

#### **3.9.1 Data Analysis**

Saunders et al. (2019) exemplify data analysis as the dispensation of facts and figures to create articulate information that is understandable. In the same breath, Maddalla (2019) describes the same as machinery for comprehending and establishing facts and figures to yield answers that necessitate understanding by the scholar. According to (Hyndman 2018), data dispensation comprises deciphering their meaning on a survey form into a method that can be handled to yield

information. Data analysis encompasses deletion, admittance, and observing the entire dispensation route. In this research, however, SPSS version 26.00 was used to analyze data herein through the use of scatter plots, Normality P-P, Normality Q-Q among others.

### **3.9.2 Data Presentation**

In this study examined data was presented through expressive commonly called descriptive data that included usage of incidences, fractions, cross formulations and charts (Wooldridge, 2010). In addition, Gupta and Gupta (2019) viewed the Pearson correlation relationship as an arithmetical instrument that aids in the fortification of links amongst variables under the study.

Pearson correlation constant has two features, trajectory, and forte. The trajectory of association is designated by how the association is to a number like 1, the extreme charge conceivable. When the Pearson correlation (P-value) coefficient is equal to +1 it shows there is the perfect optimistic connection among the variables on the other hand if the Pearson association coefficient is equal to -1 it shows there is a faultless undesirable association amongst the variables.

Another observation is that if P-value is 0, the association or correlation amongst the variable is constant.

### **3.9.3 Statistical models**

$$y = \beta_0 + \beta_1 X_1 + \beta_2 W_2 + \varepsilon$$

In which case: -

y is the dependent variable; Performance of selected MFIs.

$X_1$ , representing the independent variables; Social Media Usage, and Service Innovation

$W_2$ , representing the moderating variable; Service Innovation

$\beta_0$  is the intercept coefficient,  $\beta_1$ ,  $\beta_2$ , are partial regression coefficients corresponding to the independent variables.

$\varepsilon$  is the disturbance term.

### **3.10 Hypotheses testing**

Hypotheses test was based on the research hypotheses set. Regression yield provided the t-test figures which were used to explain the implication of matching incomplete deterioration coefficients and the F-figures that were utilized to explain the implication of the general replica supported on the p-value. If P-value computed appeared to be less than the significance level used, the model was deemed significant and partaking to respectable forecasters of the dependent variable hence consequences were not grounded on accidental, else the model was dimmed not significant and was not suitable for decision making (Gupta & Gupta, 2019).

**Table 3.1***Testing of hypothesis*

<b>Effects</b>	<b>Model</b>	<b>Null Hypothesis</b>	<b>Test</b>
Effects of $X_1$	$Y = \beta_0 + \beta_1 X + \varepsilon$ <p>Joint influence based on the multivariate model is also to be tested.</p> $Y = \beta_0 + \beta_1 X + \beta_2 X + \varepsilon$	$H_0: \beta_1 = 0$	T-Test for significance of parameters.
Moderator effects	$y = \beta_0 + \beta_2 W + \varepsilon$	$H_{01}: \beta_i = 0$	T-Test for the significance of model parameters

**Table 3.2***Operationalization of Study Variables*

---

<b>Type of Variable</b>	<b>Variable Name</b>	<b>Operationalizing indicators of Variables</b>
Independent variables	Social Media Usage (X)	<ul style="list-style-type: none"><li>• Social Media adoption</li><li>• Social media dynamics</li><li>• Social Media Implementation</li></ul>
Moderating variable	Service Innovation ( $W_i$ )	<ul style="list-style-type: none"><li>• Information technology</li><li>• Acquaintance</li><li>• Asset in staff education</li><li>• Marketing and research development</li></ul>
Dependent variable	Performance of selected MFIs (y)	<ul style="list-style-type: none"><li>• Return on Equity and Return on Asset</li><li>• Size of MFIs</li><li>• Loan hazard</li><li>• Operational efficiency</li><li>• Customer Outreach</li><li>• Ability to collect loans</li><li>• Portfolio at Risk (PAR)</li><li>• The quality of assets</li><li>• Liquidity level</li></ul>

---

### **3.8 Ethical Issues**

Before conducting the research, it was requested national permission for Science Technology and Innovation. More licenses were nevertheless also requested from the administrative officials of the research region. Permission was also sought from the target population. All responders were assured that they would be treated with the greatest secrecy and that the data they gave would only go for academic reasons.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

The analysis, presentation, and interpretation of gathered data from selected MFIs in Meru County are described in this chapter. It provides information about respondents and the outcomes of the research depending on the study goals. It describes demographic features that provide specifics about the respondents. Data in the form of frequency tables and percentages were given in inappropriate situations. The research variables were measured with questions of the Likert scale and other organized questions. The study was conducted on particular goals forming the hypothesis for inquiry.

#### 4.2. Questionnaire Respondents Rate

**Table 4.1**

*Response rate*

<b>Population</b>	<b>Returned questionnaires</b>	<b>Response rate</b>
<b>223</b>	<b>160</b>	<b>72%</b>

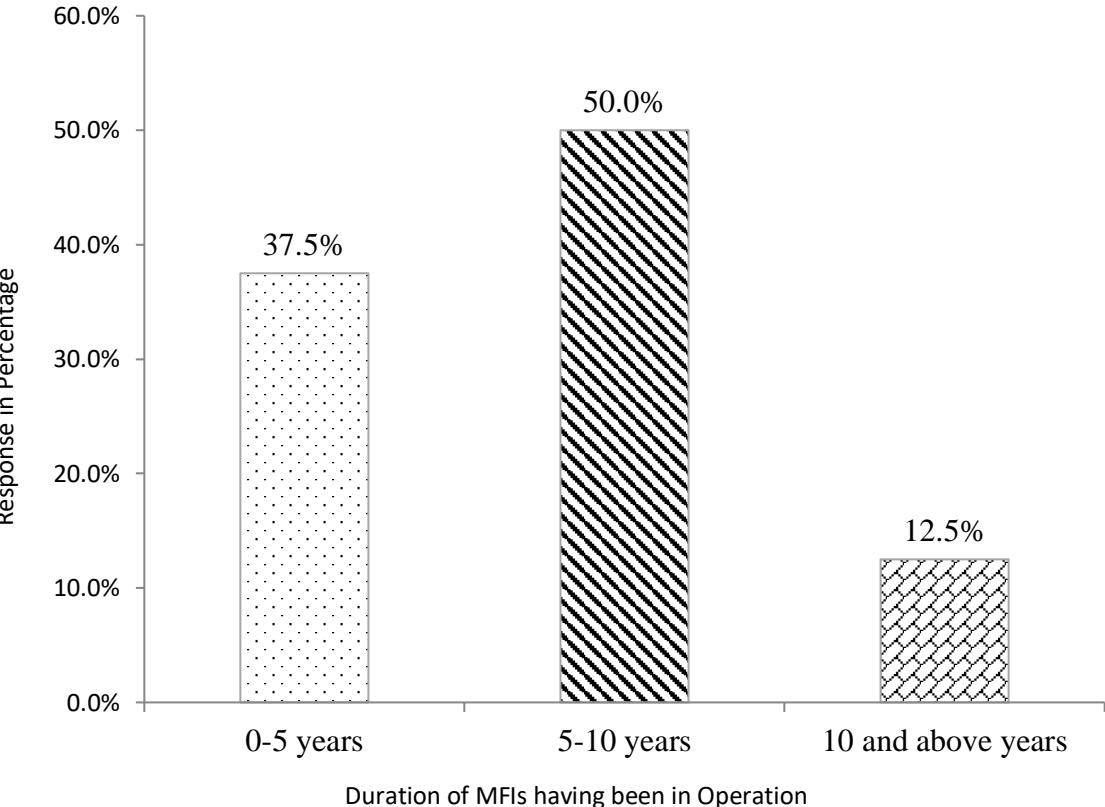
The study targeted 530 respondents as the sample size for the study out of which 223 questionnaires were administered, 160 were filled and returned which formed 72% of respondents this research was helped by the key informants who were among the respondent and who filled the questionnaires and also were interviewed. From the respondent's results, they were good and positive especially from the two stratum that recorded 100% response. According to Mugenda (2003), and analysis and

reporting rate of 10percentage points to 30percentage points is sufficient, 60percent is good and 70percent of the total is outstanding. The response rate of this study is an excellent representative of the target population with useful and adequate results.

### 4.3 Social media usage and the performance of Selected MFI

**Figure 4.1**

*How long has this microfinance been in operation*



The majority of the respondent in the question of how long their MFI has been in operation said that it has been in operation for 5-10 years, at 50.0%, followed by those which were in operation for 0-5 years at 37.5%, while those who have been in operation for 10 and above years were 12.5%. This showed that many of the MFIs



have been in operation for a good number of years and should be in a position to implement social media usage.

#### 4.3.2 Utilized Social-Media

**Table 4.2**

*Social media used commonly*

	Frequency	Percent	Valid Percent	Cumulative Percent
WhatsApp	60	37.5	37.5	37.5
Group				
Valid SMS	50	31.3	31.3	68.8
Facebook	34	21.3	21.3	90.0
LinkedIn	9	5.6	5.6	95.6
Twitter	7	4.4	4.4	100.0
Totals	160	100.0	100.0	

In this survey, we found that of the social media sites included, 37,5% picked WhatsApp, and 31,3% opted for SMS, followed by 21,3% choosing Facebook, while Twitter and LinkedIn respectively chose SMS services at 4,4% and 5,6%. This demonstrates that WhatsApp groups were popular ways of socializing throughout MFIs and hence for a majority of them were part of social media use.

**4.3.3 Averagely what is the number of followers, has the microfinance had in the last three years**

**Figure 4.2**

*Number of followers*

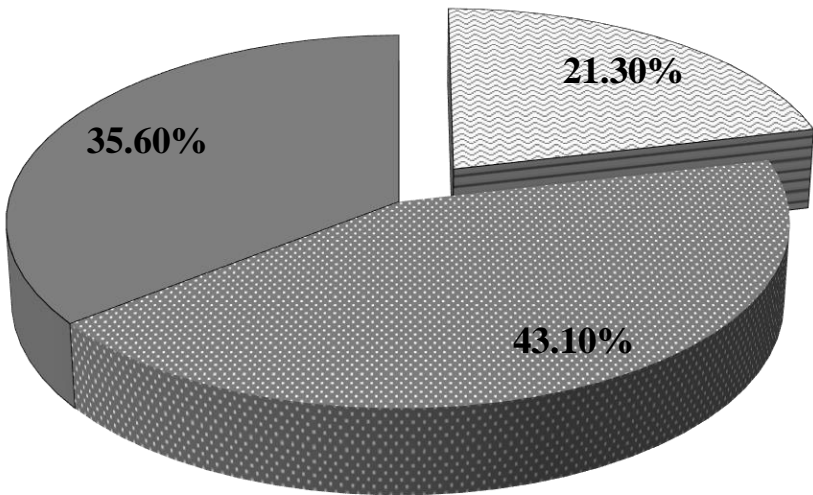


Figure 4.2 answered the question that required the respondents to indicate how many followers has the MFI had since the year 2016 up to 2018, 43.1% said that the followers in their social media were between 2000-6000 in the year 2017, 35.6% were Over 6000 in the years 2018, while 21.3% said their followers were between 1000-2000 in 2016. In 2017 there was a substantial increase in membership of the groups, while in 2016 there was the least increase in membership of the groups.

Looking at the percentage growth of the respondents, therefore, the study concluded that the curve in growth was expected that as years goes by the growth of members in a group should grow, yet this shows that the members started to decline as the years went by.

This finding is in agreement with Van Marrewijk and Wera (2015) who referred to it as lack of business sustainability. Corporate Sustainability refers to a company's voluntary initiatives that demonstrate the incorporation of social and environmental issues in corporate operations and relationships with stakeholders. As an appropriate reaction to the conditions in which it operates, each company should adopt its own specific goals and approaches as they apply to corporate sustainability, matching the organization's purposes and intentions and aligning with the organization's strategy.

#### 4.3.4 Reasons for use of Social-Media

**Table 4.3**

*Reasons for use of social media*

			<b>Valid</b>	<b>Cumulative</b>
	<b>Frequency</b>	<b>Percent-</b>	<b>Percent-</b>	<b>Percent-</b>
Customer Interest	51	31.9	31.9	31.9
Ease of use	79	49.4	49.4	81.3
Valid I don't know	30	18.8	18.8	100.0
Totals	160	100.0	100.0	

According to table 4.3 which was answering the question based on the reasons why the MFI was using social media, 49.4% chose ease of use, followed by 31.9% who said customer interest, while 18.8% of the respondents said I don't know. This finding was in agreement with (Van Marrewijk & Were, 2015) assertion that the best tool for gauging customer engagement efforts is the choice straightforwardness index," an instrument of how laidback it is for clients to ruck and comprehend evidence about a product, how abundant they can belief the evidence they discover, and how gladly they can evaluate their possibilities.

### 4.3.5 Number of New Customers

**Figure 4.3**  
*Number of new customers*

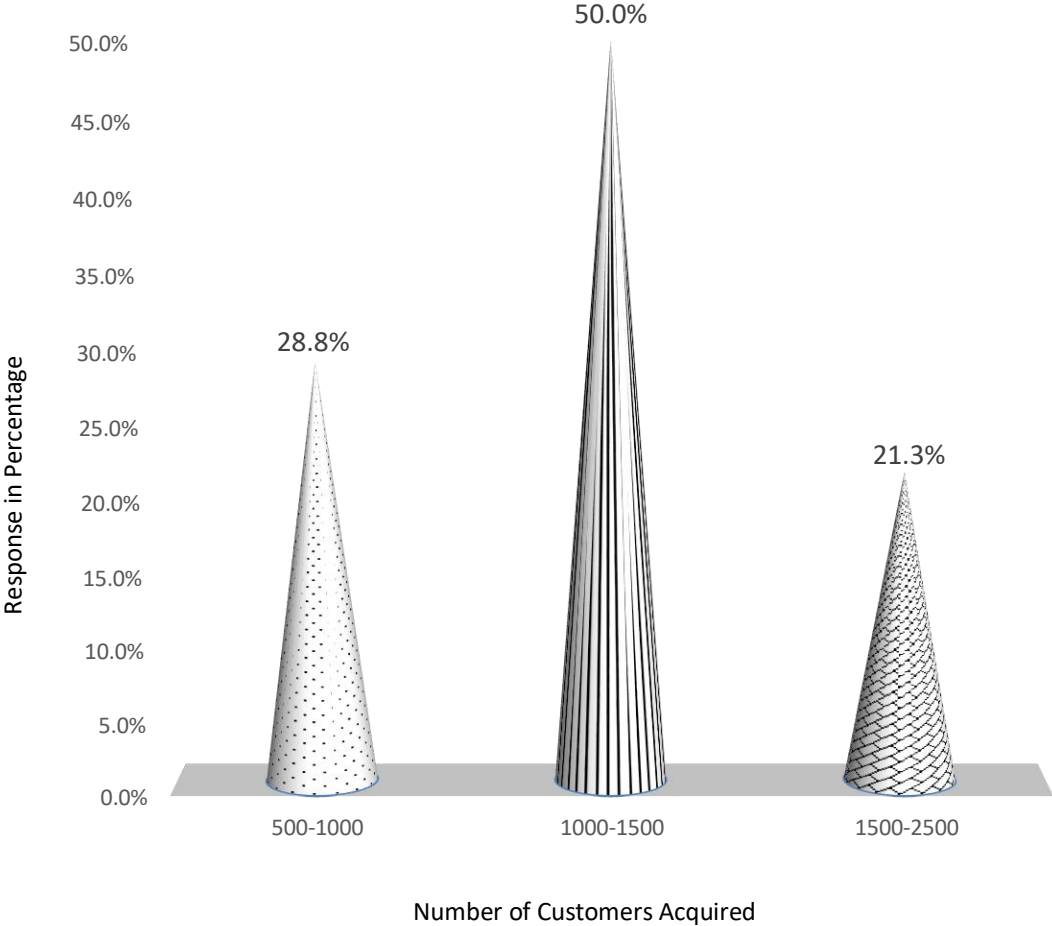


Figure 4.3 answered the question that required the respondents to indicate how many customers has the MFI acquired since the year 2016 up to 2018. 50.0% said that the MFI had acquired 1000-1500 in the year 2017, 28.8% of the respondents said that the MFI had acquired 500-1000 during the year 2016, 21.3% of the respondents said the MFI had acquired 1500-2500 customers during the year 2018. This revealed that there was a substantial increase in customer growth in 2017, with the lowest customer growth in the groups occurring in 2016. Looking at the percentage growth

of the respondents, therefore, the study concluded that the curve in growth was expected that as years goes by the growth of customers in the institution should grow, yet this shows that the members started to decline as the years went by.

According to van Marrewijk and Were (2015), this is lack of corporate sustainability. Commercial sustainability denotes a corporation's actions, intentional by explanation, representing the addition of communal and ecological apprehensions in corporate actions and connections with shareholders. Each specific association should select its precise goal line and tactics as they affect business sustainability, corresponding the establishment's purposes and meanings and positioning with the establishment's plan, as a suitable rejoinder to the circumstances in which it operates.

### **Summary of Social Media Usage and The Performance of Selected MFI**

The results were categorized into two categories Yes and No. The researcher sought to investigate; how long has the microfinance been in operation, which one of the social media platforms are commonly used in their company, how many followers have the MFI had in the last three years, reasons for use of the social media chosen and how many customers have been acquired through the use of social media. The majority of the respondents 81.3 responded that there was social media usage in the selected MFIs, while 18.8% responded negatively. This implied that there was social media usage in the selected MFIs. These findings agree with Sibanda (2018) who agreed that social media was becoming a phenomenon that we can't live without both at home and our workplaces since it has become the new norm.

## Summary of the Data Analysis using Cronbach's Alpha Reliability test

**Table 4.4**

*Reliability Statistics*

Cronbach's Alpha Based on		
Cronbach's Alpha	Standardized Items	No. of Items
<b>.935</b>	<b>.949</b>	<b>4</b>

Table 4.4 displays the reliability statistics for the variable that was utilized and assessed using the Cronbach's Alpha test. The purpose of employing Cronbach's test was to assess internal reliability based on the variable of interest, which in this case was social media usage and performance of selected MFI. The rule of thumbs up in Cronbach's Alpha test is that when the score is 0.9 or higher than or equals 0.8, the indication is that the test is good and can be relied upon. Table 11 shows that the Cronbach's Alpha test scored .935 with Cronbach's Alpha Based on standardized items scoring .949. It indicates that the scores were excellent hence the questions used were reliable based on the subject of interest.

**Table 4.5***Reliability analysis of Social media usage & Performance of MFI***Inter-Item Correlation Matrix**

	a) How long has this microfinance been in operation?	b) Which one of the following social media platforms are commonly used in your company	c) Averagely what is the number of followers, has the microfinance had in the last three years	d) What are some of the reasons that have made this company use social media?
a) How long has this microfinance been in operation?	1.000	.884	.760	.811
b) Which one of the following social media platforms are commonly used in your organization	.884	1.000	.810	.863
c) Averagely what is the number of followers, has microfinance had in the last three years	.760	.810	1.000	.809
What are some of the reasons that have made this organization use social media?	.811	.863	.809	1.000



Table 4.5 shows the inter-item correlation matrix indicating how the items in question correlate with one another for example a score of 1.000 was realized on the same items when compared. A score of .884 was realized as the highest when comparing between the question b) on the left and a) on the top this showed that the score was good based on Cronbach's Alpha test hence reliable. However, the comparison between the question, c) on the left and a) on the top had the lowest score of 0.760 which meant that the comparison was still acceptable. Cronbach's Alpha's rule of thumbs up states that a score of 0.5 is unacceptable and this applies to any score in the table above meaning it shouldn't be compared at all with one another. However, the lowest score, therefore, shows that the questions were still acceptable and reliable.

**Table 4.63***Statistics of Social media usage and Performance of selected MFI*

<b>Item-Total Statistics</b>					
	<b>Scale Mean if Item Deleted</b>	<b>Scale Variance if Item Deleted</b>	<b>Corrected Item-Total Correlation</b>	<b>Squared Multiple Correlation</b>	<b>Cronbach's Alpha if Item Deleted</b>
a) How long has this microfinance been in operation?	6.0938	5.746	.878	.793	.912
b) Which of the following social networks is most often utilized in your company?	5.6375	3.956	.917	.854	.919
c) Averagely what is the number of followers, has microfinance had in the last three years	5.5750	5.667	.835	.706	.921
d) What are some of the reasons that have made this organization use social media?	5.8500	5.713	.885	.785	.910

In table 4.6 was used to compare the mean score if any item was deleted and it was found out that if question c) with 0.921 that was highest and that it was deleted the score would have been a lower Cronbach's alpha, therefore we need not remove the question. Seen differently, there is a lower score in "Corrected item-total Correlation" (0.835) which would have moved the researcher to remove the said question yet the score is still at an acceptable point so no need to remove it.

#### 4.4: Service innovation and the performance of MFIs

##### 4.4.1 Indicate some of the service innovations that your company has had in the last 3 years

**Table 4.7**

*The service innovations that your company has had in the last 3 years*

	<b>Frequenc</b>	<b>Valid</b>	<b>Cumulative</b>
	<b>y</b>	<b>Percent</b>	<b>Percent</b>
Branch Banking	60	37.5	37.5
Automatic Teller Machines (ATM)	50	31.3	68.8
Valid Telephone	30	18.8	87.5
Real Time Gross Settlement System (RTGS)	12	7.5	95.0
Relationship banking through social media	8	5.0	100.0
<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>

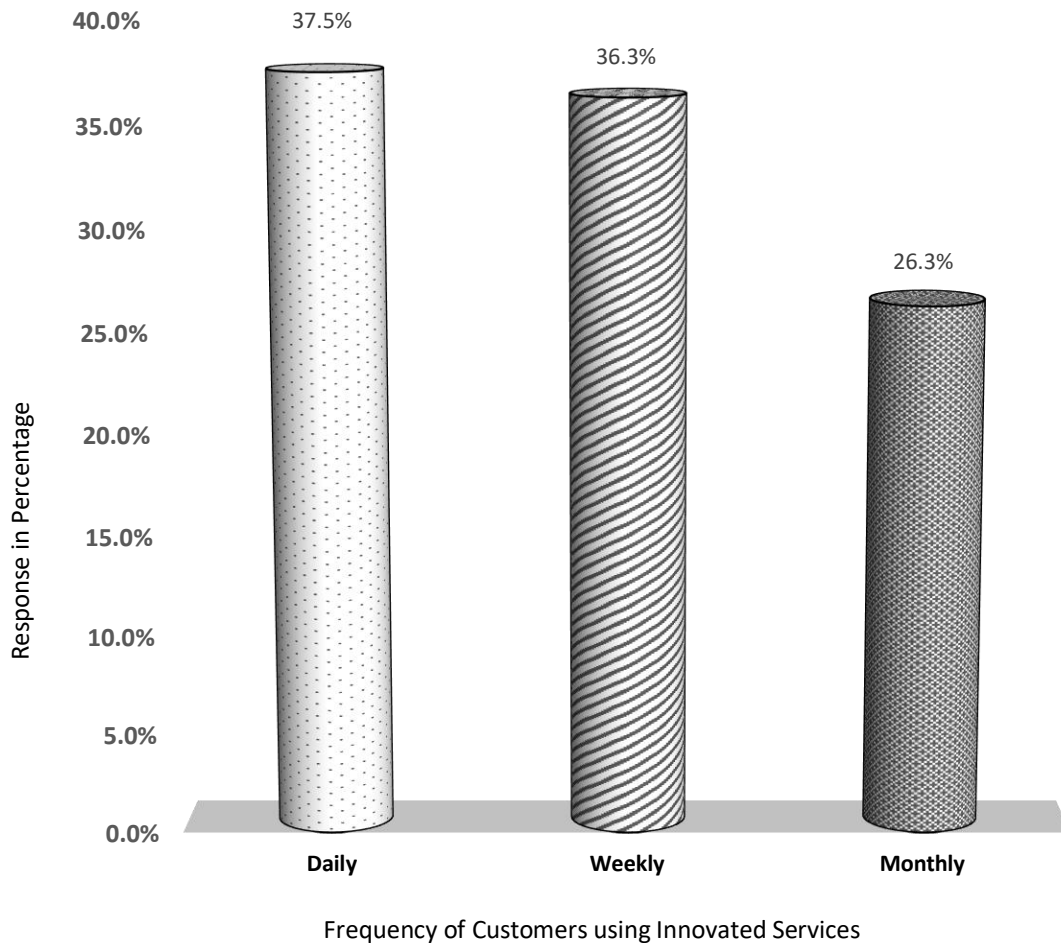
The above table 4.7 was answering a question that required the respondents to give some of the innovations the company has had in the last three years, respond 37.5% indicated that Branch banking and ATM were some of the innovations, followed by telephone banking at 18.8 & RTGS at 7.5% and Relationship through social media at 5.0.

This study therefore, agrees with Seetharaman and John (2015) whose prediction that based on the lines of how electronic money transfers will be the most suitable thing and preferred by many as a means of transferring money or transacting in money as opposed to the cash currency use when he said that with the character of transnational trading and exchange rates is predicted to alter fundamentally with electronic money. Because these funds may easily be transferred, electronic money called in a stronger currency could be favored and would, thus, create exchange-rate volatility and not only intensify the unpredictability of the monetary arrangement, but also reduce the impact of the financial strategy.

#### 4.4.2 The Frequency of how Customers were using the innovated Services

**Figure 4.4**

*Frequency of customers using the Innovated Services*



Based on figure 4.4 shows that 37.5% of the respondent said they use it daily, 36.3% said they use it weekly, while 26.3% used it monthly. This shows that those respondents who use the available service innovation were higher since they used it daily. This was consistent with Brigit (2019) research which revealed that individuals prefer to do so by utilizing their daily communication techniques if they seek customer service help. Currently, customer service might be better known as

customer participation. 53% of respondents stated they were more inclined to purchase from a firm providing customer care through chat on Facebook and WhatsApp, per Facebook research "more than a message."

#### **4.4.3 Service Innovation and MFIs Achievement**

Respondents were asked say on if service innovation and the performance of MFI are related not, 73.1 percent said yes, while 26.9,1% said no. This showed a connection between the innovation in service and the success of these MFIs, taking into account the vast number of participants who agreed as opposed to disagreement.

Therefore, this study coincides with the study carried out by Susan (2015) on micros and small businesses innovation and performance in Kiambu city. The study concludes that the types of the design process, product, location, and perspective relate positively to the performance of various categories of small and micro companies in Kiambu Town.



#### 4.4.4 Service Innovation Activities

**Table 4.8**

*Service Innovations Activities*

	Freque ncy	Percent-	Valid Percent-	Cumulative Percent-
Branch Network	10	6.3	6.3	6.3
Automatic Teller Machines (ATM)	10	6.3	6.3	12.5
Valid Telephone	30	18.8	18.8	31.3
Real Time Gross Settlement System (RTGS)	50	31.3	31.3	62.5
Relationship banking through social media	60	37.5	37.5	100.0
<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

This research wanted to establish what are some of the service innovations activities should their company engage in to improve financial performance? 37.5% chose relationship banking through social media, followed by telephone banking at 31.3%, RTGS followed by Telephone banking at 18.8%, then branch banking and ATM at 6.3% each. These findings show that many of the respondents agreed that relationship banking through social media was one of the innovations that the MFI would need to develop as compared with ATM and branch banking which they had gotten used to. Hence, this result must be in line with (Boot, 2015) who discovered

that, when a Bank offers a customer more services, it builds a stronger link with the consumer and improves the data on the person more closely.

### **Summary of Service Innovation and the Performance of MFIs**

An investigation was done to assess the service innovation and the performance of selected MFIs. The results were categorized by summarizing them into two categories: Agree and Disagree. In this category, the researcher sought to assess whether; there are service innovations in the last three years, whether customers use the available service innovations, and how frequent.

Majority of the respondents 75.0% responded that there was service innovation in the selected MFIs, while 25.0% responded by disagreeing with this statement. This implied that there was service innovation in the selected MFIs. These findings concur with Shih and Venkatesh (2015) who agreed that service innovation is an emerging trend in companies that know how to strategize and capture customers and grow financially.

**Table 4.9**

*Reliability-Statistics*

---

Cronbach's Alpha( $\alpha$ ) Based		
Cronbach's Alpha( $\alpha$ )	on Standardized Item	No. of Items
<b>.894</b>	<b>.933</b>	<b>4</b>

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Table 4.9 shows the reliability statistics of the variable used and analyzed based on Cronbach's Alpha( $\alpha$ ) test in this case the variable of interest was service innovation and the performance of MFIs. The rule of thumb in Cronbach's Alpha test is that when the score is 0.9 or higher than or equals 0.8, the indication is that the test is good and can be relied upon. Table 4.9 shows that the Cronbach's Alpha test scored .894 with Cronbach's Alpha( $\alpha$ ) Based on consistent items notching .933. the figures, therefore, indicated that the scores were good hence the questions used were reliable based on the subject of interest.

**Table 4.10**

*Reliability analysis of Service innovation and the performance of MFIs*

**Inter-Item Correlation Matrix**

	i) Indicate some of the service innovations that your company has had in the last 3 years	ii) Identify how frequently customers use the service innovation practices that were available in their	iii) Is there a relationship between service innovation and the performance of MFIs	iv) What are some of the service innovations activities should your company engage in to improve financial performance
a) Indicate some of the service innovations that your company has had in the last 3 years	1.000	.916	.804	.753
b) Identify how frequently customers use the service innovation practices that were available in their	.916	1.000	.813	.812
c) Is there a relationship between service innovation and the performance of MFIs	.804	.813	1.000	.557
d) What are some of the service innovations activities should your organization engage in to improve financial performance	.753	.812	.557	1.000

Table 4.10 shows inter-item correlation matrix which is more of indicating how the items in question correlate with one another for example a score of 1.000 was realized on the same items when compared. A score of .916 was realized as the highest when comparing between the question b) on the left and i) on the top this showed that the score was good based on Cronbach's Alpha test hence reliable. However, the comparison between the question, d) on the left and iii) on the top had the lowest score of .557 which meant that the comparison was still acceptable. Cronbach's Alpha's rule of thumbs up states that a score of 0.5 is unacceptable and this applies to any score in the table above meaning it shouldn't be compared at all with one another. However, the lowest score, therefore, shows that the questions were still acceptable and reliable.

**Table 4.11***Statistics of Social media usage and Performance of selected MFI*

<b>Item-Total Statistics</b>					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
a) Indicate some of the service innovations that your organization has had in the last 3 years	7.0125	4.817	.891	.851	.820
b) Identify how frequently customers use the service innovation practices that were available in their	7.2375	6.245	.940	.896	.812
c) Is there a relationship between service innovation and the performance of MFIs	7.8750	8.487	.760	.716	.916
d) What are some of the service innovations activities should your organization engage in to improve financial performance	5.2500	5.145	.771	.696	.880

Table 4.11 was used to compare the mean score if any item was deleted and it was found out that if question c) with a score of 0.916 was highest and that if it was deleted the score would have been a lower Cronbach's alpha, therefore we need not remove the question. Seen differently, there is a lower score in "Corrected item-total Correlation" (0.771) which would have moved the researcher to remove the said question yet the score is still an acceptable point so no need to remove it.

**4.5: Moderating effects of service innovation on social media usage**

**4.5.1 Service Innovation and Investments**

This was an attempt to answer the question if service innovation brought any investments in the MFIs, 68.8% said yes, while 31.3% said no. This indicated that service innovation had a positive attribute to investment since many people were able to be reached hence opening accounts or investing directly to the MFIs. Thus (Agarwal and Prasad, 2015) believe that successful exploitation of new ideas is vital for a firm to enhance its operations, sell new and improved goods and services, boost its efficiency and, above all, increase its return on investment.

**4.5.2 Service Innovation and Economic Growth of the Microfinance**

**Figure 4.5**

*Service innovation and economic growth of this microfinance*

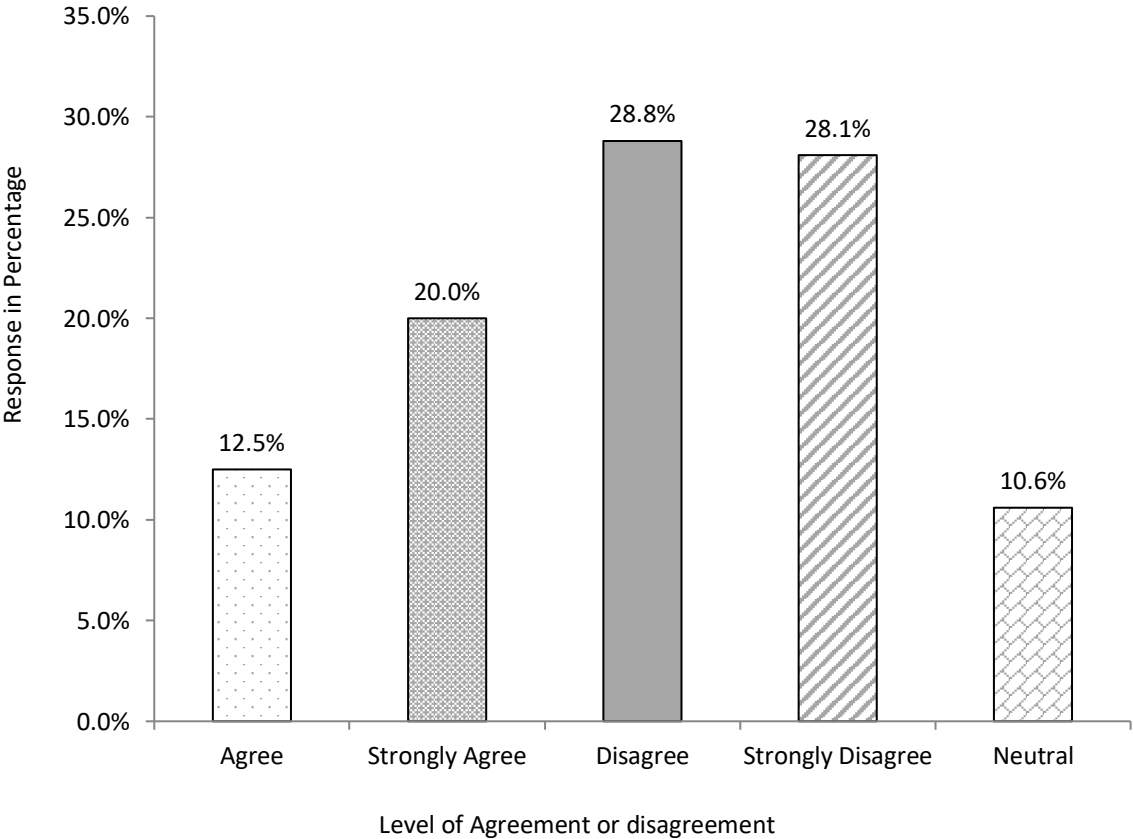


Figure 4.5 was attempting to answer the question that based its argument on whether service innovation has not enabled the economic growth of the MFI. 28.8% disagreed with this statement, 28.1% strongly disagreed, followed by 20.0% who strongly agreed with the statement at the same time 12.5% had agreed, however, 10.6% were neutral on the same statement.

Predictably, the distribution of the respondent's choices based on the options available made the study establish that the combined percentage between those who agreed and strongly agreed indicated that there was a positive indication of service innovation being an enabler in the growth of those MFIs compared with lack of it.

This conclusion was in agreement with Van Marrewijk and Were (2015) who said that the markets are becoming increasingly competitive, whether they are local, regional, nationally, or globally. As a result of a larger entrance into breakthrough technologies and the increased opportunity for exchanges and education offered by cyberspace, the rivalry has increased.



### 4.5.3 Service Innovation Has Enabled the Economic Growth

**Table 4.12**

*Service Innovation and Economic Growth*

			<b>Valid</b>	<b>Cumulative</b>
	<b>Frequency</b>	<b>Percent-</b>	<b>Percent-</b>	<b>Percent-</b>
Agreed	42	26.3	26.3	26.3
Disagreed	20	12.5	12.5	38.8
Strongly	28	17.5	17.5	56.3
Valid Disagreed				
Strongly agreed	45	28.1	28.1	84.4
Neutral	25	15.6	15.6	100.0
<b>Total(s)</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

In an attempt to determine whether service innovation has had any positive impact on the economic growth of those MFIs, 28.1 percent of respondents strongly agreed with this statement, 26.3 percent agreed, while 17.5 percent strongly agreed, followed by 15.6 percent who were neutral, and 12.5 percent disagreed with the same statement. This study concluded that service innovation enabled economic growth of that microfinance and that there was a positive relationship between service innovation and economic growth. Baker and Green (2018) agree with the findings by stating that the more any manager realizes the need to establish

strategies that agree with his or her plans like service innovation the more the company will realize economic growth and have an edge on competitors.

#### 4.5.4 We don't need service innovation

**Table 4.13**

*We Don't Need Service Innovation*

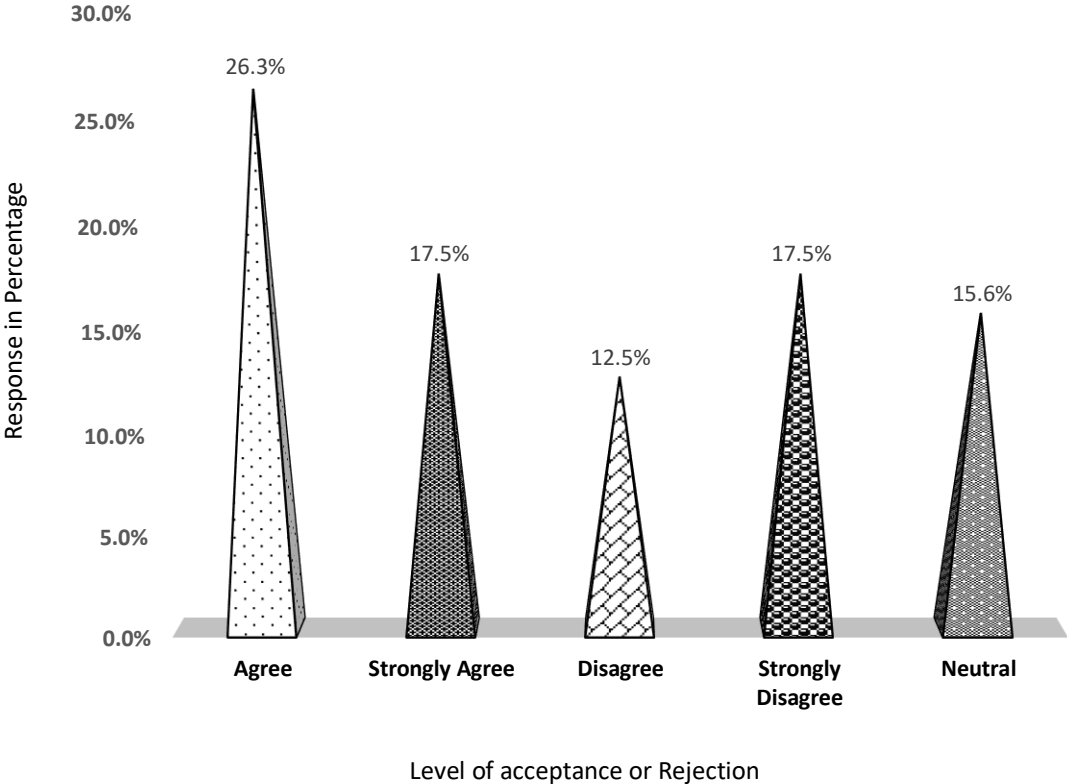
		<b>Frequen</b>	<b>Valid</b>	<b>Cumulative</b>
		<b>cy</b>	<b>Percent-</b>	<b>Percent-</b>
			<b>Percent-</b>	<b>Percent-</b>
	Agreed	20	12.5	12.5
	Disagreed	37	23.1	35.6
Valid	Strongly	60	37.5	73.1
	Disagreed			
	Strongly agreed	19	11.9	85.0
	Neutral	24	15.0	100.0
	<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>

Respondents in table 4.13 had been required to agree, disagree or choose neutral on the statement that was plain in its approach of if there was a need for service innovation of which 37.5% strongly disagreed, 23.1% disagreed, while 15.0% were neutral, yet 12.3% and 11.9% agreed and strongly agreed that they don't need service innovation. This study thus established that service innovation was needed to spur growth and have a social relationship since this was the new trend. This study thus agrees with Leng et al. (2014) who stated that new technologies that are emerging as social media usage as a form of service innovation are the new thing for any serious business to have an upper hand besides the five competitive advantages.

**4.5.5 Service innovation will make us lose jobs**

**Figure 4.6**

*Service innovation will make us lose jobs*



According to figure 4.6, when asked if service innovation would cause respondents to lose their jobs, 28.1 percent strongly agreed, 26.3 percent agreed, while 17.5 percent and 12.5 percent strongly disagreed and disagreed, respectively. However, 15.6 percent were neutral on whether service innovation would cause them to lose their jobs. Thus, it is consistent with what (Feng et al., 2020) suggested that individuals fear change because they are concerned that if they are concerned, they would be unable to achieve what you are asking – will their talents be sidelined? Will they make a fool of themselves? Instead of informing you that this is their

worry, they make it plain that they disagree with the new strategy or question the whole rationale for the transition.

#### 4.5.6 The cost measures put in place as strategic management

**Table 4.14**

*Cost measures put in place as strategic management*

		<b>Frequenc</b>	<b>Valid</b>	<b>Cumulative</b>
		<b>y</b>	<b>Percent-</b>	<b>Percent-</b>
			<b>Percent-</b>	<b>Percent-</b>
Valid	Automatic data processing system	50	31.3	31.3
	One teller administrator	30	18.8	50.0
	Salary reduction	20	12.5	62.5
	Customer admission procedure changes	60	37.5	100.0
	<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>

Findings in Table 4.14 attempted to answer the question which is some of the cost measures put in place as strategic management in their organization, 37.5% of the respondents chose customer admission procedure changes, 31.3% said automatic data processing system, 18.8% chose one teller administrator while 12.5% said salary reduction.

This study, therefore, found out that customer admission procedure changes as the most strategy the MFIs use as cost measure, followed by automatic data processing system while salary reduction was the least measure used in cost reduction. Baum and Koran (2010) agreed that accepting a patient for hospital treatment is a difficult procedure that can lead to significant delays in service and an unpleasant experience, unless well handled. It is a complicated process. It might be frustrating for anyone to wait for admittance documents or for a bed to be allocated. But waiting times can also be emotionally and physically painful for unwell patients, or the weary mother with a screaming baby who has to be admitted is a dynamic change in the customer procedure.

#### **SUMMARY OF MODERATING EFFECTS ON SERVICE INNOVATION**

The summary of moderating effect on service innovation was done. The results were categorized into two, High and Low. The researcher sought to assess whether; service innovation brought any investments, whether service innovation has not enabled economic growth of this microfinance, whether service innovation has enabled economic growth of this microfinance, whether we don't need service innovation, whether service innovation will make us lose jobs, whether there are cost measures put in place as strategic management in your organization. As seen in the above table, 68.75% of respondents said that the moderating impact was considerable, while 31.5% said that service innovation had no moderated effect on the use of social media. This result, therefore, concludes that there were high moderating effects of service innovation on social media usage.

## SUMMARY OF RELIABILITY STATISTICS

**Table 4.15**

*Moderating effects of service innovation*

---

<b>Reliability Statistics</b>		
Cronbach's Alpha( $\alpha$ ) Based		
Cronbach's Alpha( $\alpha$ )	on Standardized Items	No. of Items
<b>.892</b>	<b>.903</b>	<b>6</b>

---

Table 4.15 shows the reliability statistics of the variable used and analyzed based on Cronbach's Alpha test. The variable of interest was moderating effects of service innovation on social media usage. The rule of thumbs up in Cronbach's Alpha( $\alpha$ ) test is that when the score is 0.9 or higher than or equals 0.8, the indication is that the test is good and can be relied upon in this case Cronbach's Alpha( $\alpha$ ) is pegged on 0.5. Table 25 shows that the Cronbach's Alpha test scored 0.892 with Cronbach's Alpha( $\alpha$ ) Based on standardized items scoring 0.903. The results of the test show that the scores were excellent hence the questions used were reliable based on the subject of interest which was moderating the effects of service innovation on social media usage

**Table 4.16**  
*Correlation-Matrix*

	a) Has service innovation brought any investments	b) Service innovation has not enabled the economic growth of this microfinance	c) Service innovation has enabled economic growth of this microfinance	d) We don't need service innovation	e) Service innovation will make us lose jobs	f) What are some of the cost measures put in place as strategic management in your organization
a) Has service innovation brought any investments?	1.000	.471	.382	.540	.382	.761
b) Service innovation has not enabled the economic growth of this microfinance	.471	1.000	.700	.865	.700	.491
c) Service innovation has enabled economic growth of this microfinance	.382	.700	1.000	.733	1.000	.402
e) We don't need service innovation	.540	.865	.733	1.000	.733	.541
f) Service innovation will make us loss jobs	.382	.700	1.000	.733	1.000	.402
g) What are some of the cost measures put in place as strategic management in your organization	.761	.491	.402	.541	.402	1.000

Table 4.16 shows inter-item correlation matrix which is more of indicating how the items in question correlate with one another for example a score of 1.000 was realized on the same items when compared. A score of .865 was realized as the highest when comparing between the questions b) and d) this showed that the score was excellent based on Cronbach's Alpha test hence reliable. However, the comparison between the question, they are catered for after completion of studies, and they are retained in school had the lowest score of .382 which meant that the comparison was unacceptable. Cronbach's Alpha's rule of thumbs up states that a score of  $0.5 > \alpha$  is unacceptable.



**Table 4.17: Item-Total Statistics**

	Scale Mean if - Item Deleted-	Scale Variance if Item Deleted-	Corrected Item- Total -Correlation	Cronbach's Alpha( $\alpha$ ) if Item- Deleted
a) Has service innovation brought any investments?	14.2625	31.377	.586	.904
b) Service innovation has not enabled economic growth of this microfinance	12.7000	23.960	.800	.860
c) Service innovation has enabled economic growth of this microfinance	12.6313	21.417	.832	.853
d) We don't need service innovation	12.6375	23.327	.847	.852
e) Service innovation will make us loss jobs	12.6313	21.417	.832	.853
f) What are some of the cost measures put in place as strategic management in your organization	13.0125	25.987	.540	.901

In table 4.17 above was used to compare the mean score if any item was deleted and it was found out that if question e) with .904 was deleted the score would have been the same on Cronbach's alpha, therefore we need not remove the question since it wouldn't affect the other scores on the same level. Seen differently, there is a lower score in "Corrected item-total Correlation" (.504) which would have a clear indication of removing question f) yet the based Cronbach's Alpha test score is  $>0.5$  the score in question is .504 meaning there was no need to delete the question since it is acceptable and reliable.

## **4.6: Employee adoption of service innovation and social media usage**

### **4.6.1 Different Divisions in your Organization**

This study revealed that 88.8% of respondents responded "yes" and 11.3% stated "no" on their MFI issues, with divisions or other departments working differently. This indicated that most of the MFIs had different departments that would easily be allocated different work or jobs to deal with instead of one department that deals with the whole operations of the company. These findings are in agreement with Baum and Korn (2010) who stated that the importance of departments to an organization depends mainly on two factors: size and complexity.

In a small entrepreneurial organization, the entrepreneur may be capable of managing all functions of the organization without division into specialized departments. However, the necessity to specialize in functions becomes important as the company grows. The usual growth in industrial organizations, which is followed by specialties in management, accounting, and human services, will lead to the development of technical specialties, such as engineering, purchasing, and production. Administrative tasks can be expanded as the firm grows in professional and commercial organizations, (Lindley et al., 2019).

### 4.6.3 Leadership Styles

**Table 4.18**

*Leadership Style*

	<b>Frequenc</b>		<b>Valid</b>	<b>Cumulative</b>
	<b>y</b>	<b>Percent</b>	<b>Percent</b>	<b>Percent</b>
Authoritarian Leadership	70	43.8	43.8	43.8
Participative Leadership.	20	12.5	12.5	56.3
Valid Delegate leadership.	29	18.1	18.1	74.4
Transactional leadership.	19	11.9	11.9	86.3
Transformational Leadership.	22	13.8	13.8	100.0
<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

Table 4.18 was answering what type of leadership was in place in most of the MFIs, 43.8% of the respondents indicated, authoritarian leadership, 18.1% said there was delegate leadership, 13.8% of the respondents chose transformational leadership, 12.5% said participative leaders were in place, while 11.9% of the respondents said there was transformational leadership. This study thus revealed that most of the MFI were led by leaders who were authoritarian in managing their workforce. Many researchers, including (Blavy et al., 2014) believe that the authoritarian leadership style is entirely focused on the leader. They don't consult with anybody else on their team.

**4.6.4 Resources are allocated equally in all departments**

**Figure 4.7**

*Resources are Allocated Equally In All Departments*

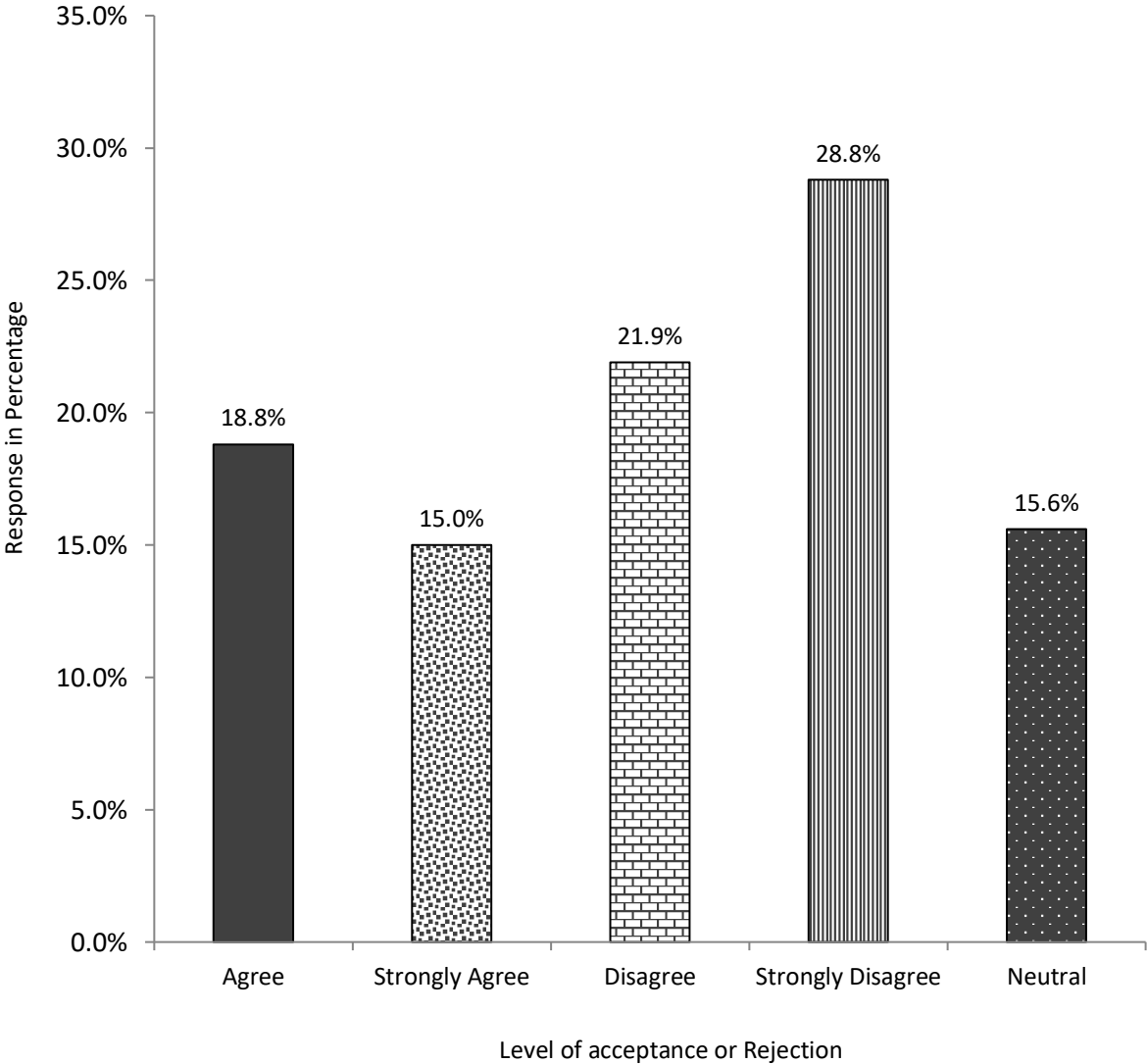


Figure 4.7 reveals that 28.8 percent of respondents strongly agreed, 21.9 percent disagreed, 18.8 percent agreed, 15.6 percent agreed, and 15.0 percent were neutral or strongly agreed with the assertion that resources are allocated fairly across departments. This study, therefore, established that a combination of those who

strongly agreed and disagreed was high compared to those who either agreed or disagreed, meaning that resource was not allocated equally throughout the departments. These findings agreed with a study carried out by (Charitonenko and Campion, 2013) who found out that resource is never allocated equally in all departments since the allocation is sometimes based on priority and preference of the leadership in a given organization.

#### 4.6.5 Resources aren't allocated in all departments equally

**Table 4.19**

*Resources aren't Allocated Equally in all Departments*

		<b>Frequen</b>	<b>Valid</b>	<b>Cumulative</b>
		<b>cy</b>	<b>Percent-</b>	<b>Percent-</b>
			<b>Percent-</b>	<b>Percent-</b>
	Disagreed-1	30	18.8	18.8
	Agreed-2	35	21.9	40.6
Valid	Strongly-agreed-3	46	28.8	69.4
	Strongly-	24	15.0	84.4
	disagreed-3			
	Neutrals-4	25	15.6	100.0
		<b>160</b>	<b>100.0</b>	<b>100.0</b>

Table4.19 was answering the question based on if the resource is allocated equally in all departments, 28.8% strongly agreed, 21.9% agreed, 18.8% disagreed while 15.6% and 15.0% chose to be neutral and strongly disagreed respectively. This study thus discovered that resource is not allocated equally which is in agreement with a study carried out by (Charitonenko and Campion, 2013) who found out that resource is never allocated equally in all departments since the allocation is sometimes based on priority and preference of the leadership in a given organization.

#### 4.6.6 We have issues with the allocation of resources but won't say

**Figure 4.8**

*Resource allocation issues*

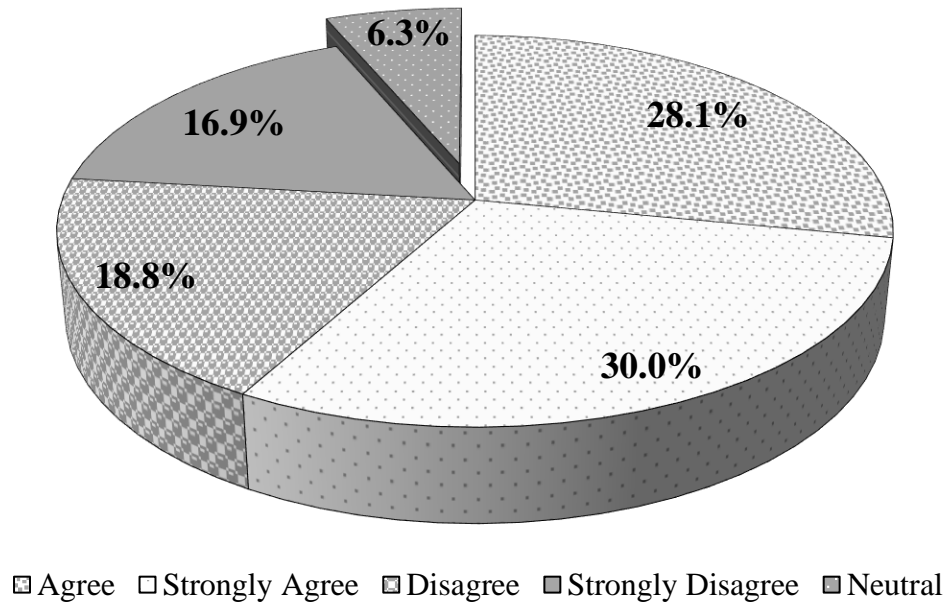


Figure 4.8 shows that a large number of respondents 30.0% strongly agreed, 28.1% agreed, 18.8 disagreed, 16.9% strongly disagreed while 6.3% were neutral on the question of whether they had issues with the allocation of resources and won't say. This study reveals that issues of the unknown exist when it comes to resource allocation which isn't revealed basically to every member of the organization. This is why Cull et al. (2019) state that resource allocation faces numerous challenges, including limited resource production scheduling; asset hazards are not assessed, and there are insufficient sufficiently qualified resources; commodity use is not maximized, timetables are unrealistic; funds are assigned irregularly, and there are too many unforeseen demands for assets; transferring funding and resources to difficulties



#### 4.6.7 Resource allocation in this MFI is based on skills and knowhow

**Table 4.20**

*Resource allocation in this MFI is based on skills and knowhow*

			<b>Valid</b>	<b>Cumulative</b>
	<b>Frequency</b>	<b>Percent</b>	<b>Percent</b>	<b>Percent</b>
Agree	27	16.9	16.9	16.9
Disagree	50	31.3	31.3	48.1
Valid Strongly Disagree	46	28.8	28.8	76.9
Strongly agree	30	18.8	18.8	95.6
Neutral	7	4.4	4.4	100.0
<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

Table 4.20 was responding to a resource allocation question that required to know if the resources were allocated based on the skills of the employees or know-how, 31.3 percent of the respondents disagreed, 28.8 percent strongly disagreed, while 18.8 percent strongly agreed, 16.9 percent agreed, and 4.4 percent were neutral.

According to Annamoradnejad et al. (2019), resource allocation and priority setting are difficult challenges for policymakers to address because they need a thorough evaluation of numerous aspects, including objective (reason) and subjective (empathetic) elements. Persad et al. (2019) stated that the criteria used to assess healthcare solutions and distribute resources are likely to have far-reaching consequences, particularly in terms of ethics.

#### 4.6.8 No one cares about resource allocation

**Figure 4.9**

*No One Cares About Resource Allocation*

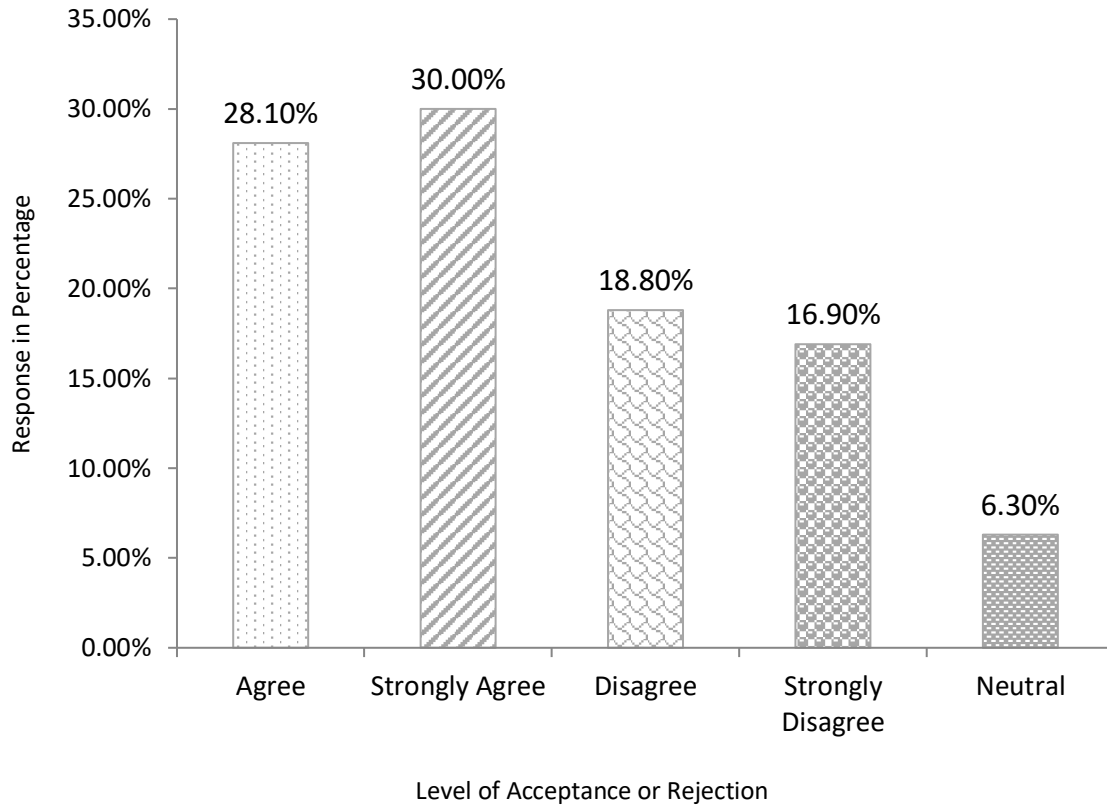


Figure 4.9 reveals that 30.0 percent of respondents strongly agreed, 28.1 percent agreed, while 18.8 percent disagreed, 16.3 percent strongly disagreed, and 6.3 percent were neutral on the issue of whether or not no one cares about resource distribution. This study, therefore, found out that a large number of the respondents either strongly agreed that no one cares about resource allocation which is done by the leaders in the higher position of the MFIs. Persad et al. (2019) argue that one's stop getting concerned about what happens in their company should a course of worry since motivation is lacking and no goals can be achieved in such situation rendering the growth of such a company a mirage.

#### **4.6.9 Influence of Religion on Social Media Usage.**

When asked if the religion of any individual in the company affected the adoption of social media usage, 88.8 percent of respondents responded yes, while 11.3 percent said no, according to Table 32. This study, therefore, found out that religion played a big role in an individual's adoption of social media since some of the religion does not encourage members to use social media terming it as an evil.

These findings are concurring with David (2013) who writes that the religion of an individual should be taken into consideration when strategies are put in place since what is accepted in India might not be accepted in England based on what one practice.

**4.6.10 The personality of an individual in this organization doesn't affect the social media usage**

**Figure 4.10**

*The personality of an individual in this organization*

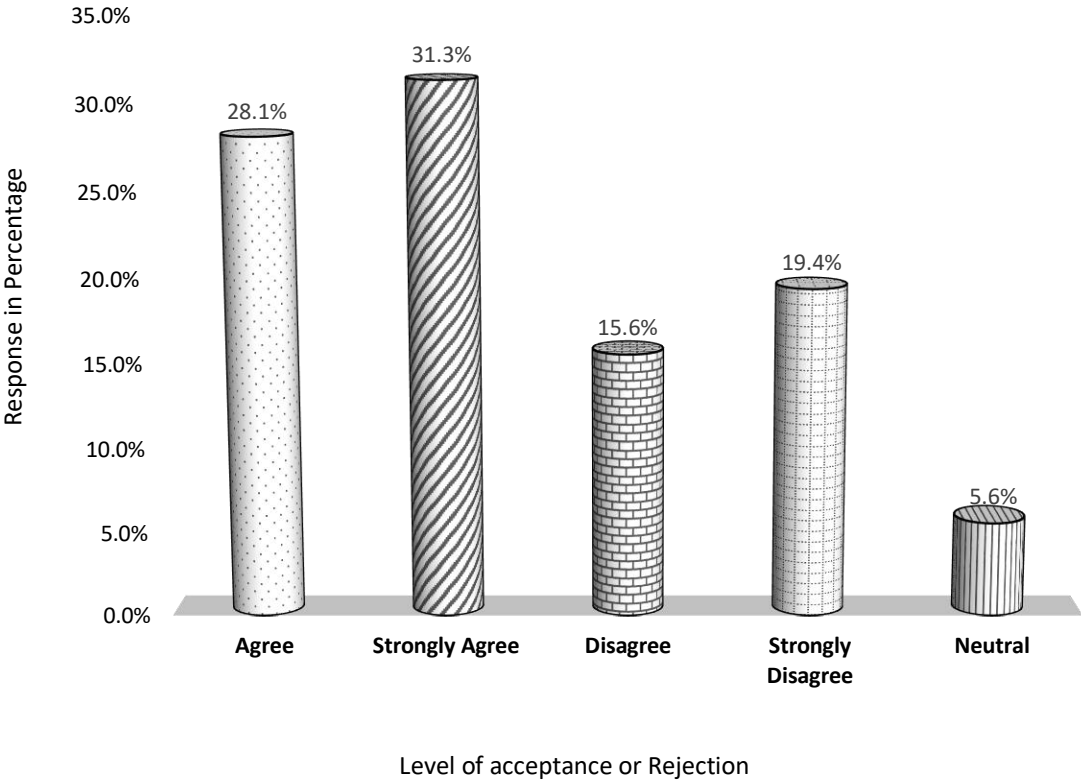


Figure 4.10 shows that 31.3 percent of respondents strongly agreed, 28.1 percent of other respondents agreed, while 19.4 percent strongly disagreed, 15.6 percent disagreed, and 5.6 percent were neutral when asked if the personality of an individual in this organization does not affect social media usage.

This study, therefore, found out that the combined percentage of those who strongly agreed and those who agreed with the statement was large compared with a

combination of those who disagreed or strongly disagreed. This study, therefore, agrees with the opinion of David (2013) who argued that individuals have their personalities classified under those who are outgoing (extroverts) and none outgoing (introverts). Many extroverts have no time in going to social media since they like expressing their feelings to an audience while introverts find the internet and being alone on the keyboard as a fulfilling act.

#### 4.6.11 The perception of an individual in this organization

**Table 4.21**

*The Perception of an individual in the Organization*

		<b>Frequen</b>		<b>Valid</b>	<b>Cumulative</b>
		<b>cy</b>	<b>Percent</b>	<b>Percent</b>	<b>Percent</b>
	Agree	52	32.5	32.5	32.5
	Disagree	18	11.3	11.3	43.8
	Strongly Disagree	26	16.3	16.3	60.0
Valid	Strongly agree	57	35.6	35.6	95.6
	Neutral	7	4.4	4.4	100.0
	<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

Table 4.21 contains responses from respondents who were asked if the perception of an individual in this organization has a significant impact on social media usage. 35.6 percent and 32.5 percent of respondents said they strongly agreed and agreed, respectively, while 16.3 percent and 11.3 percent of respondents chose to strongly disagree and disagree, and 4.4 percent said they strongly disagreed and disagreed. As a result, this suggested that an individual's opinion of social media usage had a significant impact on the adoption of its use. Elizabeth (2012) agrees with this study when she found out that perception of any new thing in the organization might be positive or negative to the wellbeing of the individual and means a lot to him or her. An individual who perceives new ideas positively is in a better place to adopt new ideas faster than one who perceives the same negatively.

#### 4.6.12 Values and the usage of social-media in these MFIs.

**Figure 4.11**

*Values and the Usage of social-media in these MFIs*

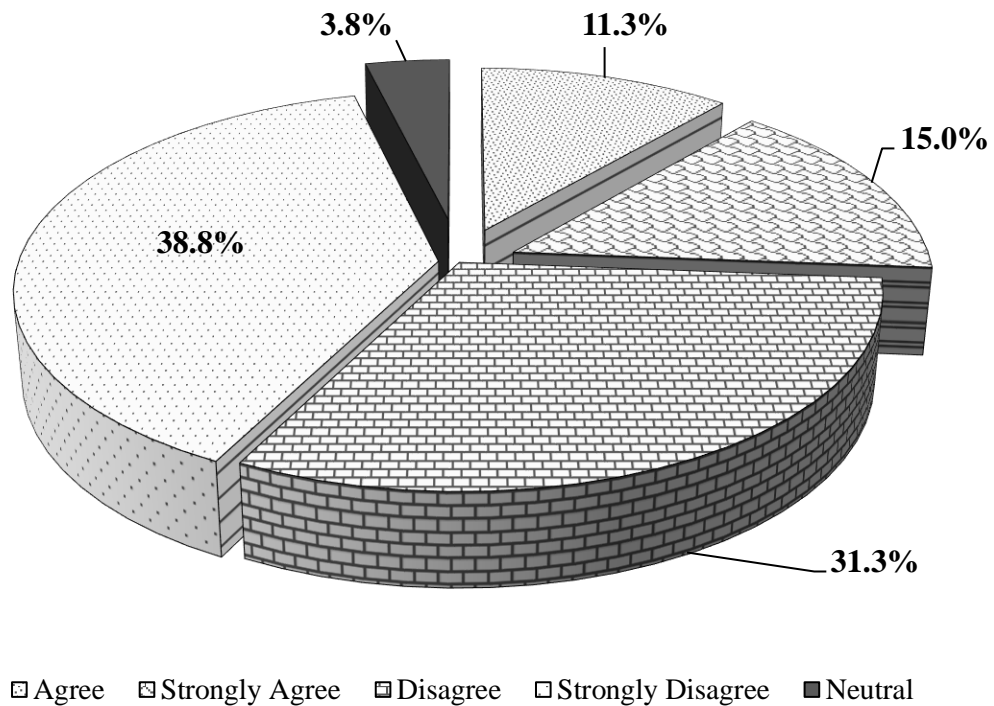


Figure 4.11 shows that 38.8 percent and 31.3 percent of respondents strongly agreed and agreed, respectively, while 15.0 percent and 11.3 percent of respondents strongly agreed and agreed, respectively. However, 3.8 percent of respondents were neutral when asked if values do not influence social media usage in this MFI. This study, therefore, found out that the respondent strongly disagreed with this statement indicating that values are preferred and that values have some effects. David (2013) said that whatever an individual values have the highest degree of success than that which he or she doesn't value.

#### 4.6.13 Employment levels and the usage of social media

**Table 4.22**

*Employment levels and the usage of social media*

			<b>Valid</b>	<b>Cumulative</b>
	<b>Frequency</b>	<b>Percent</b>	<b>Percent</b>	<b>Percent</b>
Agree	56	35.0	35.0	35.0
Disagree	14	8.8	8.8	43.8
Strongly Disagree	19	11.9	11.9	55.6
Valid Strongly agree	64	40.0	40.0	95.6
Neutral	7	4.4	4.4	100.0
<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

Table 4.22 attempted to address the issue of whether employment levels in their business influenced social media usage. 40 percent of respondents strongly agreed, 35.0 percent agreed, 11.9 percent strongly disagreed, and 8.8 percent disagreed; nevertheless, 4.4 percent of respondents were indifferent. This study therefore, found out that the combination of those who agreed and strongly agreed outweighed those who either disagreed or strongly agreed, meaning that employment levels in this organization determined the usage of social media at a great length. According to Feng et al. (2020), who agreed with this finding said that the most identified levels in an organization starting from the highest levels to the lowest have a high determination if a strategy of success has to be taken in.



**4.6.14 Organizational factors like physical facilities, leadership, and reward system have not affected the adoption of social media by employees in this organization.**

**Table 4.23**

*The effects of organizational factors; physical, leadership & reward*

		<b>Frequen</b>	<b>Valid</b>	<b>Cumulative</b>
		<b>cy</b>	<b>Percent-</b>	<b>Percent-</b>
			<b>Percent-</b>	<b>Percent-</b>
Valid	Agree	18	11.3	11.3
	Disagree	50	31.3	42.5
	Strongly Disagree	66	41.3	83.8
	Strongly agree	20	12.5	96.3
	Neutral	6	3.8	100.0
<b>Total</b>		<b>160</b>	<b>100.0</b>	<b>100.0</b>

Table 4.23 indicated that most respondents who were asked to state whether organizational factors like physical facilities, leadership, reward system do not affect the acceptance of social-media by employees in this institute and that 41.3 percent of respondents strongly disagreed, 31.3 percent disagreed while 12.5 percent and 11.3 percent strongly agreed and agreed respectively yet 3.8 percent were neutral of the given statement. This study, therefore, found that physical facilities, leadership, the reward system has a great effect on the adoption of social media usage as per most of the MFIs respondents interviewed.

#### 4.6.15 Peers understanding the usage of social media

When asked if their colleagues understood the use of social media in their company, 86.3 percent of respondents responded Yes, while 13.8 percent said No. As a result of this survey, many of the respondents were aware of what social media is or had used it at some point, regardless of frequency of usage.

#### 4.6.16 Peer and Their Beliefs on Social Media

When asked if their colleagues felt that social media usage in their job is a great evil that is utilized to eliminate some individuals from employment, 80.0 percent responded Yes and 20.0 percent said no, according to Table 36. This study, therefore, found out that many workers still believed that service innovation like social media is going to make them lose jobs and terms it as a social evil.

#### 4.6.17 Usage of social-media as a waste of time

**Figure 4.12: Usage of social-media as a waste of time and money**

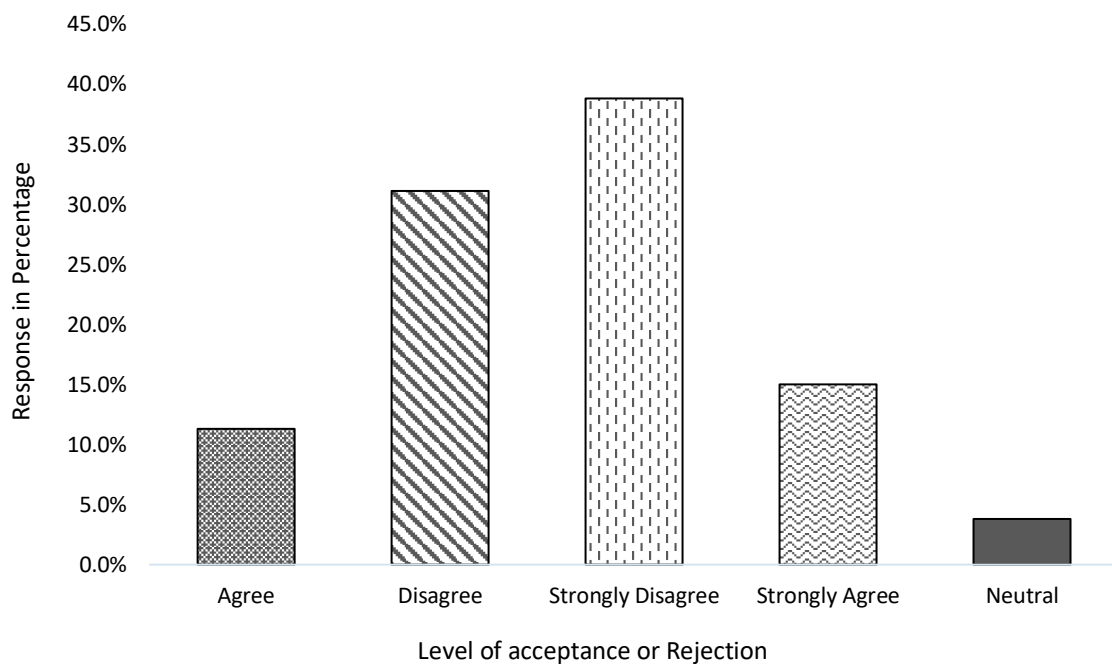


Figure 4.12 shows that 38.8 percent of respondents strongly disagreed, 31.3 percent disagreed, 15.0 percent strongly agreed, 11.3 percent agreed, and 3.8 percent were neutral on the statement requiring them to indicate whether they considered the use of social media in their organization to be a waste of time and money. As a result, this survey found that many of the respondents strongly disagreed with the assertion, with the majority of them demonstrating comprehension of social media usage.

**4.6.18 Social media is too risky for this organization since the organization might lose confidential data.**

**Table 4.24**

*Social media is too risky for this organization*

		<b>Frequen</b>		<b>Valid</b>	<b>Cumulative</b>
		<b>cy</b>	<b>Percent-</b>	<b>Percent-</b>	<b>Percent-</b>
Valid	Agree-	45	28.1	28.1	28.1
	Disagree-	25	15.6	15.6	43.8
	Strongly	31	19.4	19.4	63.1
	Disagree-				
	Strongly agree-	50	31.3	31.3	94.4
	Neutral-	9	5.6	5.6	100.0
	<b>Total-</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

According to table 4.24, 5.6 percent of respondents were neutral, 15.6 percent disagreed, 19.4 percent strongly disagreed, while 28.1 percent agreed and 31.3

percent strongly agreed with the statement requiring them to indicate if social media is too risky for their organization due to the loss of confidential data. However, Feng et al. (2020) say that the degree of loss of data is on a low note compared to the benefits social media brings to the table. More barely put is that social media have a mechanism that ensures that data which is put on them is secure, plus each organization need to come up with rules and regulation on what type of data is loaded on this social media to avoid the fear of loss in such circumstances.

### 4.6.19 Personal Experience on Social Media

**Figure 4.13**

*Personal Experience on Social-Media*

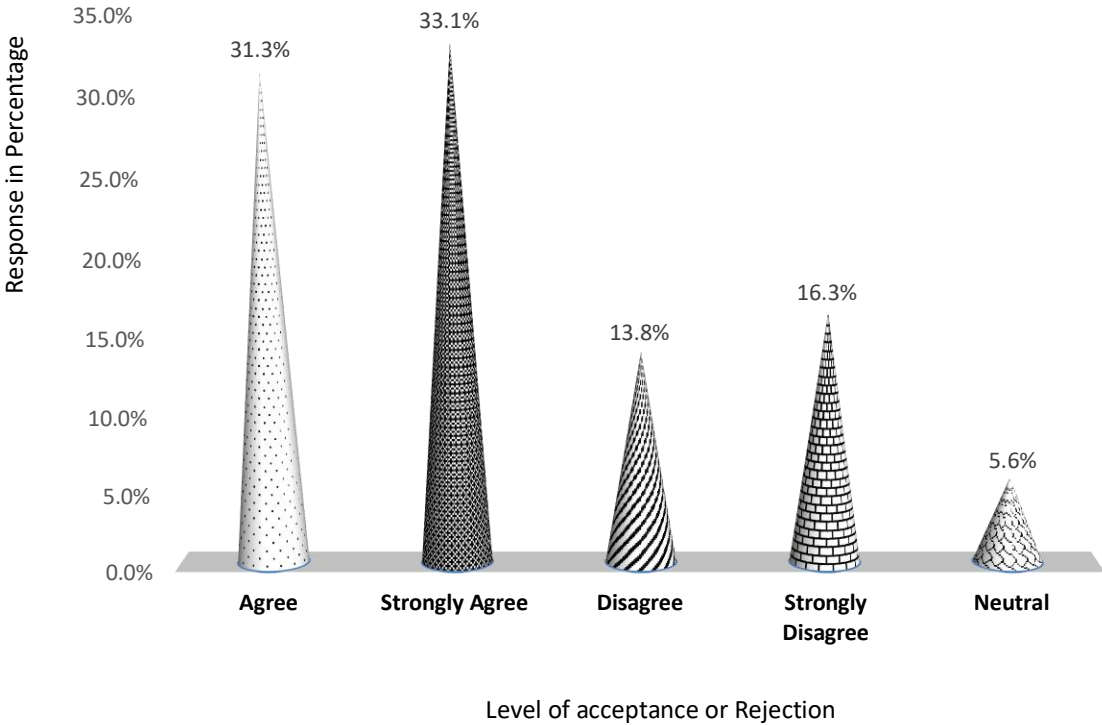


Figure 4.13 showed that 33.1 percent of respondents highly agreed, 31.3 percent agreed, 16.3 percent strongly disagreed, 13.8 percent disagreed, and 5.6 percent were neutral on whether or not social media usage was dependent on a person's experience with the technology or the system. This demonstrates that a significant majority of respondents strongly agree. This is in agreement with the findings of Parida et al. (2015) who put it that new things are hard to learn if they aren't put in the context one understands easily?

The more one uses a particular technology or machine the more he or she gains the experience on the same and at the same time, the more fear of the unknown is dissipated. Many individuals do not like to lose control of things and if technology like social media is put in a way that he or she will lose control chances are that fear will creep in and resistance will follow.

#### 4.6.20 Perceived Ease of Use (PEOU)

**Table 4.25**

*Perceived ease of use (PEOU)*

		<b>Frequen</b>	<b>Valid</b>	<b>Cumulative</b>
		<b>cy</b>	<b>Percent-</b>	<b>Percent-</b>
			<b>Percent-</b>	<b>Percent-</b>
	Agree-	55	34.4	34.4
	Disagree-	17	10.6	45.0
	Strongly-Disagree	21	13.1	58.1
Valid	Strongly-agree	58	36.3	94.4
	Neutral-	9	5.6	100.0
	<b>Total-</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>

Table 4.25 shows that 36.3 percent of respondents strongly agreed, 34.4 percent agreed, 13.1 percent strongly disagreed, 10.6 percent disagreed, and 5.6 percent were neutral on the statement asking if PEOU measures the prospective user's assessment of the mental efforts required to use the target application. As a result of this study, many of the respondents highly agreed with the stamen indicating that PEOU is a tool that can be used to assess the effort necessary to utilize the targeted application.

This was also agreed by Parida et al. (2015) who said that many applications like Facebook, SMS, WhatsApp, and others have to be measured on the level of use, efforts required and simplicity of use when it comes to such social media

application. Any discrepancies are rejected or reviewed so that they can meet these measures.

#### 4.5.22 Age and Adoption of Social Media

**Figure 4.14**

*Age and adoption of social media*

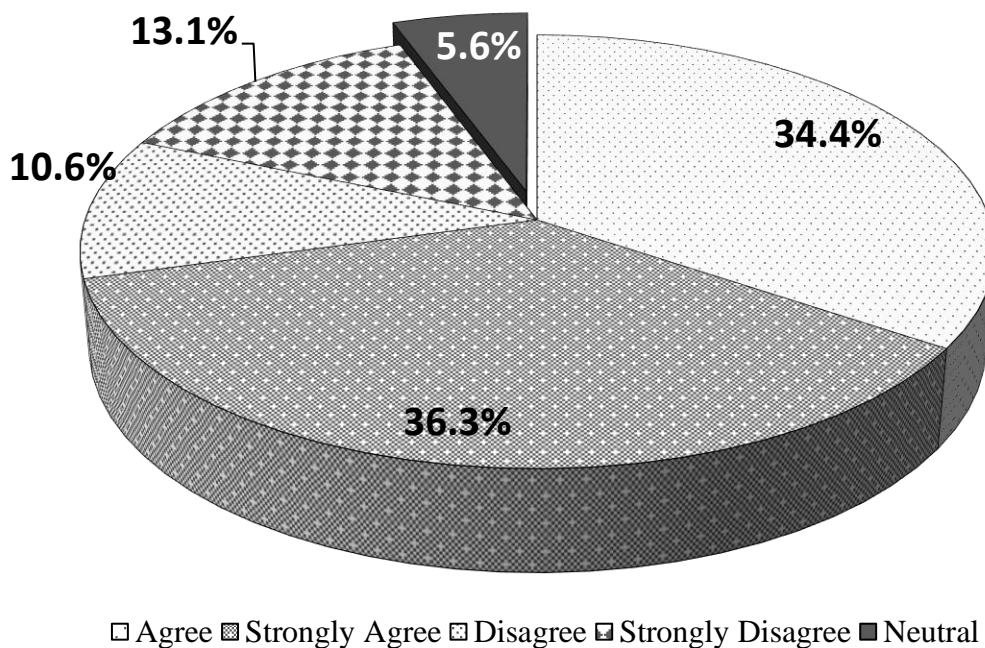


Figure 4.14 tried to address the question of whether an individual's age influences how an employee will embrace social media usage. 36.3 percent highly agreed, 34.4 percent agreed, 13.1 percent strongly disagreed, 10.6 percent disagreed, and 5.6 percent were neutral. This shows that a number of those who strongly agreed outweighed those who strongly disagreed, showing that age matters so much when it comes to social media usage.

This also agrees with the findings of Parida et al. (2015) who found out that new technology is more adopted by the younger generations than the older ones since the young ones have a better ability to understand new things and adopted them faster compared with the octogenarians who might take longer or never accept the new social norm.



#### 4.5.24 The level of education has some effect on the way one adopts social media

**Figure 4.15**

*The level of education has some effect*

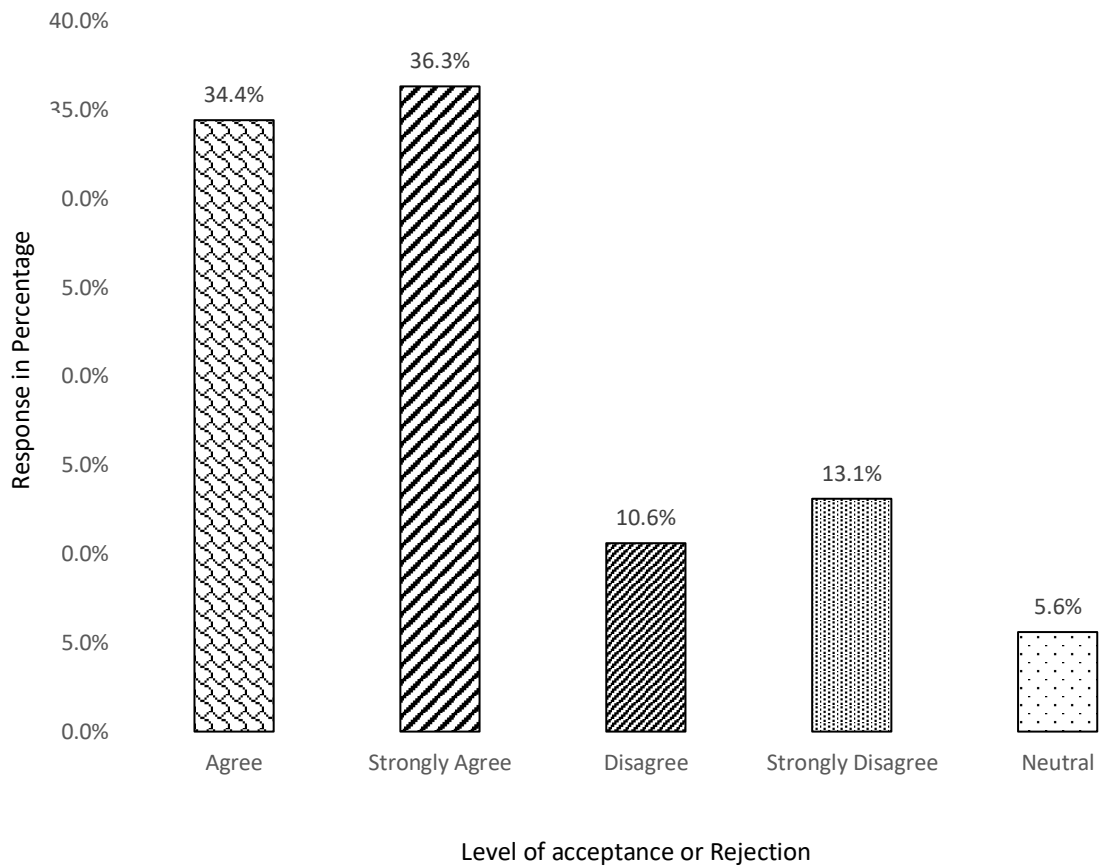


Figure 4.15 indicates that 3.1 percent of respondents opted to be neutral, 9.4 percent disagreed, 13.1 percent strongly agreed, 36.3 percent highly agreed, and 38.1 percent agreed with the item that asked them to identify if their level of education had any influence on how they use social media. Taylor and Levine (2016) claim that the degree of education has a significant impact on the acceptance of any concept in any business. The higher the degree of knowledge, the better and faster the concept and its value will be comprehended; conversely, the lower the level of education, the slower an idea will be accepted.

#### 4.5.25 Leadership does not affect how one adopts social media

**Table 4.26**

*Leadership Does Not Affect How One Adopts Social Media*

		Frequen		Valid	Cumulative
		cy	Percent-	Percent	Percent
	Agree-	19	11.9	11.9	11.9
	Disagree-	51	31.9	31.9	43.8
	Strongly-Disagree	62	38.8	38.8	82.5
Valid	Strongly-agree-	21	13.1	13.1	95.6
	Neutral-	7	4.4	4.4	100.0
	<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>	

According to table 4.26, 38.8 percent of respondents strongly opposed, 31.9 percent disagreed, 13.1 percent strongly agreed, and 11.9 percent just agreed, while 4.4 percent were indifferent. This shown that leadership has a major influence on social media usage, as acknowledged by (Toivanen, 2016) who contends that leadership plays a significant part in how a company molds itself in moving ahead and embracing new ideas.

### **Summary Analysis of Employee Adoption**

A summary of employee Adoption of Service Innovation was done. The results were categorized into two categories: agree and disagree this category, the researcher sought to evaluate whether there is a division of departments, whether there is any identified leadership style, whether resources aren't allocated equally, whether they have issues with resource allocation and whether resource allocation is based on skills and know-how among many others.

81.25 percent of the respondents agreed that there was an issue with employee adoption of service innovation, while 18.75 percent of the respondents indicated that there were no issues regarding employee adoption of service innovation on social media usage.

This result, therefore, concludes that there was an agreement that there is an issue with employee adoption of service innovation and social media usage. This is concurring with Elbanna (2010) who said that any new input or technology in any organization first meets with numerous challenges, and range from personal, values, perception, or even religious and cultural practices.

**Table 4.27**

*Reliability Statistics -Employee Adoption of Service Innovation*

Cronbach's Alpha $\alpha$ Based on		
Cronbach's Alpha $\alpha$	Standardized Items	N0. of Items
<b>0.942</b>	<b>0.948</b>	<b>23</b>

Table 4.27 displays the reliability statistics for the variable that was utilized and evaluated using the Cronbach's Alpha test. The variable of interest was employee adoption of service innovation and social media usage. The rule of thumbs up in Cronbach's Alpha test is that when the score is 0.9 or higher than or equals 0.8, the indication is that the test is good and can be relied upon in this case Cronbach's Alpha is pegged on 0.5.

Table 4.27 shows that the Cronbach's Alpha test scored .942 with Cronbach's Alpha based on standardized items scoring .948. This, therefore, is interpreted to show that the scores were excellent hence the questions used were reliable based on the subject of interest which was employee adoption of service innovation and social media usage.

**Table 4.28: Item-Total Statistics-**

	Scale Mean if-Item Deleted	Scale-Variance if Item-Deleted	Corrected Item-Total Correlations	Cronbach's Alpha if Item-Deleted
Has your organization have different divisions catering for different work?	54.2625	305.541	.448	.942
Which among the following best describes leadership styles in your organization	52.9813	300.585	.153	.948
Resources are allocated equally in all departments	52.5063	284.792	.541	.941
Resources aren't allocated in all departments equally	52.5688	282.083	.614	.940
We have issues with an allocation of resources but won't say	52.7000	287.180	.480	.942
Resource allocation in this MFI is based on skills and knowhow	52.7500	299.057	.271	.944
No one cares about resource allocation	52.7000	280.513	.636	.939
Does the religion of the individuals who work in this organization influences the adoption of social media	54.2625	305.541	.448	.942

The personality of an individual in this organization doesn't affect the social media usage	52.6688	269.041	.919	.935
The perception of an individual in this organization touches social-media usage to a great extend	52.6938	274.440	.761	.937
Values do not touch the usage of social-media in these MFIs.	52.6875	287.688	.656	.939
Employment levels in this organization regulate the usage of social-media.	52.6750	273.340	.757	.937
Organizational factors have no upshot on the acceptance of social-media by employees in this organization	52.7125	287.867	.667	.939
Does your peer understand the usage of social-media	54.2375	304.874	.465	.942
Do your peer and you believe that social media usage is grand evil which is used to eliminate some people from work	54.1750	303.164	.521	.942
I find the usage of social-media a waste of time	52.6875	287.688	.656	.939
Social-media is too risky for this organization	52.6688	269.041	.919	.935

Social-media usage depends on the person's experience with the technology or the system or not	52.6938	269.333	.882	.935
Perceived ease of use (PEOU) measures the prospective user's assessment	52.6938	270.113	.833	.936
Age upsets the way an employee will adopt social-media	52.6938	270.113	.833	.936
Age doesn't matter so much when it comes to social media usage	52.7125	284.168	.757	.938
The level of education has some effect on the way one adopts social media	52.8063	273.063	.775	.937
Leadership does not affect how one adopts social media	52.7125	284.168	.757	.938

Table 4.28 was used to compare the mean score if any item was deleted and it was found out that if question e) with .948 was deleted and which was the highest the score would have been the same on Cronbach's alpha, therefore we need not remove the question since it wouldn't affect the other scores on the same level. There is a lower score in "Corrected Item-Total Correlation" (.153) which would have a clear indication of removing question yet the based Cronbach's Alpha test score is <0.5 the score in question is .153 meaning there was no need to delete the question since it would not affect the out of reliability on the other questions.

### Summary of performance of selected MFIs

The findings of the study's dependent variable, performance, are shown were analysed. The following parameters were used to measure this variable: Service innovation has had some effects on the performance of selected MFIs, there have been moderating effects of service innovation on the performance of selected MFIs, and finally, employee adoption of service innovation has had some positive or negative effects on the performance of selected MFIs. 87.5 percent of respondents agreed that the assessed factors influenced the performance of chosen MFIs, whereas 20 percent disagreed with the assertion.

**Table 4.29**

*Summary of Reliability Analysis*

<b>Variable</b>	<b>Number of items</b>	<b>Cronbach's Alpha</b>	<b>Conclusion</b>
Social media usage	4	.935	Reliable
Service innovation	4	.894	Reliable
Moderating effects of service innovation	6	.892	Reliable
Employee Adoption of Service Innovation	23	.942	Reliable
Performance of selected MFIs	4	.905	Reliable
<b>Overall</b>	<b>41</b>	<b>.914</b>	<b>Reliable</b>



## 4.7 Testing of Linear Regression Assumptions

Linear regression assumptions are very important indicators as to how results have been arrived at and that the time assumptions are met. In this study, the assumptions are Normality, Multi Collinearity, and linearity.

### 4.7.1 Normality

The assumption in this area was measured using normality plots and statistical tests. The plots included a Q-Q plot normal P-P plot and Histogram of performance of selected MFIs

**Table 4.30: Test of Normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Performance of selected MFIs	.522	160	.000	.387	160	.000

a. Lilliefors Significance Correction

From table 4.30, the Shapiro-Wilk statistic was .387 which was closer to unity and the p-value was .00 which is constant on the measure of 0.05 showing that the null hypothesis was not rejected at all. The data was normally distributed.

**Figure 4.16**

*Normal Q-Q Plot of Performance of Selected MFIS*

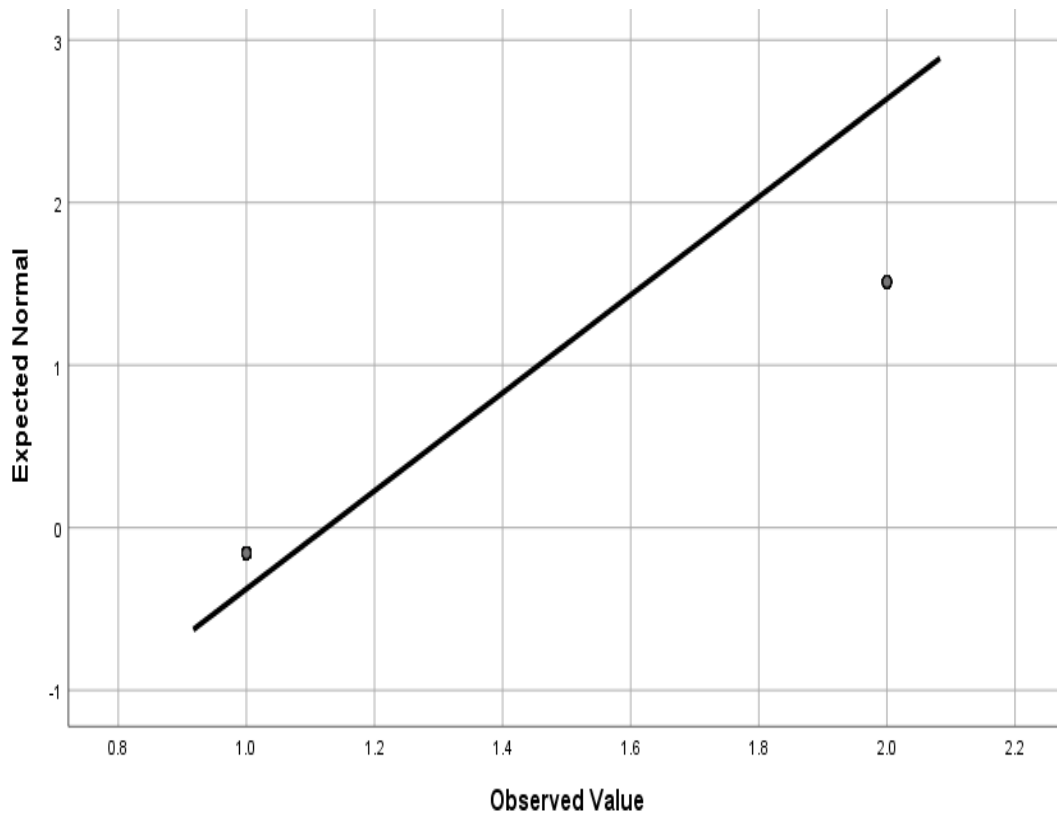


Figure 4.16 shows that the Q-Q distribution was normal since the dispersion of the point isn't far away from the normal line, hence it's proper to assume that the performance of selected MFIs is normally distributed based on the questions asked and the response given by the respondents.

**Figure 4.17**

*Normal P-P Plot of Standardized Residual*

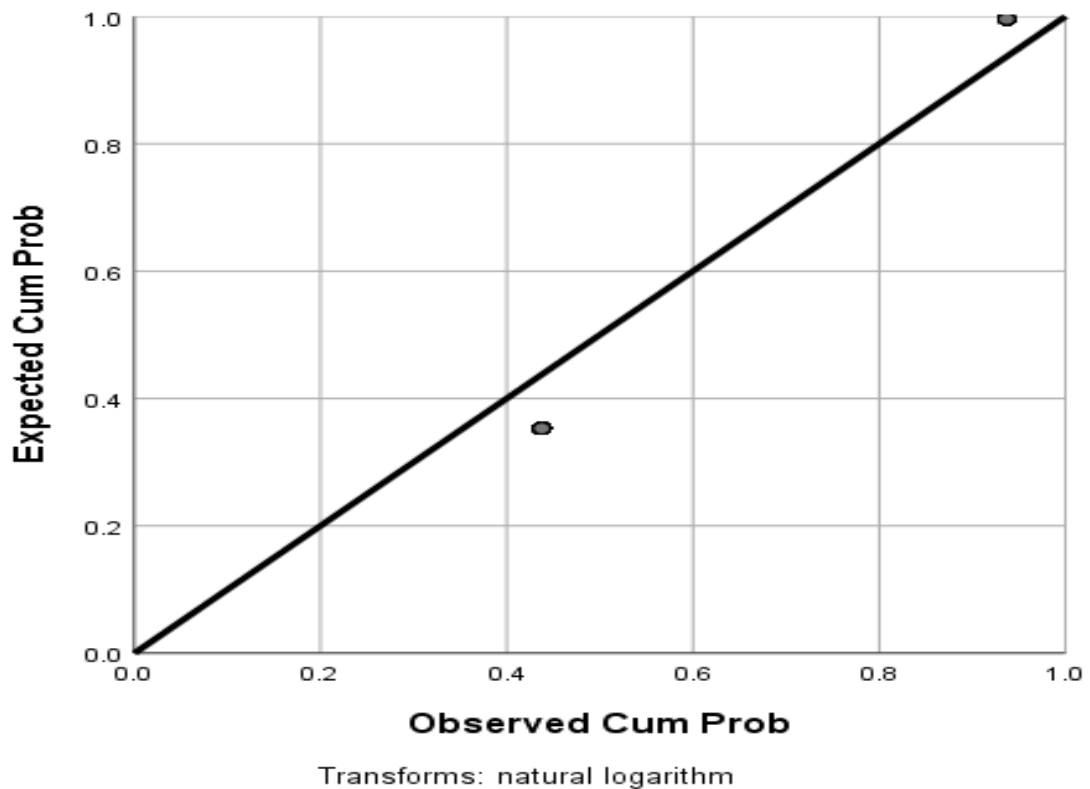


Figure 4.17 shows that the observed cumulative probability values were distributed evenly along the expected normal cumulative probability curve and this goes further to show that the data was normally distributed.

#### **4.7.2 Multicollinearity**

Linear regression requires the variables to be independent of each other by having a correlation coefficient of less than 0.7. Table 45 shows the correlational coefficients of all binary combinations of independent variables.

**Table 4.31***Correlation Matrix of All the Variables*

		<b>Social media usage</b>	<b>Service innovation</b>	<b>Moderating effects of service innovation</b>	<b>Employee Adoption of Service Innovation</b>
Social media usage	Pearson Correlation	1	.832	.713	1.000
	Sig. (2-tailed)		.000	.000	.000
	N	160	160	160	160
Service innovation	Pearson Correlation	.832	1	.856	.832
	Sig. (2-tailed)	.000		.000	.000
	N	160	160	160	160
Moderating effects of service innovation	Pearson Correlation	.713	.856	1	.713
	Sig. (2-tailed)	.000	.000		.000
	N	160	160	160	160
Employee Adoption of Service Innovation	Pearson Correlation	1.000	.832	.713	1
	Sig. (2-tailed)	.000	.000	.000	
	N	160	160	160	160

The highest correlation coefficient in Table 4.31 is 1.000 between employee adoption of service innovation and social media usage this was higher than 0.7 which is recommended by P-values and therefore there is a significant coloration between these two independent variables.

**Table 4: Coefficient's Statistics**

Model		Unstandardized		Standardized		95.0% Confidence		Collinearity Statistics		
		Coefficients		Coefficients		Interval for B		Tolerance	VIF	
		B	Std. Error	Beta	t	Sig. (P-value)	Lower Bound			Upper Bound
1	(Constant)	.333	.055		6.108	.000	.226	.441		
	Service innovation	-1.033E-16	.092	.000	.000	1.000	-.183	.183	.167	6.000
	Moderating effects of service innovation	5.472E-17	.068	.000	.000	1.000	-.135	.135	.267	3.750
	Employee Adoption of Service Innovation	.667	.075	.787	8.832	.000	.518	.816	.308	3.250

Dependent Variable: Performance of selected MFIs

Table 4.32 indicates that based on the Coefficients Output-Collinearity statistics, acquired VIF values of 3.250, 6.000, and 3.750, indicating that the VIF values obtained are between 1 and 10, there are no multicollinearity symptoms.

**Table 4.33: Collinearity Diagnostics**

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	Social media usage	Service innovation	Moderating effects of service innovation
1	1	3.888	1.000	.01	.00	.00	.00
	2	.071	7.389	.94	.01	.03	.05
	3	.030	11.459	.03	.56	.00	.43
	4	.012	18.309	.03	.42	.97	.52

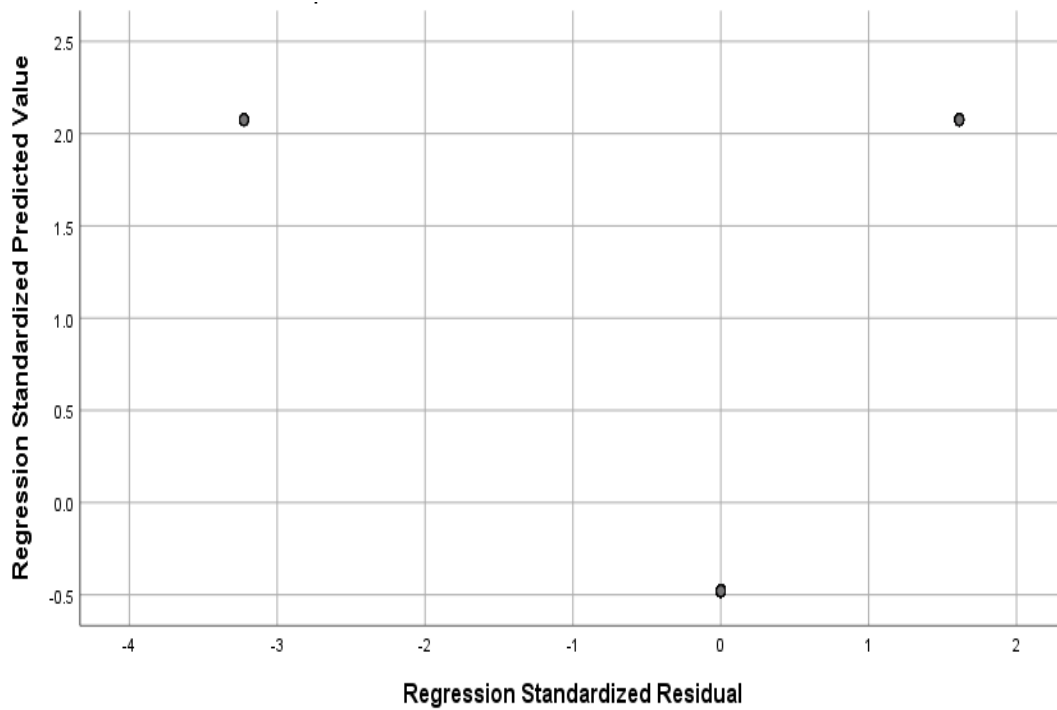
Dependent Variable: Performance of selected MFIs

Table 4.33 indicates the variance proportions of each independent variable in four dimensions. It is required that the loading for each variable be high for one dimension and low for the other variables. In this case, social media usage had one high loading in the third dimension; service innovation had one high loading in the fourth dimension, while moderating effects of service innovation had one high loading in the fourth dimension. Since at least all the variables had high loading in one single dimension which was in the fourth dimension, therefore there was no multicollinearity.

### 4.7.3: Linearity

**Figure 4.18**

*Scatter plot of regression standardized*



A close look at the scatter plot in figure 4.18 shows standard residuals were randomly distributed with a visible pattern around the standardized predicted value. This shows that the predicted data was within the original data plotted in a straight line, clear evidence of linearity in the original data of the dependent variable.

**Table 4.34: The Model-Summary**

Model	R	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
					F Change	df1	df2	
1	.787 <sup>a</sup>	.619	.20672	.619	84.500	3	156	.000

a. Predictors: (Constant), Moderating effects of service innovation, Social media usage, Service innovation, b.  
Dependent Variable: Performance of selected MFIs

Table 4.34 shows the multiple Pearson’s correlation coefficient, .787 that was purely significant to the p-value (.000, less than .05) of the F-change. The high correlation shows that the points of the predictors had a pattern along with the predicted variable as the Sig. F-change remained constant at .000

**Table 4.35***ANOVA Statistic*

Model		Sum of Squares	df	Mean Square	F	Sig. (P-Value)
1	Regression	10.833	3	3.611	84.500	.000 <sup>b</sup>
	Residual	6.667	156	.043		
	Total	17.500	159			

a. Dependents Variable: Performance of selected MFIs

b. Predictorss: (Constant), Moderating effects of service innovation, Social media usage, Service innovation

The ANOVA statistics test the null hypothesis. The predictors are not linearly related to the criterion variable at a 5% significant level. In this case the p-value .000 was constant indicating that the predicators are linear to the criterion variable.



#### **4.8 Hypothesis Testing**

The study sought to ascertain if the following variables had an impact on the performance of chosen MFIs: social media usage, service innovation, service innovation moderating effects, and employee acceptance of service innovation. The study, on the other hand, established four hypotheses based on the research's aim; a t-test was used to assess the outcome. The results are presented below;

**Table 4.36: Regression Coefficients**

Model		Unstandardized		Standardize		95.0% Confidence		Collinearity Statistics		
		Coefficients		d		Interval for B		Tolerance	VIF	
		B	Std. Error	Beta	t	Lower Bound	Upper Bound			
1	(Constant)	.333	.055		6.108	.000	.226	.441		
	Service innovation	-1.033E-16	.092	.000	.000	1.000	-.183	.183	.167	6.000
	Moderating effects of service innovation	5.472E-17	.068	.000	.000	1.000	-.135	.135	.267	3.750
	Employee Adoption of Service Innovation	.667	.075	.787	8.832	.000	.518	.816	.308	3.250

a. Dependent Variable: Performance of selected MFIs

Table 4.36 shows the results from the multiple linear regression and the results include standardized and un- standardized coefficient, t-test, p-value. P-value of less than the significant value 0.05 was the only condition for rejecting the null hypothesis of a particular variable. Table 51 summarizes the conclusions made based on the latter criteria

**Table 4.37***Hypothesis Conclusion*

<b>Null Hypothesis</b>	<b>Sig.</b>	<b>Decision</b>
H <sub>0</sub> : Social media usage has no relationship with the performance of selected MFIs	.000	H <sub>0</sub> failed to reject or accept
H <sub>0</sub> : Service innovation has no relationship with the performance of selected MFIs	1.000	H <sub>0</sub> fail to be rejected
H <sub>0</sub> : There is no moderating effect of service innovation on the relationship between social media usage and the performance of selected MFIs.	1.000	H <sub>0</sub> failed to be rejected
H <sub>0</sub> : Employees' adoption of service innovation does not affect the performance of selected MFIs.	.000	H <sub>0</sub> failed to reject or accept

As table 4.37 shows only two variables had their null hypothesis reject-with Sig. (p-value) being .000 for social media and .000 for employee adoption respectively. The rule of thumbs up is that if P-value is 0 that will indicate that the association or correlation amid the variable is constant. This revealed that perception, values, and religion influenced the use of social media in the selected MFIs, therefore mirroring their performance. Service innovation and the moderating impact of service innovation showed higher values that exceeded the suggested threshold of 0.5, indicating that their influence on the dependent variable was substantial and positive.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This section entails a summary of the findings, a conclusion, advice, and suggestions for further study.

#### 5.2 Summary of findings

The purpose of this study was to investigate the moderating effects of service innovation on related to social media usage and the performance of selected microfinance institutions in Meru County, and it was premised on assessing the relationship between social-media usage, assessing the relationship between service innovation, evaluating the moderating effects of service innovation, and establishing

The study used three theories namely; uses and gratifications theory, innovation dissemination model, and stakeholders' model to form the background of the study. According to (Johnson, 2016; Dayson, & Quach, 2016) uses and gratification theory developed by Elihu Katz and Jay Blumler as the satisfaction a person derives from using media to accomplish his desires, which explain that any media an individual uses needs to be able to accomplish what he wants to be it; entertainment, education or information and the likes.

Satisfaction is derived if the item or the thing wanted has accomplished its intention from the point of view of the user. Sarah (n.d.) proposes that the uses and gratification philosophy is a unique way of utilizing media to generate actual communications

packages if it is applied correctly. She further states that the user may be inactive or active and consume the media to accomplish their requirements and needs.

In addition, Sundar and Limperos (2013) argue that the essence of every individual to mingle with persons like household and families is a societal communicating need that result in the satisfaction of conveying communication and use the available means of communication.

The innovation dissemination theory as observed by Rogers (2014) is the progression through which an invention is transferred over assured networks over a period between the associates of a communal system and the user in between giving four rudiments necessary in dispersion advancement as time, social system, innovation itself, and communication channels.

Rogers contends that an innovation's user-perceived qualities normalize its amount of receipt, thus presenting the five characteristics of innovations in this regard as adaptability, trialability, and noticeable and qualitative benefit. It was important to highlight, however, that both ease of use and facilitating conditions are subjective qualities because they may be capable or viewed independently depending on a personality's perspectives.

Kothari (2013) defined descriptive statistics as the development of certain indices from the raw data which this current study used to analyze data. However, coloration analysis was done with the aid of SPSS (version 26.0) producing data that was able to get to understand the relationship between independent variable (social media usage, employee adoption), moderating variable; (Service Innovation), and dependent variable; (performance of selected MFIs), this, therefore, assisted the study to get its direction,

motive, and strength that established the relationship between the three different variables used (independent, moderating and dependent).

Social media has been in operation for a long time in some of the MFIs, as evidenced by 50 percent of the respondents who said that the MFIs were in operation for 5 to 10 years, which resulted in them identifying WhatsApp groups and SMS as a choice of 37.5 percent and 31.3 percent of the respondent said as some of the social media used the reason for use of these social media application was established as ease of use. As a result of this use, the MFIs had realized between 2000 and 6000 followers which gave the company customer acquisition of between 1000 and 5000.

Service innovation was found to be having an impact on performance since over 75percent of the respondents said yes and that branch banking and ATM use were some of the service innovations realized in the last three years. To test the reliability of the question used to conclude that the questions used to arrive at results and revelations, C. Alpha notch was .894 and C. Alpha Grounded on consistent items was 0.93 agreeing with the findings that they were reliable.

The moderating effects of service innovation on social media usage were found that 68.8percent of the respondents agreed that service innovation brought investment to some of the selected MFIs. This conclusion aligns with Agarwal and Prasad (2015), who said that successful exploitation of new ideas is critical to a business's ability to enhance its operations.

According to Baum and Korn (2010), the importance of departments to an organization depends mainly on two factors, size and complexity. This study found out that 88 percent of the respondents agreed that there are departments in their MFIs yet they lack better

leadership style has hampered the development of the same MFIs since 43.8 percent of the respondents indicated, authoritarian leadership is practiced. This revelation is discouraged by many scholars like (Blavy et al., 2014) who opined that the authoritarian leadership style is focused solely on the leader.

Yet, Carneiro et al. (2017) disagree by stating that authoritarian leadership has the advantage of decisions being reached quickly and so no wastage of time a good authoritarian leader implements decisions on the fly. According to Carneiro et al. (2017), resources are known to be scarce and allocation of the same is a challenge in any organization.

The findings of this study were in agreement with Carneiro et al. (2017) where 28.8 percent strongly agreed and 21.9 percent that resources aren't allocated equally. This discovery is agreed by (Charitonenko and Campion, 2013) who found out that resources are never allocated equally in all departments since the allocation is sometimes based on priority and preference of the leadership in a given company.

Therefore, allocation of social media resource might not be a priority considering that this study also discovered that leadership in most of the selected MFIs understudy were authoritarian. Religion, personality, perception, values, employment levels, age, and leadership play an important role when it comes to social media usage as revealed in this study hence affecting the performance of many of the MFIs.

### **5.3 Conclusions**

This research study established that social media is practically applicable because of how easy it is in usage and how many customers prefer it to the traditional way banks and financial institutions have been operating.

This study also discovered that there is significant evidence that service innovation impacts the performance of many MFIs, implying that there is a link between this independent variable and performance as the dependent variable in this research work.

The study also demonstrated that employee's adoption of service innovation depended on many factors including; a) religion, b) personality, c) perception, d) values, e) level of employment in the organization, and f) leadership.

### **5.4 Recommendations from research findings**

Microfinance Institutions are functioning in a highly dangerous climate these days, with competition coming from all directions, including conventional banks, SACCOs, shylocks, and electronic money lenders utilizing digital apps. This necessitates a paradigm shift that will allow them to compete and perform better financially. This will be impossible to achieve if the leadership remains entrenched in the old methods of doing things.

This study, therefore, recommends service innovation like social media users need to be encouraged since a large percentage of potential customers are spending their time on social media applications than traditional walk-in services.



Another recommendation is that it's important to develop ways that will encourage customers, employees, and stakeholders to be part of the whole system in this way every stakeholder will be in a position to utilize their potential to the growth of the organization.

The study also acknowledges that differences in religion, perception, values, age exists among another employee. These are things that are restricting them not to adopt service innovation in the organization therefore the study is recommending that MFIs should find ways that they can be handled with the view that the most important factor of bringing everyone on board is the goals and visions of the company.

### **5.5 Recommendations for further research**

This research study suggests that more research be conducted in other MFIs and SACCOS that are not operating in Meru County to determine whether the same element of understudy in this present study applies to them or not.

The report also suggests more research into the implications of social-media use in the workplace on employee performance.

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## **APPENDICES**

### **APPENDIX I: INTRODUCTION LETTER**

**David Muriithi Ireri**

Phone: 0723753175

#### **TO WHOM IT MAY CONCERN**

Dear Sir/Madam,

#### **RE: REQUEST TO UNDERTAKE ACADEMIC RESEARCH AT YOUR INSTITUTION**

I am currently undertaking a Master's Degree in Business Administration at Kenya Methodist University and one of the requirements for completing the course is to undertake a research project within the relevant field.

It is through this requirement that I am humbly requesting your good office to consider me and grant me an opportunity to collect data from your institution as a partner in the finance industry. My research topic is the effect of social media usage on the performance of microfinance institutions; the moderating effects of service innovation.






Your Consideration of my request will be appreciated. The information gathered will be handled with high confidentiality to uphold your organizational operations.

Thank you for your continued support. Attached please find the questionnaires that I intend to use in data collection.


Yours Faithfully,

**David Muriithi Ireri**

## APPENDIX II: RESEARCH PERMIT

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Ref No: <b>783223</b>	Date of Issue: <b>04/September/2020</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Mr., David Muriithi Ileri of Kenya Methodist University, has been licensed to conduct research in Meru on the topic: THE MODERATING EFFECTS OF SERVICE INNOVATION ON THE RELATIONSHIP BETWEEN SOCIAL MEDIA USAGE AND PERFORMANCE OF SELECTED MICROFINANCE INSTITUTIONS IN MERU COUNTY for the period ending : 04/September/2021.</b>	
License No: <b>NACOSTI/P/20/6469</b>	
783223 Applicant Identification Number	 Director General <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Verification QR Code	
	
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## APPENDIX III: PUBLICATION CERTIFICATE

  
Peer Reviewed Journal & book Publishing

**Publication Certificate**

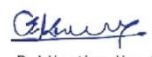
STRATFORD PEER REVIEW JOURNAL & BOOK PUBLISHING

Is hereby awarding this certificate to  
David Muriithi Ireri

In recognition of the publication of the paper entitled  
Relationship between Social Media Usage and the Performance  
of  
Selected Microfinance Institutions in Meru County  
Which has been published in  
Vol 5 No 1 (2021)

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Publication Head,  
STRATFORD PEER REVIEW JOURNAL & BOOK PUBLISHING

## APPENDIX IV: QUESTIONNAIRE

You are requested to respond to each question truthfully. Please do not write your name anywhere on this questionnaire. Respond by putting a tick (✓) in the box next to your correct answer and fill the blank spaces

### SECTION A: Social media usage and the performance of Selected MFI

- 2 How long has this microfinance been in operation?
- 0-5 years
  - 5-10 years
  - 10 and Above
- 3 Which one of the following social media platforms are commonly used in your company?
- Facebook
  - Twitter
  - LinkedIn
  - WhatsApp Group
- 4 Averagely what is the number of followers, has the microfinance had in the last three years
- | <u>Year</u> | <u>Number</u> |
|-------------|---------------|
| • Year 2016 | _____         |
| • Year 2017 | _____         |
| • Year 2018 | _____         |
- 5 What are some of the reasons that have made this company use social media?
- \_\_\_\_\_
- \_\_\_\_\_
- 6 Averagely, what is the number of new customers that the company has acquired through social media in the periods indicated?

		<b>Number</b>	<b>Company's Number</b>	<b>Average</b>
(a)	Year 2016	500 – 1000		
(b)	Year 2017	1000 – 1500		
(c)	Year 2018	1000 – 1500		

### SECTION B: Service innovation and the performance of MFIs

- (1) Indicate some of the service innovations that your company has had in the last 3 years

- Branch Banking ()
- Automatic Teller Machine (ATM) ()
- Telephone ()
- Real Time Gross Settlement System(RTGS) ()
- Relationship Banking Through Social Media ()
- Telephone Banking ()

(2) Identify how frequently customers use the service innovation practices that were available in their

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(3) Is there a relationship between service innovation and the performance of MFIs

- i. Yes ()
- ii. No ()

(4) What are some of the service innovations activities should your company engage in to improve financial performance

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**SECTION C: Moderating effects of service innovation on social media usage**

According to you what your perception of service innovation

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Has service innovation brought any investments?

- i. Yes ()
- ii. No ()

Indicate with a choice of A – Agree, D = Disagree, SD = Strongly Disagree, SA=strongly agree N=Neutral on the following statements.

	<b>Statement</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>SA</b>	<b>N</b>
a)	Service innovation has not enabled the economic growth of this microfinance					
b)	Service innovation has enabled the economic					

	growth of this microfinance					
c)	We don't need service innovation					
d)	Service innovation will make us loss jobs					

- What are some of the cost measures put in place as strategic management in your organization?

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**SECTION D: Employee Adoption OF SERVICE INNOVATION AND SOCIAL MEDIA USAGE**

- Organization Dynamic  
Has your organization had different divisions catering for different work?  
i. Yes ( )  
ii. No ( )

Kindly mention any of the divisions \_\_\_\_\_

Describe how your goals in this organization are followed up and executed?

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Which among the following best describes leadership styles in your organization

- a) Authoritarian Leadership. ( )
- b) Participative Leadership. ( )
- c) Delegative leadership. ( )
- d) Transactional leadership. ( )
- e) Transformational Leadership. ( )

Indicate with a choice of A – Agree, D = Disagree, SD = Strongly Disagree, SA=strongly agree N=Neutral on the following statements based on resource allocation in your MFIs.

	Statement	A	D	SD	SA	N
a)	Resources are allocated equally in all departments					

b)	Resources aren't allocated in all departments equally					
c)	We have issues with the allocation of resources but won't say					
d)	Resource allocation in this MFI is based on skills and knowhow					
e)	No one cares about resource allocation					

- Individual influences

What are some of the individual factors that affect the adoption of social media usage in your organization?

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Does the religion of the individuals who work in this organization influences the adoption of social media

- i. Yes      ( )
- ii. No      ( )

Indicate with a choice of A – Agree, D = Disagree, SD = Strongly Disagree, SA=strongly agree N=Neutral on the following statements based on individual influence in your MFIs.

	<b>Statement</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>SA</b>	<b>N</b>
a)	The personality of an individual in this organization doesn't affect the social media usage					
b)	The perception of an individual in this organization affects social media usage to a great extend					
c)	Values do not affect the usage of social media in these MFIs.					
d)	Employment levels in this organization determine the usage of social media.					



e)	Organizational factors like physical facilities, leadership, reward systems have not affected the adoption of social media by employees in this organization					
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- Social Aspects

1. Does your peer understand the usage of social media in this organization?

i. Yes ( )

ii. No ( )

2. Do your peer and you believe that social media usage is grand evil which is used to eliminate some people from work

i. Yes ( )

ii. No ( )

Explain.....

Indicate with a choice of A – Agree, D = Disagree, SD = Strongly Disagree, SA=strongly agree N=Neutral on the following statements based on the social aspect in your MFIs.

	Statement	A	D	SD	SA	N
a)	I find the usage of social media in this organization as a waste of time and money					
b)	Social media is too risky for this organization since the organization might lose confidential data.					
c)	Social media usage depends on the person's experience with the technology or the system or not					
d)	Perceived ease of use (PEOU) measures the prospective user's assessment of the mental efforts required of the use of the target application					

- Demographic

Indicate with a choice of A – Agree, D = Disagree, SD = Strongly Disagree, SA=strongly agree N=Neutral on the following statements based on demographics in your MFIs.

	<b>Statement</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>SA</b>	<b>N</b>
a)	The age of an individual affects the way an employee will adopt social media usage					
b)	Age doesn't matter so much when it comes to social media usage					
c)	The level of education has some effect on the way one adopts social media					
d)	Leadership does not affect how one adopts social media					

**The end**

## APPENDIX V: TIME PLAN

Activities	The year 2019 - 2020					
	Dec - Jan	Feb - March	April-Jun	July	Aug	Sept-Oct
Preparation of the topic to be studied						
Working on the variables and preparation of chapters one to three						
Submission of proposal for assessment						
Defense and Correction of errors in chapters 1,2 and 3 after defense						
Conducting research						
Final submission of the final corrected copy of the research proposal						

## APPENDIX VI: BUDGET

<b>ITEMS</b>	<b>AMOUNT (SHS)</b>
Payment to the National library as the registration to use their library facilities	2500/=
Research on internet	18,500/=
Typesetting of the document and Consultation fees	45,500/=
Printing the first copy before correction of errors	10,500/=
Expenses for literature data collection from different sources	10,000/=
Transportation expenses	18,000/=
Miscellaneous expenses during the course of research	40,500/=
<b>Total</b>	<b>145,500/=</b>