

**INFLUENCE OF SELECTED HUMAN RESOURCE MANAGEMENT PRACTICES
ON PERFORMANCE OF MICROFINANCE INSTITUTIONS IN NAIROBI
COUNTY, KENYA**

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DECLARATION AND RECOMMENDATION

I declare that this research thesis is my original work and has not been presented in any other university.

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ABSTRACT

Strategic alignment of HR functions such as recruitment process, training development program, competitive reward systems, and employee participative mechanism with organizational goals significantly boost operational efficiency, employee satisfaction and long-term competitiveness particularly within financial services sector. Despite extensive literature on HR practices, significant conceptual, contextual and methodological gaps persist, especially concerning their application in microfinance sector. The study focused on four key HR dimensions: recruitment process, training development program, competitive reward system and employee participative mechanism. A correlational research design was adopted, targeting 10 MFIs licensed by Central Bank of Kenya as the unit of analysis. The unit of observation were 247 employees working in MFIs. Using stratified random sampling and Taro Yamane's formula, 153 respondents were selected. Data collection was collected using both Google Sheets and physical questionnaires. Quantitative data was analyzed using descriptive statistics (frequency, mean, and standard deviation) and inferential methods, particularly multiple linear regression and correlation analysis at a 0.05 significance level. Qualitative data from open-ended questions were analyzed using content analysis. The study findings revealed significant and positive relationship between HR practices and MFI performance. The study concluded that HR practices have significant influence on MFI performance in Nairobi County, Kenya. The study recommended that MFIs strengthen their recruitment processes to attract top talent that aligns with organizational goals, MFIs should focus on developing tailored training programs to enhance employee skills and improve performance, MFIs need to establish robust reward systems that include both financial and non-financial incentives to motivate employees and boost performance, the study recommended encouragement of Employee participative mechanisms in decision-making to bolster organizational performance. Future research could investigate further the role of organizational culture and its influence on HR practices and performance outcomes, Examining how different cultural aspects within MFIs influence employee motivation, satisfaction, and overall performance could offer valuable insights.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
CFA	Confirmatory factor analysis
HRP	Human resource practices
MFIs	Microfinance institutions
SPSS	Statistical Package for Social Sciences
USA	United States of America

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Understanding organizational performance is important in enabling organizations to improve their procedures and processes to meet their missions and goals. Importantly, identifying organizational performance helps firms to identify new opportunities for improvement, thus enabling them to compete effectively (Anwar & Abdullah, 2021). Performance is the ability to operate efficiently and improve profitability to survive and grow in the environment. Performance is measured by assessing how organizations can use their resources to achieve their objectives. As such, the performance measures the attainment achieved by the individuals or the teams in the organization. Performance is evaluated by financial or non-financial means, whereby the financial measures include the use of various financial ratios to understand the patterns over time or to compare the results with those of other competitors in the market. The non-financial measures include employee satisfaction, operational efficiency, and customer satisfaction (Kalogiannidis, 2021).

A firm's human resource enables it to navigate the intricate business environment by ensuring that the human capital is used optimally to create value. Importantly, effective human resource management in a firm enables it to compete effectively (Omwanza & Jagongo, 2022). Human resource management(HRM) is the policies, procedures, and practices that enable an organization to improve its human capital. The effective management of the organization's employees enables it to achieve its goals, thus improving its performance. Human resources is responsible for motivating the employees and creating the right environment for the employees to work. Several studies have shown that HRM has a positive impact on the

organization's performance. Motivated employees can translate their skills to serve their customers effectively, thus improving the organization's performance (Al-Tarawneh, 2020).

The main goal of effective HRM is to help firms in their goals by investing in the right human capital. Human resource managers can achieve organizational goals through human resource functions such as planning, recruiting the right employees, developing the employees, motivating them, and using performance reviews to ensure the employees can meet their standards (Muriithi & Muigai, 2020). Thus, HRM is an essential component of the firm's performance and growth. Importantly, firms can leverage human resource management to ensure they can meet the current needs in the market by using their skilled workforce to serve their customers and other stakeholders (Kalogiannidis, 2021).

1.1.1 Global Perspective of Human Resource Practice and Performance

Microfinance institutions (MFIs) play a critical role in supporting financial inclusion, especially within urban areas like Nairobi City County. These institutions provide essential financial services to underserved populations, helping to stimulate entrepreneurship, support small businesses, and contribute to poverty reduction (Markoulli et al., 2021). The performance of MFIs can be measured through various indicators such as loan repayment rates, customer satisfaction, employee retention, and profitability, which collectively determine their sustainability and impact. For MFIs to achieve these performance goals, effective human resource (HR) practices are essential, as they help create a skilled and motivated workforce capable of addressing clients' needs and managing financial services efficiently (Anwar & Abdullah, 2021).

Globally, HR practices have been embraced by firms as critical tools for achieving organizational success, with notable examples in the United States. Here, selective hiring is a

prevalent practice where organizations carefully choose candidates that align with the company's culture and strategic objectives, thereby contributing to improved organizational outcomes (Hamadamin & Atan, 2020). In addition to recruitment, many firms in the U.S. invest heavily in compensation policies, information sharing, and decentralized decision-making to foster employee commitment and performance. Training is also prioritized to enhance workforce skills, a practice essential for sectors like microfinance, where knowledgeable employees directly impact client satisfaction and service delivery (Cooke et al., 2021).

In Canada, HR practices are similarly influential, as organizations seek to compete in highly dynamic markets by investing in workforce quality. Many Canadian firms provide extensive employee training to improve performance, yet face challenges related to turnover, as skilled employees often become attractive to other organizations (Markoulli et al., 2021). To mitigate this, organizations frequently implement contractual agreements that retain talent for a specified period post-training, ensuring they reap benefits from their investment in human capital. This approach can be valuable for MFIs in Nairobi City County, where retaining skilled staff can significantly enhance customer interactions and operational efficiency, especially as employees build trust with clients over time (Anwar & Abdullah, 2021).

In Australia, HR practices are essential to organizational performance through well-defined recruitment and selection processes. Australian firms emphasize hiring individuals who are both technically capable and aligned with company culture to maintain high levels of workplace morale and productivity (Hamadamin & Atan, 2020). Additionally, Australian HR managers strive to balance individual and organizational goals, recognizing that employees highly value work-life balance and often prioritize it over pay. Consequently, firms

increasingly offer flexible working arrangements to attract and retain talent. For MFIs in Nairobi City County, adopting similar practices could lead to a more engaged workforce, capable of delivering high service standards to clients while enhancing operational outcomes (Cooke et al., 2021).

1.1.2 Regional Perspective of Human Resource Practice and Performance

Microfinance Institutions (MFIs) provide essential services that help the poor in society, especially in developing economies. In Nairobi City County, the performance of MFIs is critical to economic growth and poverty alleviation, as these institutions empower individuals and small businesses by offering loans, savings, and insurance products. Performance metrics for MFIs include loan repayment rates, customer retention, portfolio growth, and profitability. To sustain their performance, these institutions are increasingly utilizing human resource (HR) practices as strategic tools to enhance competitiveness and service delivery in a crowded market. Key HR practices like training, employee motivation, and supportive work environments are important for achieving organizational goals and improving productivity (Mbugua & Kinyua, 2021).

In Nigeria, for example, HR practices such as training, development, and reward systems are widely employed to enhance employee performance in competitive sectors. Employee dissatisfaction resulting from poor working conditions and organizational instability significantly affects workforce productivity. As a result, Nigerian firms are investing in stable, supportive work environments to improve employee engagement and drive productivity. While some sectors, like finance and technology, have adopted these HR practices extensively, others, such as construction and the informal sector, have been slower to incorporate strategic HR practices. These gaps underscore the potential impact of targeted HR

practices on MFI performance, suggesting that a focus on stable work environments and employee development can enhance productivity and service delivery (Aboramadan et al., 2020).

In South Africa, HR practices are essential for the success of private firms that must compete with multinational corporations. Private sector firms employ incentives such as employee involvement, skills development, and flexible working hours to attract top talent and establish a competitive edge. Additionally, diversity and inclusion initiatives are implemented to draw from a broad talent pool, fostering innovation and improving organizational performance. However, the public sector still faces challenges such as corruption, low motivation, and toxic work cultures, which hinder effective HR practices. These insights suggest that MFIs in Nairobi City County could benefit from adopting similar HR practices, particularly diversity and inclusion, and employee empowerment to enhance staff commitment and organizational performance (Nwachukwu & Chladkova, 2021).

In Uganda, human resource practices focus on implementing systems that attract, develop, and retain a capable workforce. Ugandan firms commonly use performance metrics to evaluate individual contributions to organizational goals, with performance appraisals and reward systems playing a significant role in motivating employees. Aligning HR policies with organizational performance goals helps drive success and engagement. This approach serves as a model for MFIs in Nairobi, indicating that structured performance appraisals and rewards can boost employee productivity and commitment to organizational objectives (Gile et al., 2022).

1.1.3 Local Perspective of Human Resource Practice and Performance

Microfinance Institutions (MFIs) are important in the provision of financial services to SMEs and low-income households, particularly those underserved by traditional banking institutions. These financial entities contribute to poverty alleviation and economic growth, reaching approximately 1.3 million SMEs and supporting nearly two million jobs within Kenya's informal economy, representing a considerable 20% of the country's total employment (Apalia, 2022). Their contribution of around 18% to Kenya's GDP and 25% to non-agricultural income highlights their significance in financial sector development (Owino & Kibera, 2021). As of 2022, Nairobi County hosted 59 registered MFIs, many of which have scaled into regulated institutions like banks, demonstrating their impact on Kenya's financial inclusion efforts (Muithya & Muathe, 2020). Given their substantial influence, the performance of MFIs is vital for achieving Kenya's economic development goals.

The performance of MFIs, particularly in Nairobi County, is closely tied to their ability to address the growing demand for microfinance services amidst a range of operational challenges. The rapid expansion of the sector has resulted in increased workloads for employees, who must manage high volumes of clients, which can affect service quality if not adequately supported. Consequently, implementing effective human resource (HR) practices has become essential for MFIs to enhance employee productivity and organizational performance (Omwanza & Jagongo, 2022). MFIs increasingly depend on HR practices to build a capable workforce that can meet operational demands and sustain growth, underscoring the strategic value of HR in improving MFI performance and client satisfaction.

In Kenya's competitive labor market, MFIs must adopt comprehensive HR to acquire the most talented workforce that contributes to organizational success. Key HR practices, such as talent

acquisition, the training of employees, and flexible work policies, are essential in fostering a conducive environment in the workplace that maximizes employee potential and satisfaction (Mbugua & Kinyua, 2021). These HR practices serve as a foundation for continuous skill development and enable organizations to retain talent amidst labor market competition, ultimately leading to improved productivity and institutional growth (Kilel, 2022). As MFIs increasingly compete for skilled talent, HR practices have become a central pillar in sustaining their operational effectiveness.

The professionalization of HR roles in Kenya reflects the growing recognition of HR as a strategic function that goes beyond administrative tasks. Historically, HR departments focused primarily on payroll and administrative duties, but modern HR roles have expanded to include policy formulation, organizational development, and branding. This shift has been accompanied by the establishment of certification requirements for HR practitioners, promoting professionalism and enhancing the role of HR in shaping an organization's public image (Kilel, 2022). By fostering a strong brand, organizations are better equipped to get top talent, reinforcing the alignment between HR practices and organizational performance in the evolving HR landscape.

Outsourcing HR functions is another strategic approach that is increasingly prevalent in Kenya, especially within the private sector. Companies now collaborate with private HR agencies to streamline recruitment and selection, enabling them to identify candidates who are well-suited to their organizational culture and goals. This outsourcing approach helps MFIs maintain high standards in HR management and secure the best talent for their unique needs, directly contributing to higher employee productivity and organizational performance (Anwar & Abdullah, 2021).

The implementation of HR practices within Kenya's financial sector has demonstrated its importance in bolstering employee productivity and organizational performance. In MFIs, HR practices such as employee motivation, competitive compensation, and work-life balance have shown measurable impacts on employee satisfaction and productivity, which, in turn, lead to enhanced client service and stronger organizational performance (Owino & Kibera, 2021). Through these HR investments, MFIs align with broader economic goals, contributing to Kenya's financial inclusion objectives and providing essential support to underserved communities and small businesses.

The economic and social impacts of MFIs underscore their importance to Kenya's broader developmental goals. The Central Bank of Kenya is critical in regulating MFIs to ensure adequate capitalization, risk management, and client protection, given the potential risks associated with deposit-taking and lending activities. Despite regulatory support, the high demand for MFI services poses a significant challenge, as employees must balance regulatory compliance with the need to serve a vast and diverse client base. This context highlights the importance of strong HR practices in enabling MFIs to manage workloads, maintain service quality, and meet regulatory standards, thus supporting sustainable growth and resilience (Muithya & Muathe, 2020).

Human resource practices, therefore, are central to addressing the unique challenges that Kenyan MFIs face in sustaining performance and growth. By implementing comprehensive HR strategies such as training, recruitment, compensation, and flexible work environments, MFIs are better positioned to enhance productivity, client satisfaction, and overall organizational performance.

1.2 Statement of the Problem

Over the past five years, Microfinance Institutions (MFIs) in Nairobi County have experienced a noticeable decline in customer satisfaction down by 7% indicating eroding client confidence and loyalty (Khassawneh & Abaker, 2022). Compounding this challenge, MFIs currently hold just 14% of the financial services market share in Nairobi, dwarfed by the dominance of commercial banks and SACCOs. A survey highlighted stagnation in MFI loan product diversity, suggesting an inability to adapt to evolving customer needs. These indicators point to performance shortcomings that threaten the sustainability and competitiveness of MFIs in Nairobi, prompting urgent calls from researchers and policymakers for strategic interventions (Mbugua & Kinyua, 2021). Recruitment, training and development, reward systems, and employee involvement are focal HRM practices that stems from their recognized strategic impact on organizational performance. These areas are widely acknowledged in literature as foundational pillars of effective human resource management. In the context of MFIs operating in Nairobi County, these practices directly influence staff motivation, retention, and service quality.

While several studies have explored HR practices, significant gaps remain. Most existing research is geographically or sectorally misaligned. For instance, a study examined recruitment in Isiolo county MFIs but did not address geographical limitations (Atheru & Gichohi, 2025). Another study focused on job promotiona and performance of employees at KeFFRI an entirely different industry limiting applicability to MFIs as the context is different (Ratemo et al., 2021). Similarly, another research on e-procturement practices and performance of employees at Kajiando county (Ronkoine et al., 2024). However, did not consider performance metrics such as market share and customer satisfaction. Additionally, a

study examined the effects of recruitment process on organization performance of commercial banks in Kenya (Firman & Inrawati, 2023). However, the study context was different and limited the generalization of the findings.

These conceptual, contextual, and methodological gaps underscore a critical need for research on how HR practices influence performance within Nairobi's MFIs. This study sought to fill that gap by determining the influence of recruitment process, training development program, employee participative mechanism, and competitive reward-system on the performance of MFIs in Nairobi County, Kenya.

1.3 Research Objectives

1.3.1 General Objective

To determine the influence of selected human resource practices on organizational performance of MFIs in Nairobi County, Kenya.

1.3.2 Specific Objectives

- i To establish the influence of recruitment process on the organizational performance of MFIs in Nairobi County, Kenya.
- ii To establish the influence of training & development Program on the organizational performance of MFIs in Nairobi County, Kenya.
- iii To establish the influence of competitive reward-systems on the organizational performance of MFIs in Nairobi County, Kenya.
- iv To establish the influence of employee participative mechanisms on the organizational performance of MFIs in Nairobi County, Kenya.

1.4 Research Hypotheses

H0₁: Recruitment process does not have a significant influence on the performance of MFIs in Nairobi County, Kenya

H0₂: Training & development programs does not have a significant influence on the performance of MFIs in Nairobi County, Kenya

H0₃: Competitive reward systems do not have a significant influence on the performance of MFIs in Nairobi County, Kenya.

H0₄: Employee Participative mechanisms does not have a significant influence on the performance of MFIs in Nairobi County, Kenya.

1.5 Significance of the study

1.5.1 Management

The study is highly beneficial for management by enabling them to optimize HR strategies and enhance employee satisfaction, productivity, and retention. Improved HR practice translates to better organizational performance and service delivery. Additionally, reducing staff turnover and fostering a positive work environment helps MFIs achieve long-term goals and maintain a competitive edge.

The study is highly beneficial to MFIs as a whole. By highlighting effective HR practices, MFIs can improve overall employee performance and satisfaction, leading to enhanced organizational efficiency and effectiveness. This knowledge helps MFIs reduce employee turnover, resulting in a more stable and skilled workforce that can better serve their clients. Ultimately, the adoption of optimized HR practices contributes to better financial

performance, client satisfaction, and a stronger competitive position in the microfinance industry.

1.5.2 Policymakers

The study is of significant importance to policymakers, enabling them to execute effective human resource policies that improve the performance of Microfinance Institutions (MFIs). By understanding the influence of HR practices, policymakers can craft regulations and guidelines that foster a supportive and productive work environment, ultimately improving employee satisfaction and retention. This informed policy-making could lead to better resource allocation, more effective training programs, and overall improved service delivery within MFIs. Additionally, such policies could help standardize best practices across the sector, ensuring consistent and high-quality performance across different institutions.

1.5.3 Academicians

The study is of significant importance to academicians, offering a foundation for academic investigations and contributing to the existing body of knowledge, helping scholars understand how effective HR practices are in enhancing organizational outcomes.

The findings of this research are useful in developing new theoretical frameworks and models that academicians can apply in their teaching and research on organizational performance and human resource management. The research is important in theory development by providing empirical evidence on human resource practices on organizational performance of Microfinance Institutions (MFIs). It enhances existing theoretical frameworks by illustrating the specific HR practices that are most effective in improving performance metrics within MFIs. Additionally, the findings lead to the development of new theories or the refinement of existing ones, offering a deeper understanding of HR in the microfinance sector.

1.6 Scope of the Study

The study examined the influence of selected human resource practices on the performance of Microfinance Institutions (MFIs) in Nairobi County, Kenya specifically focusing on recruitment process, training & development, competitive reward systems, and employee participative mechanisms. It targeted ten MFIs (7 urban and 3 peri-urban MFIs) that have been in operation for at least the last five years to ensure established practices and performance outcomes. The study engaged Human Resource managers, Recruitment Officers, Training Officers, Employee Relations Officers, and Compensation Officers as respondents, providing insights into the role of selected HR practices on organizational performance.

1.7 Limitations of the Study

The major limitation of this study was that some respondents were not willing to participate in the data collection because of confidentiality concerns. These respondents may have feared that their responses might be exposed to third parties. On the contrary, this study ensures that it does not expose or link personal details such as the respondent's name. The researcher also ensured that all the respondents were issued with an authorization letter from the University to ensure that respondents are assured of confidentiality. The confidentiality letter assured respondents that the research was going to be used for academic purposes only and that no information was going to be divulged to third parties.

The study mainly relied on primary data whose credibility and validity depended on the honesty of the respondents in answering the questions. Some respondents who were middle managers usually have tight job schedules which means they may have assigned their assistants to answer the questionnaires, the act has the effect of compromising the validity of the responses given, the researcher, however, gave a disclaimer that the questionnaire was

confidential and was only meant for the addressed persons and not their assistants to help in gathering valid data. On the part of the researcher, quantitative (scientific methods) testing for validity and reliability was used to check instrument validity and reliability.

The study researcher also anticipated that some targeted respondents may not participate in the study, resulting in low response rates. The researcher, however, gave ample time to respondents, consistently reminding them to fill out questionnaires as well as giving them an easier option of online surveys to enable them to conveniently respond to questions during their free time.

1.8 Operational Definition of Terms

Recruitment	the process used by firms to fill job vacancies through the selection of suitable candidates (Miebaka & Ogechi, 2020). It is essential for the acquisition of talent that aligns with the organizational goals.
Training	refers to the process of imparting knowledge, skills, and competencies to improve employee productivity (Bolarinwa, 2020). Effective training programs are crucial for organizational success.
Rewards	refer to incentives or benefits provided to employees as recognition for their performance, contribution, or achievements (Hussain et al., 2021). This system encourages higher productivity.

Employee Involvement	is the emotional commitment and level of engagement workers have toward their work, which influences their willingness to contribute to organizational goals and performance (Kiryongi, 2022). It fosters commitment and improves performance.
Organizational Performance	is the effectiveness and efficiency with which an institution achieves its goals and objectives, including financial sustainability, operational efficiency, and impact on stakeholders (Rodrigues & Maria, 2021) .
Microfinance Institutions	refer to financial organizations that provide financial services to the underserved citizens (Noercahyo et al., 2021). These institutions play a crucial role in promoting financial inclusion.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section offers a theoretical and empirical literature employed by the study. The theoretical review presents the theories used in the study, while the empirical review discusses the literature derived from other studies. Finally, the section critiqued the literature and identified the research gaps.

2.2 Theoretical Review

This section utilized several theories to describe the current study by explaining their applicability and connecting them to the research variables. The theories that were used in this study included the human capital theory, the resource-based view theory, and the high-performance work systems model.

2.2.1 Human Capital Theory

This theory was conceptualized by Gary Becker in the 1960s and explained the role of education, training, and skills in the economy. According to this theory, skills, knowledge, and abilities are considered valuable assets, similar to physical capital, and investments in human capital lead to enhanced productivity, earnings, and overall economic growth. This theory has profound implications for understanding the impact of human practices on performance (Winterton & Cafferkey, 2022).

Human Capital Theory argues that investments in education and training result in higher productivity and earnings for individuals. Individuals who acquire more education and training are likely to have better job opportunities and higher incomes over their lifetimes. Moreover, from an organizational perspective, investments in employee training are crucial for improving productivity and performance. Organizations that nurture their employees'

skills and knowledge tend to achieve higher levels of efficiency and innovation (Khassawneh & Abaker, 2022).

Critics of Human Capital Theory argue that it tends to oversimplify the complexities of education, training, and employment. One critique is that it often ignores structural barriers such as unequal education access and socio-economic disparities. Critics also argue that the theory overly focuses on economic outcomes, neglecting social and environmental factors influencing human development. Moreover, rapid changes in technology and job markets challenge the assumption of lifelong returns on human capital investments (Marginson, 2025).

Training is a central component of human resource practices that align with Human Capital Theory. Firms use training programs to improve employees' skills and abilities, thereby increasing their productivity and adaptability. Companies that provide comprehensive training opportunities tend to retain talent better, leading to better performance. Thus, training plays a crucial role in transforming the investments in employees into tangible organizational outcomes (Kuzminov et al., 2022).

The Human Capital Theory was chosen as the anchoring theory for this study because it emphasizes the importance of investing in employees' skills, knowledge, and abilities to enhance organizational performance. This theory posits that organizations that invest in their workforce through recruitment, training, and development achieve higher productivity and efficiency (Boon et al., 2025). The Human Capital Theory provides a valuable lens in exploring the impacts of human resource practices on MFIs. The study can explore how investments in employee training and education within MFIs impact organizational performance indicators such as loan portfolio quality, customer satisfaction, and financial sustainability. Moreover, it can analyze how employee retention and skill levels relate to

organizational effectiveness over time. In this study, Human Capital Theory is the anchoring theory. This theory serves as the foundation for understanding how investments in employee skills, knowledge, and development directly impact productivity and organizational outcomes. By focusing on how MFIs enhance their human capital through recruitment, training, and development, Human Capital Theory provides a basis for examining the impact of HR practices on organizational performance.

2.2.2 The Resource-Based View Theory

This theory was proposed by Jay Barney in the 1980s and explains that a firm's extraordinary performance is influenced by its resources. According to this theory, an organization's resources that are rare, valuable, inimitable, and non-substitutable are responsible for the firm's extraordinary performance. The resources may either be physical, such as buildings and other assets, or intangible, such as capabilities, knowledge, and organizational processes (Freeman et al., 2021).

RBV argues that resources do not have equal importance for competitive advantage; rather, it's the unique combination and strategic deployment of resources that lead to superior performance. Resources should meet specific criteria to be a source of sustained competitive advantage. This theory suggests that firms should aim at improving and leveraging their unique capabilities to sustain competitive advantage over rivals. RBV also emphasizes the role of organizational processes in leveraging resources effectively (Khanra et al., 2022).

Despite its significance, RBV has faced several critiques. One critique is that it lacks guidance on how to identify which resources are truly valuable and how to develop them effectively. Critics argue that RBV tends to be descriptive rather than prescriptive, providing limited

practical guidance for managers. Additionally, RBV may not consider the effects of external factors in shaping competitive advantage (Al-Tarawneh, 2020).

Recruitment, as a human resource practice, is directly linked to the RBV. According to the RBV, humans are critical for acquiring a competitive advantage. Effective recruitment helps in acquiring human capital that possesses skills, knowledge, and abilities that are valuable and rare, thus contributing to the firm's competitive advantage. Recruiting employees in line with the organization's culture and strategic goals enhances the firm's resource base and capability to compete effectively (Varadarajan, 2020).

RBV provides a valuable theoretical lens in this study by providing insights into how MFIs can analyze the unique human resources and HR practices contributing to their overall performance. It can explore how recruitment practices affect the acquisition of talent that enhances the firm's capabilities, such as customer service, financial management, and innovation. Additionally, RBV can help in identifying which HR practices lead to sustained competitive advantage and superior performance in the context of microfinance institutions. However, the study should also consider external factors such as regulatory environment and market conditions alongside internal resources for a comprehensive analysis (Aboramadan et al., 2020).

This theory is closely linked to organizational performance. RBV explains that firms can get extraordinary results by focusing on unique and valuable internal resources, including human capital, skills, and organizational capabilities. In the context of Microfinance Institutions (MFIs), organizational performance can be enhanced through strategically managing human resources, including recruitment, training, competitive reward systems, and participative mechanisms, as these practices build valuable, rare, and inimitable resources. When MFIs

attract skilled personnel, invest in training, provide rewarding systems, and encourage participative mechanisms, they create a robust workforce that drives performance metrics such as financial stability, customer satisfaction, and operational efficiency. Thus, RBV underpins the study by emphasizing how tailored human resource practices can elevate MFIs' performance, especially in a competitive environment.

2.2.3 High-Performance Work Systems Model

The high-performance work systems (HPWS) model is a conceptual framework within human resource management that emphasizes the strategic use of HR practices to enhance organizational performance through employee involvement and development. The model was developed and popularized in the 1990s, notably by scholars such as Jeffrey Pfeffer and David Guest, who explored the links between HR practices and organizational success. They highlighted the significance of ensuring HR practices align with strategy to foster a high-performance culture. Guest's contribution further underscored the integration of HR systems to create a cohesive and supportive environment for employees (Cooke et al., 2021).

Key arguments of the HPWS model revolve around the idea that a combination of carefully designed HR practices can lead to superior organizational performance. These practices typically include rigorous selection and hiring processes, comprehensive training and development programs, performance-based compensation, employee involvement and participation, and robust communication systems. The underlying principle is that when employees are well-selected, well-trained, and fairly compensated, they exhibit higher levels of motivation, productivity, and commitment, ultimately driving organizational success (Winterton & Cafferkey, 2022).

Critiques of the HPWS model often focus on its implementation challenges and potential downsides. Critics argue that the model may be overly idealistic and difficult to implement consistently across different organizational contexts. There is also concern that the emphasis on high performance can lead to excessive pressure on employees, resulting in burnout and reduced job satisfaction (Firman & Inrawati, 2023). Additionally, some scholars point out that HPWS may not be universally applicable, particularly in industries or regions with different cultural or economic conditions. Furthermore, there is debate about the causal relationship between HPWS and organizational performance, with some questioning whether high performance leads to improved HR practices or vice versa (Takeuchi et al., 2022).

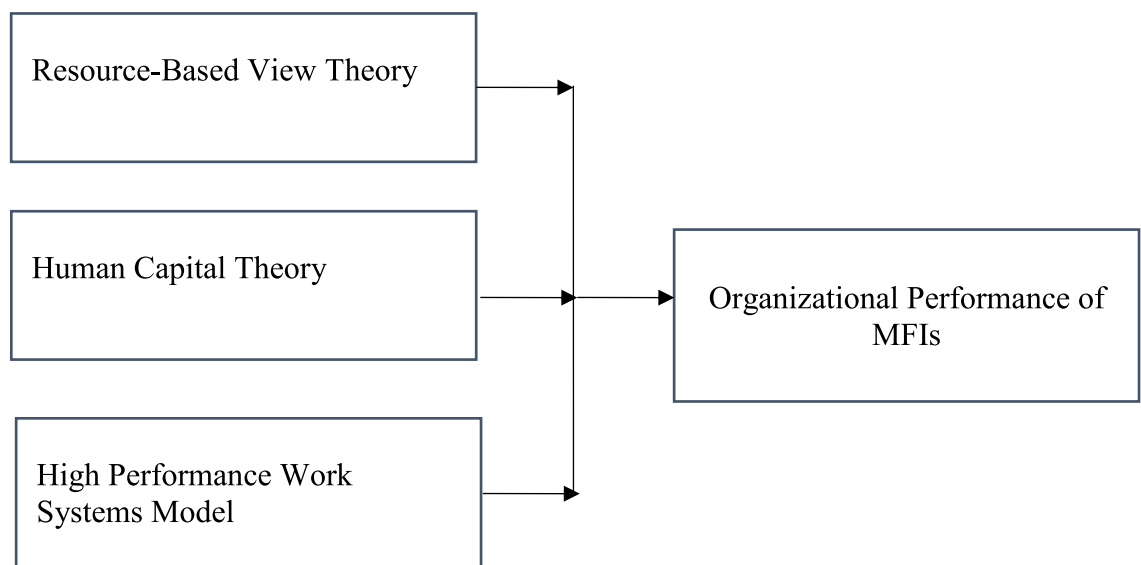
The HPWS model is closely linked to recruitment and employee involvement as a critical variable in human resource practices. Well-compensated and involved employees are those who are emotionally and intellectually committed to their work and the organization. HPWS aims to create an environment that fosters such involvement by ensuring that employees feel valued, supported, and involved in the organizational processes. Practices like participative decision-making, continuous learning opportunities, and performance-based rewards are designed to enhance employee involvement, leading to higher levels of innovation, efficiency, and overall organizational performance. Engaged employees put more effort in the workplace, thus enabling firms to create a competitive advantage (Riyanto et al., 2021).

In this study, the HPWS model offers valuable insights for analysis since MFIs operate in a competitive environment where effective HR practices significantly impact their success. By adopting HPWS, MFIs can enhance employee involvement, leading to improved customer service, improved operational efficiency, and better financial performance. For instance, MFIs that focus on training equip their employees with the skills for better customer management.

Understanding the specific HR practices that drive performance in this sector can provide insights into how MFIs in Nairobi County can leverage their human capital to gain a competitive edge.

Figure 2.1

Theoretical Framework



Source: Author (2024)

2.3 Empirical Literature

2.3.1 Recruitment process and Performance

An investigation was conducted to determine how the recruitment affects the organizational performance of the customs and border organizations in Kenya (Nyamoko et al., 2024). The research design used in the study was descriptive research design. The sample used in the study consisted of 481 employees of the Kenya customs and border organizations. Stratified random sampling was used with 218 participants that were in the top executive position, middle management position and lower management position. Data collection in the study

was done by use of questionnaires that were distributed both in a hardcopy and electronic form. Data that was collected was analyzed using descriptive and inferential analysis. The findings indicated that there was a positive and significant effect of recruitment to the organizational performance of the customs and border organizations in Kenya. The research suggested that the customs and border agencies in Kenya ought to continue and strengthen their focus on the employment of a high-quality workforce.

One of the studies examined how the recruitment process affects the performance of the Association of Sisterhoods of Kenya (Karambu et al., 2024). The objective of the study was to investigate the impact of recruitment procedures, selection, employment interview, placement and induction. Contingency, Human Capital, Resource-based and Person-Organization Theories were analyzed in the study. The research design was a survey research that exposed all employees of A.O.S.K. to the study. The qualitative and quantitative methods employed in the study were descriptive. A scheduled interview and a structured questionnaire were applied to gather the data. The research conducted census sampling in which 60 employees were involved and purposive sampling in the advisory board in which 3 employees were interviewed. The qualitative data analyzed by using descriptive design involved the opinions, and experiences of the data collected. The SPSS software was used to analyze the qualitative data obtained. The tables, percentages, and charts were used in presenting the data. The results revealed that recruitment guarantees that skilled professionals are exploited to fulfill the increasing demands. The analysis of the study showed that the correlation coefficient was 0.906 and the determination coefficients were 0.821, which established that the recruitment methods, selection process, employment interview, placement and induction and organizational performance had a strong relationship. The research established that the

recruitment strategy of employee referrals by the current employee and word of mouth was paramount in recruitment within A.O.S.K. Another finding of the study was that screening of applications and background checks have positive and significant relationship.

A study on recruitment was carried out to explore how recruitment impacts organizational performance (Miebaka & Ogechi, 2020). To achieve this, the study examined the literature on hiring and talent management, focusing on its key dimensions: talent acquisition, development of talent development, and employee retention of employees. Additionally, the paper examined the benefits of talent management for organizations. Organizational effectiveness is also discussed, highlighting its measures such as goal attainment, resource acquisition, and internal processes, to demonstrate how talent management can lead to better efficiency. The results revealed that employee management leads to better efficiency in the firm. Based on these findings, several recommendations were made; management should develop strategies for hiring the best talent in the market, as having the right talent is essential for achieving corporate goals and maintaining a competitive advantage. Lastly, the introduction and maintenance of a rewards and recognition system are recommended, as these are vital for building and retaining talent within the organization.

Besides a study another study examined how the recruitment process impacts organizational performance in UAE firms (Al-Tarawneh, 2020). The study used a literature review in the analysis, whereby it was noted that employee commitment is in firm performance. The study also noted that the recruitment process plays an important role in determining whether employees will be committed in the workplace. The recruitment process enables an organization to acquire the best talent that will be committed to the firm's goals. The study collected data from 248 employees in the UAE, where questionnaires were used in the data

collection. The data was analyzed using SPSS, whereby the results revealed that the firm's recruitment process leads to better performance. However, the study was carried out in the UAE, posing both geographical and contextual gaps since the environment in the UAE is different in terms of dynamics, necessitating a study tailor-made to address the influence of recruitment on the organizational performance of MFIs in Nairobi County.

In addition a study aimed at developing a comprehensive model integrating job search and employee recruitment processes (Altındağ & Bilaloğlu Aktürk, 2020). The inherently multi-level model illustrates how organizational and individual factors interact to influence recruitment and job search outcomes. The model posits that job search leads to better awareness of the job, thus enabling an organization to increase its reach, marking the initial phase of organizational attraction. Subsequently, the current status of the job seekers helps firms to understand the intentions and the behaviors of the job seekers. Based on the job seeker's current employment status, this attraction translates into job pursuit intentions and behaviors. The model emphasized the longitudinal aspect of the employment acquisition process. Finally, recognizing that the job seekers' pool comprises candidates with shared characteristics attracted to specific positions. However, the study was a general study without focusing on any aspect of the recruitment process, hence, the findings cannot be generalized for MFIs in Kenya. Therefore, there is a need for a current study that seeks to determine the influence of recruitment on organizational performance in MFIs in Nairobi County.

Lastly on recruitment a study investigated performance in the recruitment and retention of employees' perspectives across various generational cohorts in industrial enterprises (Gyurák Babel'ová et al., 2020). For this analysis, the authors developed a reliable and valid research questionnaire. The study's sample included 1471 respondents who were employed in the

Slovak Republic. The research revealed that employees from different generations perceive certain aspects of organizational performance differently. The first hypothesis testing demonstrated how employees in different age groups perceive inter-employee relationships differently. The second hypothesis testing confirmed that the employee perspective impacts the firm's performance.

2.3.2 Training & development and Performance

The aim of the study was to determine the impact of employee training on organizational performance (Omosa et al., 2021). A descriptive research design was used in the study. The target population was 5111 workers in the county government. The sample was taken consisting of 357 employees for a finite population sizes. A questionnaire was the major data collection tool. The analysis of data involved descriptive and inferential statistics and data were analyzed and presented in the form of tables. The results showed that employee training has a positive and significant impact on organizational performance.

On training a study examined the impact of training and development on a firm's performance in Lagos State in Nigeria (Bolarinwa, 2020). The study employed an explanatory research design whereby the target population consisted of staff members from the selected organizations, totaling 224 employees. A sample size of 142 respondents was chosen using a random sampling technique. The study collected both primary and secondary data sources, whereby the primary data were obtained through questionnaires administered to selected HR staff of the involved organizations. The secondary data were collected from annual reports and articles. The study collected quantitative data, which was analysed using SPSS. The study used the Correlation Coefficient to explore the relationships between the variables. The results showed that training and development have a positive impact on the performance of the firm.

The study, however, focused on training cost without addressing broader impacts on organizational productivity beyond Lagos State, Nigeria, presenting a geographical gap, hence limiting its applicability in the case of MFIs in Nairobi County.

In addition a study investigated how training cost affected organizational performance (Bolarinwa, 2020). Utilizing the Slovin formula, 69 respondents were selected. Data collection was conducted via questionnaires and analyzed through multiple linear regression. The results showed that communication and the firm's culture have a significant and positive impact on the performance. Notably, organizational culture emerged as the most influential factor, followed by training and communication. These results suggest that enhancing employee performance requires a focus on cultivating an organizational culture. The study, however, specifically focused on the Ministry of Religion in Bima, Indonesia, limiting generalizability to other sectors and in the context of MFIs in Nairobi County.

In addition a study was carried out a study to explore how training transfer impacts performance, particularly through collaboration (Said et al., 2022). By focusing on specific concepts and processes of training transfer within university activities, it identified key factors that influence the effectiveness of training from the environment to the practical performance of academic staff. The methodology involved semi-structured interviews with four purposively selected academic staff members, with the qualitative data transcribed, coded, and thematically analyzed. Findings highlighted the importance of training, a supportive environment, identifying collaborative leaders, and making collaboration an integral part of the workflow. The study underscored the necessity of tailored training to meet specific task requirements and the benefits of monitoring training transfer to enhance work environments and academic performance. This research is particularly relevant for the Faculty of Leadership

and Management at USIM, providing valuable insights for enhancing organizational performance and offering a model for other academic staff and authorities to emulate. The study was, however, a specific study of Regina City, which therefore implied that findings from the study are not generally acceptable for the case of MFIs.

Lastly on training a study sought to assess how training impacts organizational performance, specifically examining how different types of training (Said et al., 2022). This study was conducted in the department of the government, where a total of 103 questionnaires were used. The data was analysed using SPSS, whereby the results support the hypothesis. The research used a survey in whereby an online questionnaire was employed to collect the data. The questionnaire targeted 300 people, whereby each questionnaire had 15 questions. The respondents were selected randomly, whereby the independent variable consisted of job training, delivery style, and training methods. The study used performance as the variable, while employee commitment was the mediating variable. SPSS was used in the analysis, while the correlation analysis was used in the qualitative data. The study revealed that employee training has a positive impact on the firm's performance. The study, however, focused on specific variables (training design, delivery style) in the education sectors of Rawalpindi/Islamabad, posing both geographical and contextual gaps limiting its applicability in a study on MFIs in Nairobi County.

2.3.3 Competitive reward systems and Performance

Several studies were conducted to test association between rewards and performance. A study establish the impact of reward system on performance of commercial State Corporations in Kenya (Mutiria et al., 2022). A positivism research philosophy was applied in the study. The descriptive research designs were employed in the research study. The target respondents

included three Managers of any department (Finance, HR, administration or marketing) in the commercial state corporation. Thus, 165 respondents (55 commercial state firms in Kenya) were the target population. The research took the form of a census of all the 55 commercial state corporations. Primary and secondary data were gathered in the study. The data analysis was assisted with the help of Statistical Package for Social Scientists (SPSS). The relationship between the study variables was evaluated using simple linear regression model, and multiple linear regression model. The research indicated that reward system and performance of commercial state corporations in Kenya had strong positive correlation coefficient. The research thus came to the conclusion that the reward mechanisms are highly influential on the entrepreneurial behavior of the individual in the state firms. Another recommendation of the study was that, the rewards given to the manager ought to be based on the unit of his work performance.

A study examined how financial and non-financial rewards impacted employee performance, with a focus on employee involvement as an intervening variable (Aboramadan et al., 2020). The research was conducted within leading pharmaceutical companies in Indonesia. Data was gathered through questionnaires, and distributed using a disproportionate stratified random sampling method. Path analysis was employed for data analysis. The findings indicated that both financial and non-financial rewards, as well as employee involvement, have significant simultaneous and partial effects on employee performance. Furthermore, employee involvement mediates the relationship between financial rewards and firm performance.

Another study was conducted a study to investigate how rewards can incentivize employees to align their actions with an organization's performance, as well as how rewards can impact organizational commitment (Hussain et al., 2021). The study employed a cross-sectional

survey design and collected primary data through questionnaires. The target population was the Nigerian public service sector, specifically in the local government. Data from 522 respondents were analyzed using regression in SPSS to test the hypotheses. The findings indicated that rewards significantly influence a firm's performance in the public sector. The results suggest that rewards play a significant role in reinforcing desired behaviors related to performance criteria. The practical implications suggest that utilizing rewards effectively can enhance the effectiveness and efficiency of the public service sector by making performance evaluation criteria more appreciated by employees, thereby increasing organizational commitment. This study provides valuable insights into the dual role of rewards in influencing organizational commitment and desired behaviors related to performance evaluation criteria, which contributes to the existing literature in this area.

In addition a study explored the impact of rewards on employee performance by considering such things as salary and bonuses (Noorazem et al., 2021). Employing a quantitative approach, whereby 130 respondents were targeted. Data analysis was conducted using SPSS software, including correlation analysis and regression analysis. These results offer valuable insights for organizations to enhance their reward systems, ensuring they contribute to improving employee performance. The study, however, focused on a limited description of the specific organizational context studied, which may affect the generalizability of findings for the case of MFIs in Nairobi County.

Lastly study on reward was conducted and aimed at exploring how reward systems and recognition influence employee performance, with perceived organizational support as a mediating factor, focusing on call centers in Lahore, Pakistan (Hussain et al., 2021). Data were collected via survey questionnaires using simple random sampling, and confirmatory factor

analysis (CFA) and structural equation modeling (SEM) were utilized for analysis. The findings revealed that employee rewards and recognition positively impact employee performance, while job-related stress has a negative effect. Additionally, perceived organizational support fully mediates the relationship between these factors and employee performance, highlighting their significance in enhancing performance. The study suggests that neglecting employee rewards, recognition, and stress management could have adverse consequences, emphasizing the importance of prioritizing these factors for improved performance in call center settings.

2.3.4 Employee Participative mechanisms and Performance

A study on involvement of employees was carried out to explore the correlation between involvement in the workplace and firm performance (Noercahyo et al., 2021). The study used a descriptive design whereby a population of 195 employees was targeted. The study sample size of 100 employees was selected using a simple random sampling. The research employed structured questionnaires to gather data, which was then analysed using descriptive statistics. The findings underscored a robust positive relationship between employee involvement and job performance, indicating that fostering employee participation in decisions affecting their roles significantly enhances performance outcomes. In conclusion, empowering employees through involvement in relevant organizational matters is instrumental in optimizing job performance and overall organizational effectiveness.

A study examined the effects of employee involvement on the organizational performance of tea organizations like the Kenya Tea Development Authority and Nyayo Tea Zones in Nandi County (Kiryongi, 2022). The research targeted 232 departmental employees and management members, with a sample size of 145 participants from both organizations. The

data was analysed using descriptive statistics (mean, standard deviation, frequencies, and percentages) and inferential statistics (multiple regression, Pearson's correlation coefficient) through SPSS version 25. The findings indicated a significant positive relationship between employee involvement and organizational performance ($\beta=0.163$, $p=0.031$). The study concluded that employee participation in decision-making processes enhances their understanding of organizational expectations during implementation. It is recommended that organizations foster genuine employee commitment through strategic management of performance appraisals, career planning, and increased involvement in decision-making, aiming for effective implementation and desired outcomes.

Another study within the concept of involvement of employees explored the effects of employee involvement on organizational excellence, encompassing a substantial sample of 15,958 European companies (Liu et al., 2022). A parallel mediation model was employed to analyze how training and motivation mediate the relationship between employee involvement and organizational commitment. The findings indicate that while employee involvement modestly enhances organizational excellence, training and motivation significantly amplify these effects. These results underscore the importance of contextualizing the impact of employees' involvement within the framework of training and motivation, highlighting their pivotal roles in fostering organizational climate and dynamics conducive to excellence. This research contributes to understanding how soft TQM initiatives should be strategically integrated to promote sustained commitment to organizational excellence across diverse organizational contexts.

In addition a study examined how employee involvement influences organizational performance mechanisms (Rodrigues & Maria, 2021) . The article contributed to this field by

testing a novel causal model based on the high-involvement work systems framework. Using data from civil servants in China, the study employed structural equation modeling to examine the direct impact of involvement practices on organizational performance, which was found to be positive and statistically significant. However, the indirect pathways through job satisfaction and organizational commitment were not statistically significant. Furthermore, the research revealed that public service motivation (PSM) has a strong direct influence on organizational performance, surpassing the effects of job commitment and satisfaction. The findings suggest that public managers should prioritize employee involvement in management practices, such as sharing information, providing feedback on performance evaluations, and involving employees in decision-making processes. These practices not only enhance organizational performance but also boost job satisfaction and affective commitment among employees.

Lastly a study was carried out research aimed at exploring the impacts of employee involvement on employee performance (Jennifer & Asri, 2022). Data were gathered from 204 employees in the steel industry using a questionnaire. The data were analyzed using SPSS and Structural Equation Modeling. The findings revealed that work-life balance has the most significant impact on employee involvement and that employee involvement strongly influences employee performance. By enhancing leadership styles and work-life balance, companies can improve employee involvement. Consequently, management can leverage these findings to boost employee performance and competitive advantage.

Table 2.1*Summary of Literature and Research Gaps*

Author & Year	Focus of the Study	Key Findings	Gaps Left by the Study
Miebaka & Ogechi (2020)	Explored how recruitment impacts organizational performance through hiring, talent management, and retention.	Employee management leads to better efficiency; recommended strategies for hiring best talent and reward/recognition systems.	Conceptual gap: Focused more on conceptual discussions than empirical evidence; Contextual gap: Broad focus, not tailored to MFIs; Geographical gap: Not specific to Nairobi County.
Al-Tarawneh (2020)	Examined recruitment process and organizational performance in UAE firms.	Recruitment enhances employee commitment and firm performance; SPSS analysis of 248 employees supported significant link.	Geographical gap: UAE context not applicable to Nairobi; Contextual gap: Focused on general firms, not MFIs.
Altındağ & Bilaloğlu Aktürk (2020)	Developed model integrating job search and recruitment processes.	Multi-level model: job seekers' characteristics influence organizational attraction and recruitment outcomes.	Conceptual gap: Lacked specific recruitment-performance linkage; Contextual gap: General focus, not MFIs; Geographical gap: Not Kenya-based.
Gyurák Babel'ová et al. (2020)	Investigated generational differences in recruitment & retention perceptions in Slovak enterprises.	Different generations perceive organizational performance differently; inter-employee relationships affect firm outcomes.	Geographical gap: Slovak Republic context; Contextual gap: Focused on generational perceptions, not recruitment-performance link in MFIs.
Bolarinwa (2020)	Investigated impact of training cost on organizational performance	Found culture, communication, and training significantly influence performance.	Geographical gap: Indonesia context; Contextual gap: Focused on

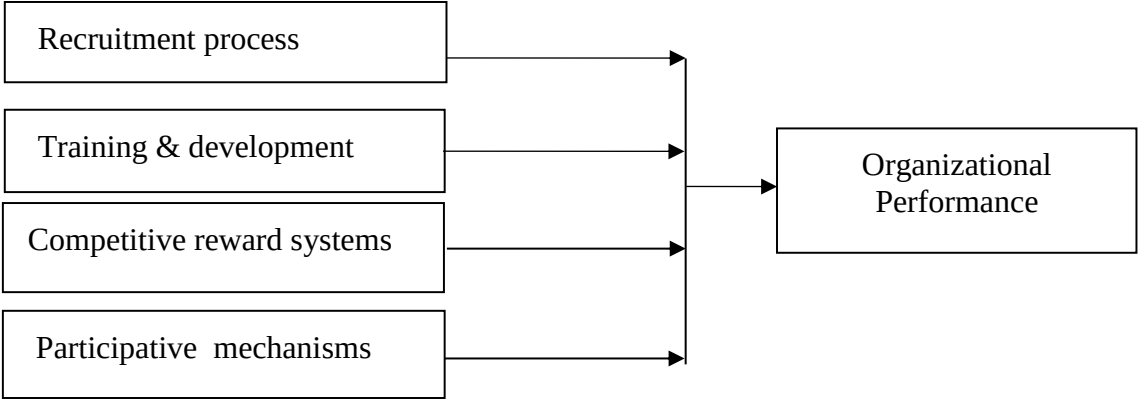
	(Ministry of Religion, Indonesia).		government ministry, not MFIs.
Said et al. (2022)	Studied training transfer and collaboration in universities.	Training transfer effectiveness depends on environment, collaboration, and leadership support.	Geographical gap: Regina City (specific context); Contextual gap: Focused on academic staff, not MFIs.
Aboramadan et al. (2020)	Studied financial & non-financial rewards and employee performance in Indonesian pharma firms.	Rewards and employee involvement significantly impact performance; involvement mediates effect.	Geographical gap: Indonesian context; Contextual gap: Limited to pharmaceutical firms, not MFIs.
Hussain et al. (2021)	Investigated rewards and performance in Nigerian public service (LG sector).	Rewards enhance performance and organizational commitment; improves evaluation acceptance.	Geographical gap: Nigerian public sector; Contextual gap: Public institutions, not MFIs.
Noorazem et al. (2021)	Studied salary and bonuses as rewards influencing performance.	Rewards (salary, bonuses) positively impact performance.	Contextual gap: Did not specify organizational context; Geographical gap: Not Nairobi County.
Noercahyo et al. (2021)	Examined employee involvement and performance in Indonesian firms.	Employee involvement strongly improves job and organizational performance.	Geographical gap: Indonesia; Contextual gap: Not MFIs.
Kiryongi (2022)	Studied employee involvement and performance in Kenyan tea organizations.	Positive relationship between involvement and organizational performance; recommends participatory management.	Contextual gap: Focused on tea industry, not MFIs; Geographical gap: Only Nandi County.
Liu et al. (2022)	Analyzed employee involvement and organizational excellence across	Training and motivation mediate involvement's effect on organizational commitment.	Geographical gap: European firms; Contextual gap: Not MFIs.

Rodrigues & Maria (2021)	15,958 European companies. Examined employee involvement and performance in Chinese civil service.	Involvement improves performance; PSM stronger predictor than commitment/satisfaction.	Geographical gap: China; Contextual gap: Public service, not MFIs.
Jennifer & Asri (2022)	Studied involvement and performance in steel industry.	Work-life balance enhances involvement, which in turn boosts performance.	Geographical gap: Steel industry, not MFIs; Contextual gap: Not Nairobi County.

2.4 Conceptual Framework

A conceptual framework presents a direct relationship between the independent and the dependent variables. The four independent variables are Recruitment process, training & development, competitive reward systems, and participative mechanisms. Whereas the dependent variable is the Organizational Performance of Microfinance Institutions in Nairobi County, Kenya.

Figure 2.2:
Conceptual Framework



Independent Variables

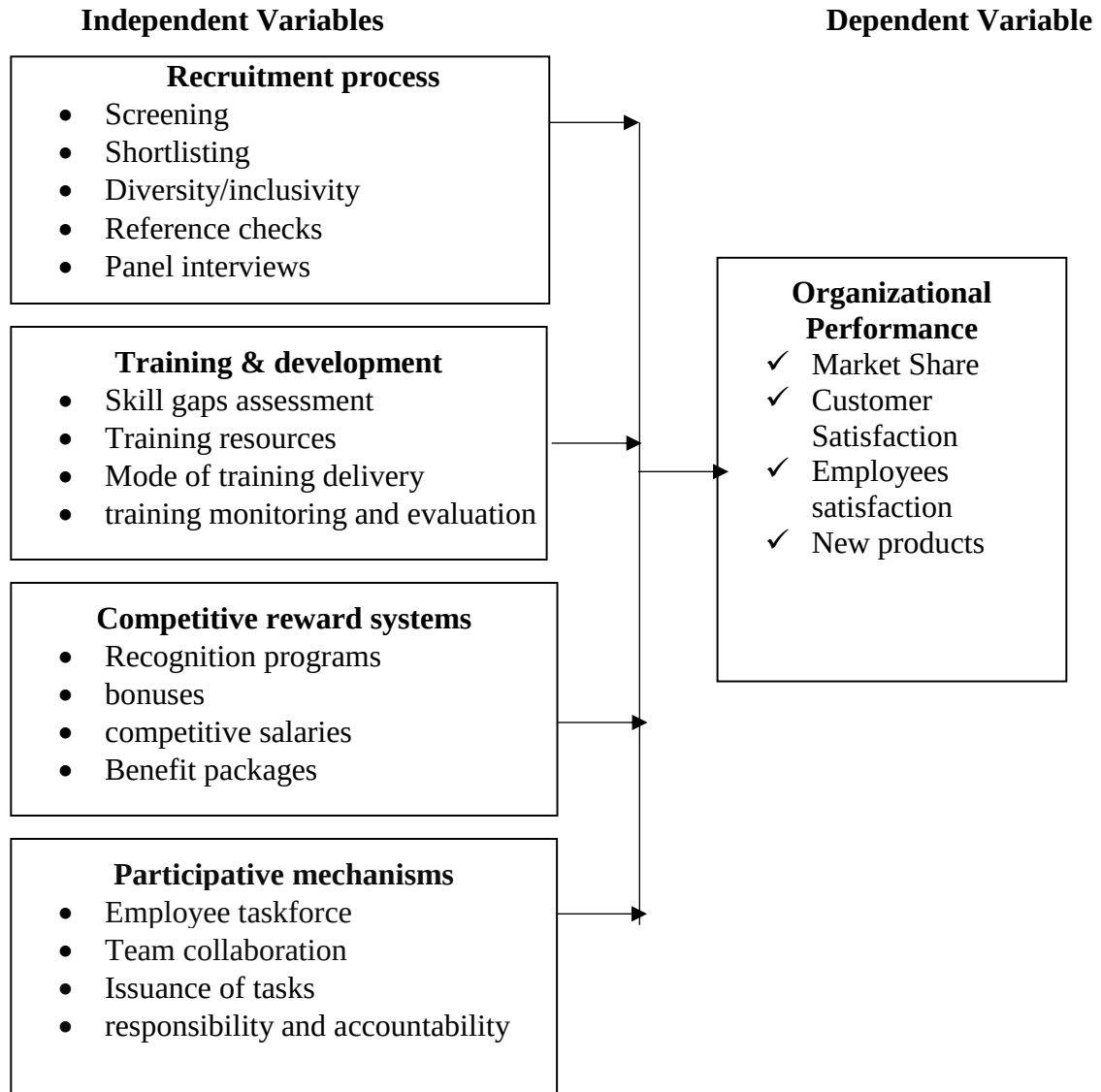
Dependent Variable

Source: Author (2025)

2.5 Operationalization of Variables

Figure 2.3:

Operational Framework



Source: Author (2025)

CHAPTER THREE: METHODOLOGY

3.1 Introduction

Chapter three presents the methodology that was applied to the study. The chapter contains the research design, the population of the study, sampling techniques, and sample size. The chapter also presents the research instrument and data collection methods. In addition, the chapter presents data analysis and data presentation. Finally, the chapter presents ethical procedures while conducting the study.

3.2 Research Design

A research design is a systematic plan that outlines how research objectives were achieved and questions were addressed. Research designs can be categorized into exploratory, descriptive, and correlational studies. Correlational research focuses on examining relationships between variables to determine associations without implying causation (Doi et al., 2021) . This study adopted a correlational research design to establish the relationship between selected human resource practices such as recruitment process, training & development, competitive reward- systems, and employee participative mechanisms and the performance of Microfinance Institutions. The design enabled the researcher to quantify the degree and direction of associations among variables, providing insights into how HR practices influence MFIs' performance. Additionally, this approach was consistent with the conceptual framework, which focused on establishing the relationship between the independent variables and the dependent variable.

3.3 Target Population

The population consisted of 10 microfinance institutions (MFIs) located in Nairobi County, all of which are licensed by the Central Bank of Kenya (CBK) (list in Appendix V). The

CBK's licensing ensures that these institutions comply with national financial regulations, offering a reliable basis for assessing their human resource (HR) practices and performance. Licensed MFIs adhere to stringent operational frameworks, which makes them an ideal selection for this study. These institutions served as the unit of analysis, providing a focused understanding of how HR practices impact organizational performance within regulated entities. The unit of observation was the employees working in these institutions, specifically HR managers, recruitment officers, training officers, employee relations officers, and compensation officers, who directly contribute to and influence HR practices. By targeting a sample of 247 respondents across these roles, the study aimed to capture comprehensive insights into the implementation and effectiveness of HR practices in MFIs, contributing to the broader discourse on HR management in the microfinance sector. This approach aligns with recommendations from previous studies that suggest that understanding the internal dynamics of licensed institutions provides a clearer picture of HR's role in organizational success (Muithya & Muathe, 2020).

Table 3.1

Target Population of the Study

Name of Microfinance	Target population	Percent
Choice Microfinance Bank in Kenya	27	11%
Faulu Microfinance Bank Ltd	29	12%
Kenya Women Microfinance Bank Ltd	34	14%
SMEP Microfinance Bank Ltd	20	8%
Remu Microfinance Bank Ltd	24	10%
Rafiki Microfinance Bank Ltd	25	10%
Century Microfinance Bank Ltd	27	11%
Sumac Microfinance Bank Ltd	21	9%
U&I Microfinance Bank Ltd	18	7%
Daraja Microfinance Bank Ltd	22	9%
Total	247	100%

Source: Author (2025)

3.4 Sampling Frame

Sampling frame is a list or an organized representation of the entire population from which a sample is selected. A sample is the basis for drawing a sample because it includes all the elements or units that make up the population of interest. The sampling frame is important in ensuring the sample is representative and can be generalized for the population (Olawale et al., 2023). The sampling frame for the study was 247 employees of 10 MFIs in Nairobi.

3.5 Sample Size

A sample is a segment of the population that shares similar characteristics with the entire population (Orluwene & Ajala, 2020). A good sample should be representative and also achieve a higher value relative to costs. In this study, 153 participants served as the sample for the study, providing the required data to come up with the research.

3.5.1 Sampling Technique

The research used a stratified sampling technique, ensuring that each individual has an equal chance of selection. This approach allowed for a representative sample by grouping the data into strata, such as different managerial roles, ensuring all segments were adequately represented (Dhanil & Mufit, 2021). Additionally, the Taro Yamane formula was applied to determine the sample size, ensuring a statistically valid representation of the population. This method aligns with the principle of random sampling, where the individual elements have equal chances of selection, but within the strata to account for distinct characteristics.

The formula is; $n = \frac{N}{1 + N(e^2)}$ (Equation 3.1). Where n is the sample size, N is the population of the study, and e is the error term. In this study, the error term was 5%, therefore, the sample size was calculated as follows,

$n=247/[1+247(0.05*0.05)] = 152.54$, which to the nearest whole number was 153. The sample was distributed as follows;

Table 3.2

Sample Distribution

Name of Microfinance	Target population	Ratio	Sample Size
Choice Microfinance Bank in Kenya	27	11%	17
Faulu Microfinance Bank Ltd	29	12%	18
Kenya Women Microfinance Bank Ltd	34	14%	21
SMEP Microfinance Bank Ltd	20	8%	12
Remu Microfinance Bank Ltd	24	10%	15
Rafiki Microfinance Bank Ltd	25	10%	15
Century Microfinance Bank Ltd	27	11%	17
Sumac Microfinance Bank Ltd	21	9%	13
U&I Microfinance Bank Ltd	18	7%	11
Daraja Microfinance Bank Ltd	22	9%	14
Total	247	100%	153

Source: Author (2025)

3.6 Data Collection Instrument

The data was collected using questionnaires. The questionnaire collected both qualitative and quantitative data through open and closed questions, respectively. The questionnaire had six sections: the first section collected data on the demographic characteristics of the respondents; secondly, data on recruitment process; thirdly, data on training; fourth, the data was collected on rewards; and the fifth section collected data on employee involvement. This structured approach ensured comprehensive data collection, essential for a detailed analysis.

Questionnaires were preferred because one can collect large amounts of data and minimal cost and time (Yarlagadda & Dave, 2023).

3.7 Data Collection Procedure

Data collection procedures refer to the method that is applied to collect data, which could be primary data or secondary data. The methods for collecting primary data include observation, interviews, questionnaires, or schedules. Data for the study were collected using questionnaires, which were administered both in person as well as online using emails (Sharma et al., 2023). Respondents who did not wish to fill out hard copy questionnaires had an alternative of participating online. Besides, participants who were not physically present during physical visits and could be contacted through emails or WhatsApp participated through a Google form sent electronically to email addresses or social media (telegram, WhatsApp). The electronic questionnaire had the same set of questions in an order that was similar to physical questionnaires. Two research assistants helped with data collection.

3.8 Pilot Study

The pilot studies were done to ensure the efficiency of the instruments by identifying areas of deficiency in these instruments. Following past scholars' recommendations the study proposed to use 10% of the target population included in the pilot study, which equated to 15 respondents (Sharma et al., 2023). The findings of the pilot study were however, not included in the actual study report but aided in improving the research instrument. Pilot tests were conducted to ascertain instrument reliability and validity. The pilot study was conducted at two MFIs in Kiambu county (Jitahidi Microfinance Bank and First Choice Microfinance Bank Ltd) sharing similar characteristics as the population, involving a small sample of 15

respondents (who were not included in main study). This was approximately 10% of the target sample size.

3.8.1 Reliability of Research Instruments

Reliability refers to the internal consistency of a research instrument on repeated tests. Reliability is the replicability of the findings achieved by measurement and procedure (Olayinka et al., 2023). Reliability can be categorized into three: equivalence, the level to which a measurement, when given repetitively, remains the same; the constancy of a measurement over time; and the similarity of measurements within a given time frame (Yarlagadda & Dave, 2023). The study applied a correlation Cronbach's alpha to ascertain reliability. A score of 0.7 was considered a reliable measure for the variables. On conducting the pilot, the cronbach alpha values for the different factors: recruitment process (0.75), training and development (0.72), competitive reward systems (0.78), and employee participative mechanisms (0.71). These values indicate acceptable internal consistency, with all values above the recommended threshold of 0.70

3.8.2 Validity of the Research Instruments

Validity describes the ability of a research instrument to collect the data that it is supposed to collect (Yarlagadda & Dave, 2023). There are two types of validity, construct validity and content validity. Construct validity was determined through Kaiser–Meyer–Olkin (KMO) at a score of 0.7 and Bartlett tests at a p-value of 0.05, on the observed chi-square result for different variables. Content validity describes the wording used in the study, they are supposed to be free of jargon and easy to comprehend, meaning, if possible, use language that the locals use or simple language (Dhanil & Mufit, 2021). Content validity was also improved by

research experts in the university and human resources practitioners who helped improve the way questions are asked, as well as suggesting additional questions.

3.9 Data Analysis and Presentation

Data obtained from the field was cleaned and analysed using SPSS. Data analysis involved two main categories, qualitative and quantitative data analysis (Dhanil & Mufit, 2021). Qualitative techniques applied content analysis techniques, where the responses of the respondents were organized into thematic areas. Quantitative data analysis involved measures of central tendency such as mean, frequency, and percentages. Another quantitative method was inferential analysis which involved a multi-linear regression analysis through a multi-linear regression analysis because there is only one dependent variable and multiple independent variables.

The regression model was as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon \dots \dots \dots \text{equation (i)}$$

Where;

Y was the dependent variable (Organizational Performance of MFI's in Nairobi County), β_0 was the constant, while β_1 , β_2 , β_3 , and β_4 were the coefficients of the independent variables (recruitment process, training & development, competitive reward systems, and participative mechanisms respectively), X_1 , X_2 , X_3 , and X_4 were the independent variables (recruitment process, training & development, competitive reward systems, and participative mechanisms) and ϵ was the error term. Presentation of the data was done on tables, graphs, and narratives.

3.10 Diagnostic Tests

To ensure robust and reliable analysis of the Influence of Human Resource Practices on the Performance of Microfinance Institutions in Nairobi County, this study incorporated diagnostic tests to validate the assumptions of multiple linear regression. These tests were essential for improving the interpretability and credibility of the findings (Dhanil & Mufit, 2021).

3.10.1 Tests for Normality

The Kolmogorov-Smirnov test evaluated whether the data approximates a normal distribution, a fundamental assumption of regression analysis. A p-value greater than 0.05 confirmed that the data distribution does not significantly deviate from normality. Ensuring normality was critical for unbiased estimation and reliable hypothesis testing, as violations of this assumption could lead to errors in understanding the impact of HR practices on performance (Sharma et al., 2023). This step ensured that parametric methods could be applied confidently in subsequent analysis.

3.10.2 Test for Multi-Collinearity

Multi-collinearity, which arises when independent variables are highly correlated, was tested using the Value Inflation Factor (VIF) and tolerance values. A VIF range between 1 and 10 and tolerance levels above 0.1 confirmed acceptable levels of variable independence, allowing clearer attribution of outcomes to specific HR practices. Multi-collinearity can inflate standard errors, making it challenging to determine the individual contribution of variables to institutional performance. By mitigating this issue, the analysis ensured a more accurate

understanding of the effects of variables such as recruitment, training, and compensation practices (Firman & Inrawati, 2023).

3.10.3 Tests for Autocorrelation

Autocorrelation was assessed using the Durbin-Watson statistic, which tested whether the residuals of previous data points influence current residuals. A value near 2 indicated no autocorrelation, ensuring that residuals are independent. High or low values, indicating positive or negative autocorrelation, respectively, could lead to inefficiencies in the model, affecting the reliability of inferences drawn about the relationship between HR practices and institutional performance (Said et al., 2022). Addressing this issue is critical, especially in datasets where sequential or time-dependent data points may affect the independence of observations.

3.10.4 Homoscedasticity Test

The Breusch-Pagan test confirmed homoscedasticity, the assumption that residual variance remains consistent across the independent variables. A p-value greater than 0.05 indicates that the variance of residuals is uniform, ensuring accurate prediction of the dependent variable. Heteroscedasticity, if present, can bias standard error estimates and misrepresent the relationship between HR practices and performance. Addressing this assumption guarantees that the study's conclusions are valid across diverse operational conditions of the microfinance institutions (Dhanil & Mufit, 2021).

3.10.5 Linearity Test

Linearity was tested using scatter plots with lines of best fit to check the relationships of the variables. A linear pattern confirmed that changes in HR practices, such as training or compensation strategies, have a predictable and proportional effect on performance. Testing for linearity is essential, as the presence of non-linear relationships would necessitate alternative modeling approaches to accurately capture the dynamics of HR practices and institutional performance (Sharma et al., 2023).

3.11 Ethical Considerations

Ethical considerations are essential in ensuring the integrity of any research study. A key ethical principles include obtaining informed consent, ensuring beneficence (not harm), and respecting participants' confidentiality and privacy (Sharma et al., 2023). This study adhered to these principles by seeking informed and voluntary consent from all participants, ensuring that their participation was based on a full understanding of the research's purpose, risks, and benefits. In addition, the study minimized any potential harm, maintaining participants' physical and psychological safety. The researcher ensured participants' anonymity and confidentiality, protecting their identities and personal information throughout the research process. Further, ethical approval was sought from the university's ethical review board, and a formal introduction letter was obtained from the university. Additionally, authorization was sought from KeMU and NACOSTI to ensure compliance with national ethical standards, thereby maintaining the highest standards of research ethics.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Introduction

Chapter four presented descriptive and inferential findings on the study, as well as a discussion of the findings by comparing and contrasting the study's findings with those of other scholars presented in the literature review. The variables of the study are: recruitment, training & development, rewards, participative mechanisms, and organizational performance. First, the raw data from both Google Sheets and physical questionnaires were cleaned to address missing values, outliers, and inconsistencies. The data was then coded to ensure it was in a format that was compatible with SPSS for statistical analysis. Additionally, the data was transformed to standardize some variables where necessary, ensuring that they were on the same scale, especially when analyzing multiple linear regression and correlation relationships.

4.1.1 Response Rate

The study administered 153 questionnaires through online and physical administration, out of which 150 questionnaires were returned, they were also complete without missing information and were therefore used in data analysis to build the thesis report. Overall, the response represented a 98.03% response rate. A response rate above 50% is considered a goal, a response above 60% is considered adequate, whereas a response above 70% is considered ideal, and a researcher should go ahead with data analysis to make meaningful conclusions from the data (Sharma et al., 2023). A high response rate indicated, therefore, a high representativeness, with an indication that a high number of participants were engaged in the study. High response also indicated that findings can be generalized to the entire population.

Table 4.1

Response Rate

Response	Frequency	Percentage (%)
Questionnaires that were filled	150	98.03
Questionnaires that were not filled out	3	1.97
Total Questionnaires administered	153	100

4.1.2 Reliability and Validity Statistics

4.1.2.1 Reliability Analysis

Cronbach's Alpha is a measure of internal consistency, assessing the reliability of a survey instrument. A higher alpha value (closer to 1.0) indicates greater reliability of the responses across multiple items measuring the same construct. A threshold of 0.7 or higher is generally considered acceptable.

Table 4.2

Reliability Analysis

	Cronbach's Alpha	N of Items
Recruitment process	0.957	15
Training & development	0.958	16
Rewards	0.97	16
Participative mechanisms	0.946	16
Organizational Performance	0.953	8

Recruitment process (0.957), Training & development (0.958), Rewards (0.970), participative mechanisms (0.946), and Organizational Performance (0.953) all had Cronbach's Alpha values well above 0.9, indicating excellent reliability. Upon reviewing, the reliability scores of 0.958 for Training & development (and similar high scores for other variables) clearly demonstrate the reliability of the instruments used to measure these HR practices. This

suggests that the survey questions for each variable were consistent and provided stable responses across respondents. The high reliability strengthens the validity of conclusions drawn regarding human resource practices and organizational performance.

4.1.2.2 Validity Analysis

Validity tests assess whether the research instrument accurately measures the intended constructs. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy determines whether data is suitable for factor analysis. Values above 0.7 indicate adequate sampling, while values below 0.5 suggest insufficient correlations. Bartlett’s Test of Sphericity assesses whether the correlation matrix is significantly different from an identity matrix. A significant p-value (≤ 0.05) indicates that factor analysis is appropriate.

Table 4.3

Validity Analysis

		Recruitm ent process	Training & developme nt	Re war ds	Participativ e mechanism s	Organizatio nal Performance
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.845	0.753	0.874	0.622	0.845
Bartlett's Test of Sphericity	Approx. Chi-Square df	438.319 10	432.424 10	457.75 2 10 0.0	396.893 10	1307.305 28
	Sig.	0.000	0.000	0.000	0.000	0.000

KMO values range from 0.622 to 0.874, suggesting that the dataset is generally suitable for factor analysis. Recruitment process (0.845), Rewards (0.874), and Organizational Performance (0.845) exhibit strong sampling adequacy. Training & development (0.753) is acceptable, while participative mechanisms (0.622) is lower but still adequate. Bartlett’s Test

of Sphericity is highly significant ($p = 0.000$ for all variables), confirming that correlations exist among items, justifying factor analysis.

4.2 Demographic Statistics

The demographic profile of respondents provides insights into their background, which can influence perspectives on human resource practices and organizational performance. The table presents gender distribution, age, work experience, job role requirements, and education levels among the study participants. The importance of these demographic variables lies in their ability to provide context to the responses, as they help identify any patterns or trends that may exist within different subgroups of the population.

Table 4.4*Demographic Analysis*

Gender Of Participants	Frequency	Percent
Female	63	42
Male	87	58
Total	150	100
Age of the Respondents		
25 to 30 years	13	8.7
31 to 35 years	112	74.7
36 years to 40 years	10	6.7
41 years to 45 years	12	8
Above 46 years	3	2
Total	150	100
Experience in an Organization		
Less than 5 years	28	18.7
6 years to 10 years	102	68
11 years to 15 years	17	11.3
Over 15 years	3	2
Level Of Work Experience Required For Your Role		
Basic	4	2.7
Intermediate	6	4
Advanced	140	93.3
Highest Level Of Education		
Diploma	16	10.7
Postgraduate diploma	7	4.7
Bachelor's degree	121	80.7
Master's degree	4	2.7
Doctoral Degrees (PhD)	2	1.3

The study findings revealed a fairly balanced gender distribution, with 58% of respondents being male and 42% being female, indicating a slight male dominance in the sampled MFIs. While this suggests some level of gender inclusivity, it also highlights the need for organizations to assess recruitment and promotion policies to ensure equal opportunities. A well-balanced workforce can contribute to diverse perspectives, improved collaboration, and enhanced decision-making within financial institutions. Addressing gender disparities through

targeted policies, mentorship programs, and leadership training can further strengthen workforce equity and performance.

In terms of age, the majority of respondents (74.7%) fall within the ages of 31 to 35 age category, suggesting that middle-aged employees dominate the workforce. A smaller proportion (8.7%) is aged 25 to 30 years, while only 2% are above 46 years, indicating a relatively young workforce with limited senior representation. This trend reflects the industry's preference for a dynamic and adaptable workforce capable of responding to evolving financial market demands. However, the limited presence of older employees may pose challenges in leadership continuity, mentorship, and institutional knowledge retention. Balancing age distribution within the workforce can enhance stability, facilitate skills transfer, and support long-term organizational growth.

Regarding work experience, 68% of respondents have worked for 6 to 10 years, implying that most employees possess significant industry experience. However, only 2% have worked for over 15 years, suggesting low long-term retention rates within MFIs. The emphasis on experience for most roles (93.3%) indicates a preference for highly skilled employees. While experienced professionals contribute to operational efficiency and service delivery, high turnover rates may affect continuity and productivity. Strengthening employee retention strategies, such as career advancement opportunities, competitive compensation, and a supportive work environment, can help mitigate workforce instability and enhance institutional sustainability.

Educational qualifications further confirm this trend, with 80.7% of respondents holding a bachelor's degree. However, only 2.7% have a master's degree and 1.3% a PhD, reflecting limited postgraduate qualifications among employees. While the workforce is well-educated,

the low number of postgraduate qualifications suggests potential gaps in specialized knowledge, strategic decision-making, and leadership capabilities. Encouraging continuous learning through professional development programs, industry certifications, and advanced education sponsorships can enhance employee competencies, drive innovation, and improve overall organizational performance.

4.3 Descriptive Statistics

The descriptive statistics conducted included the determination of frequency, percentage, mean, and standard deviation on the indicators for the five variables (recruitment process, Training & development, rewards, participative mechanisms, and organizational performance). Mean and standard deviation were mainly used for the interpretation of the findings. The respondents' alignment with these statements could also reflect their personal experiences with HR practices in their organizations, which have often led to positive outcomes such as improved employee satisfaction, better service delivery, and enhanced client relationships.

4.3.1 Descriptive Statistics On recruitment process

The descriptive statistics on recruitment provide an overview of employees' perceptions regarding the effectiveness of hiring practices within the organizations. By using a Likert scale, responses helped assess key aspects of recruitment in attracting and selecting qualified candidates. These insights are essential for understanding recruitment trends, identifying potential gaps, and enhancing strategies to ensure a competent and diverse workforce. The scale adopted helped for data transformation was as follows : 1= strongly disagreed, 2= disagree, 3= neutral, 4= agree and 5= strongly agreed.

Table 4.5*Descriptive statistics on recruitment process*

Statement	SD	D	N	A	SA	Mean	Std Dev
The screening process effectively identifies qualified candidates	1.3%	8.0%	26.7%	43.3%	20.7%	3.74	.92
Our firm uses various methods to thoroughly assess candidates	1.3%	6.7%	27.3%	32.7%	32.0%	3.87	.99
Screening criteria are clearly defined and consistently applied	3.3%	5.3%	30.7%	34.0%	26.7%	3.75	1.02
The shortlisting process is fair and unbiased	2.0%	8.0%	24.0%	37.3%	28.7%	3.83	1.00
The criteria for shortlisting are relevant to the job requirements	0.7%	2.7%	33.3%	35.3%	28.0%	3.87	.88
Shortlisting effectively narrows down to suitable candidates	3.3%	5.3%	28.7%	35.3%	27.3%	3.78	1.02
Our firm promotes diversity in hiring	1.3%	8.0%	26.0%	46.0%	18.7%	3.73	.90
Inclusivity policies are in place during hiring	1.3%	6.7%	27.3%	34.7%	30.0%	3.85	.97
Diversity is considered at all hiring stages	3.3%	5.3%	30.7%	36.7%	24.0%	3.73	1.00
Reference checks are comprehensive	2.0%	8.0%	24.0%	40.0%	26.0%	3.80	.98
Reference checks provide valuable insights	0.7%	2.7%	33.3%	37.3%	26.0%	3.85	.86
Reference checks influence the final hiring decision	3.3%	5.3%	28.7%	38.0%	24.7%	3.75	1.00
Panel interviews are well-organized and effective	2.7%	2.7%	30.0%	38.0%	26.7%	3.83	.94
Panel interviews provide a balanced assessment	1.3%	7.3%	26.0%	36.7%	28.7%	3.84	.97
Feedback from all panel members is considered	2.7%	4.0%	34.7%	34.0%	24.7%	3.74	.97

According to the results, most of the responses are clustered around mean values between 3.73 and 3.87, indicating that a majority of the respondents agree or strongly agree with the recruitment statements. This suggests a generally positive perception of recruitment effectiveness, though variations in responses highlight areas that may require refinement. The

screening process for identifying qualified candidates received a mean score of 3.74 (SD = 0.92), reflecting a general agreement on its effectiveness. However, 26.7% of respondents remained neutral, indicating possible inconsistencies in screening criteria or a lack of clarity in the process. A well-structured screening process is crucial for ensuring that only the most qualified candidates advance, thereby enhancing workforce competence and organizational productivity.

Additionally, the use of various methods to assess candidates scored a higher mean of 3.87 (SD = 0.99), with 32.0% of respondents strongly agreeing, suggesting that most firms adopt a structured and comprehensive evaluation approach. The integration of multiple assessment methods, such as aptitude tests, behavioral interviews, and practical assignments, enhances the reliability of hiring decisions by providing a well-rounded evaluation of candidates' skills and competencies. This diversity in assessment techniques helps organizations make informed hiring choices while reducing biases and improving overall employee fit.

Regarding fairness and clarity in shortlisting, mean scores range between 3.75 and 3.87, with the highest agreement on the relevance of shortlisting criteria to job requirements (3.87, SD = 0.88). This implies that most respondents perceive the shortlisting process as aligned with job needs. However, 30.7% remained neutral on whether screening criteria were clearly defined and consistently applied, suggesting potential gaps in communication or standardization. A transparent and well-communicated shortlisting process ensures equal opportunities for all candidates, fostering trust and fairness in recruitment.

Diversity and inclusivity in hiring received mixed perceptions, with mean values ranging between 3.73 and 3.85. While most respondents acknowledged the promotion of diversity, 30.7% remained neutral on whether it was considered at all hiring stages. This suggests that

although diversity policies exist, their implementation may be inconsistent. Ensuring that diversity and inclusion principles are embedded in every stage of the hiring process, from job advertisement to final selection, enhances workplace equity and broadens the talent pool, leading to a more dynamic and innovative workforce.

Reference checks appear to be a well-established practice, with mean values between 3.75 and 3.85, indicating that respondents believe they provide valuable insights and influence hiring decisions. Effective reference checks help validate candidates' backgrounds, confirm their competencies, and reduce hiring risks. Panel interviews were also viewed favorably, with mean scores around 3.83-3.84, signifying their role in offering a structured and balanced assessment. The use of panel interviews helps mitigate individual biases and allows multiple perspectives in the evaluation process, leading to more objective and well-informed hiring decisions.

The findings align with the study by Tamunomiebi and Worgu (2021), which emphasizes that effective talent acquisition, development, and retention significantly impact organizational performance. The agreement among respondents on the structured assessment methods and the relevance of shortlisting criteria supports the argument that a well-defined recruitment process enhances efficiency and goal attainment. The study further highlights that hiring the best talent is essential for maintaining a competitive advantage, which resonates with the respondents' perceptions of structured recruitment methods. Additionally, the responses suggest a gap that organizations can address by adopting inclusive hiring strategies, as recommended in the empirical literature. By implementing reward and recognition systems, organizations can further strengthen their recruitment and retention efforts, ensuring a highly skilled workforce that contributes to improved performance.

Similarly, the findings are consistent with previous research that developed a model linking job search and recruitment outcomes. The study suggests that job seekers' awareness and organizational attraction play a crucial role in talent acquisition, a concept reflected in the respondents' agreement on the effectiveness of screening and assessment processes (Al-Tarawneh, 2020). Overall, results suggest that the structured nature of recruitment practices, as indicated by the high mean scores, supports the notion that organizations prioritize attracting the right talent.

4.3.1.1 Thematic Analysis of the Experience with the Recruitment Process

Respondents described their experience with the recruitment process at their respective microfinance institutions (MFIs) as structured but varying in effectiveness. Some indicated that their firms had well-defined hiring procedures that ensured the selection of qualified candidates based on merit and alignment with organizational goals. In such cases, recruitment was perceived as transparent, competitive, and objective, leading to the hiring of skilled personnel who contributed positively to institutional performance. However, others reported challenges such as lengthy hiring processes, unclear selection criteria, and limited opportunities for internal promotions. These factors sometimes resulted in inefficiencies, delays in filling critical positions, and employee dissatisfaction with the overall recruitment experience.

Additionally, some respondents noted that while external recruitment allowed for fresh talent and expertise, internal hiring and succession planning were often overlooked. In certain cases, respondents noted that recruitment practices were influenced by informal networks or subjective decision-making, raising concerns about fairness and equal opportunity. A few employees expressed the need for more standardized hiring procedures that incorporate

rigorous assessments and training for new hires to enhance productivity. Overall, the recruitment experience in MFIs was seen as a crucial determinant of workforce quality, with institutions that prioritized strategic and merit-based hiring reporting better employee engagement and organizational performance.

4.3.1.2 Thematic Analysis on Improvements in the Recruitment Process

When asked their perspective on improvements they thought could be made on the recruitment process to attract and retain talented individuals more effectively, respondents suggested several improvements, with many emphasizing the need for greater transparency and consistency in hiring practices, ensuring that recruitment decisions are based on merit rather than personal connections or internal biases. Additionally, respondents established that standardized selection criteria, clear job descriptions, and objective assessment methods were highlighted as essential for improving the quality of hires. Respondents also recommended streamlining the hiring process to reduce delays in filling critical positions, as prolonged recruitment timelines often led to losing high-potential candidates to competitors.

Moreover, respondents emphasized the importance of career growth opportunities and competitive compensation packages in retaining top talent. Many noted that MFIs should strengthen internal recruitment and succession planning, providing existing employees with clear pathways for advancement. Enhanced onboarding programs, continuous training, and mentorship initiatives were also recommended to ensure that new hires integrate smoothly and remain motivated. Some respondents further suggested that MFIs adopt digital recruitment platforms and employer branding strategies to attract a broader pool of qualified candidates, positioning the institutions as desirable places to work.

4.3.2 Descriptive Statistics On Training & development

The descriptive statistics on training highlight employees' perceptions of skill assessments, resource allocation, training delivery, and evaluation processes. The analysis explores how organizations structure their training programs, the adequacy of resources allocated, and the effectiveness of various training methodologies. Responses to Likert scale questions helped gauge employees' agreement on aspects. Additionally, the evaluation process is examined to determine whether employees perceive training as beneficial to their career development and overall organizational success.

Table 4.6

Descriptive statistics on Training & development

Statement	SD	D	N	A	SA	Mean	Std Dev
Our firm regularly assesses skill gaps among employees.	3.3%	10.0%	32.7%	31.3%	22.7%	3.60	1.05
The skill gaps assessment process is comprehensive and accurate.	4.0%	15.3%	24.7%	31.3%	24.7%	3.57	1.14
Skill gaps identified are relevant to job performance requirements.	3.3%	10.7%	32.7%	31.3%	22.0%	3.58	1.05
Employees receive feedback on their skill gap assessments.	3.3%	7.3%	20.0%	44.0%	25.3%	3.81	1.01
Adequate resources are allocated for employee training programs.	0.7%	11.3%	30.7%	32.7%	24.7%	3.69	.99
The training materials provided are relevant and up-to-date.	3.3%	9.3%	32.7%	32.0%	22.7%	3.61	1.04

Statement	SD	D	N	A	SA	Mean	Std Dev
Our firm invests in high-quality training tools and technologies.	4.0%	15.3%	25.3%	31.3%	24.0%	3.56	1.13
Employees have access to the necessary resources for continuous learning.	3.3%	10.7%	30.7%	34.0%	21.3%	3.59	1.04
The mode of training delivery suits the learning needs of employees.	2.7%	7.3%	22.7%	42.0%	25.3%	3.80	.99
Training sessions are interactive and engaging.	0.7%	11.3%	30.0%	35.3%	22.7%	3.68	.97
Both online and in-person training options are available.	3.3%	9.3%	35.3%	28.7%	23.3%	3.59	1.05
The training delivery method is flexible to accommodate different schedules.	4.0%	14.7%	26.0%	30.7%	24.7%	3.57	1.13
Training programs are regularly monitored for effectiveness.	3.3%	10.7%	34.0%	31.3%	20.7%	3.55	1.04
Feedback is collected from employees after each training session.	3.3%	6.7%	19.3%	44.7%	26.0%	3.83	1.00
Training outcomes are evaluated to measure the impact on performance.	0.0%	11.3%	30.7%	34.0%	24.0%	3.71	.96
Continuous improvement is made to training programs based on evaluation results.	4.0%	7.3%	27.3%	37.3%	24.0%	3.70	1.04

The mean values range between 3.55 and 3.83, suggesting moderate to strong agreement among employees regarding the effectiveness of training programs within the organization. In terms of skill gap assessments, employees generally agree that their organizations regularly

conduct evaluations, with a mean of 3.60 (SD = 1.05). The identified skill gaps are also perceived to align with job performance requirements (mean = 3.58, SD = 1.05). However, nearly one-third of the respondents (32.7%) remained neutral, indicating a lack of awareness or inconsistency in the implementation of these assessments across various departments or teams. The relatively high level of neutrality may point to areas where communication or transparency in the evaluation process could be improved. Despite this, employees feel they receive adequate feedback on skill gaps (mean = 3.81, SD = 1.01), which highlights the strength of communication within the organization's training processes and suggests a focus on improving employee performance through targeted development.

Regarding resource allocation for training, employees show moderate agreement (mean = 3.69, SD = 0.99) that sufficient resources are provided to support training initiatives. However, investment in training tools and technologies scored slightly lower (mean = 3.56, SD = 1.13), indicating potential gaps in the technological advancements necessary to keep training programs up-to-date and relevant. This may suggest that while organizations provide essential resources, there is a need to better integrate modern tools and technologies to enhance the learning experience. Furthermore, employees have access to continuous learning resources (mean = 3.59, SD = 1.04), but neutrality remains relatively high, implying variability in access to these resources depending on role or department. The variation in access may reflect disparities in how different teams or job positions benefit from continuous learning opportunities, suggesting that further efforts could be made to ensure equal access to training materials across the organization.

Training delivery methods are perceived favorably, with employees agreeing that the modes of training generally suit their learning needs (mean = 3.80, SD = 0.99), and sessions are

considered interactive and engaging (mean = 3.68, SD = 0.97). However, flexibility in scheduling (mean = 3.57, SD = 1.13) and the availability of both online and in-person training options (mean = 3.59, SD = 1.05) received moderate ratings. This suggests that while the organization offers training, some employees may face constraints in accessing training sessions that align with their schedules or preferred learning formats. The need for greater flexibility in delivery modes and timing could enhance training participation and ensure broader access for employees with differing needs and availability.

In terms of training evaluation and feedback, employees strongly agree that feedback is collected post-training (mean = 3.83, SD = 1.00) and that the outcomes are assessed for their impact on performance (mean = 3.71, SD = 0.96). This indicates that the organization values post-training evaluation as an essential part of the learning process and strives to measure the effectiveness of training programs. Additionally, continuous improvement efforts in training programs received positive feedback (mean = 3.70, SD = 1.04), suggesting that there is an ongoing commitment to refining training initiatives based on employee feedback. This focus on evaluation and continuous improvement highlights the organization's efforts to ensure training programs remain relevant, effective, and aligned with employee performance goals.

The findings align previous study, which highlighted the importance of communication and organizational culture in driving performance (Jennifer & Asri, 2022). Their study emphasized that fostering effective communication and a strong organizational culture can significantly enhance organizational performance. In this study, communication about training and skill development played a key role in ensuring that employees understood the importance of training initiatives. These results suggest that integrating communication and a

positive organizational culture can improve training outcomes and overall performance in organizations.

Similarly, a study focused on the importance of a supportive environment for effective training transfer (Al-Tarawneh, 2020). They found that training, coupled with collaboration, can enhance the performance of academic staff. This aligns with the current study's findings, where training methods and feedback were seen as crucial for improving work environments and performance.

A study explored how different types of training influence organizational performance, confirming that training positively impacts performance outcomes, with the study mirroring the current study's findings, where effective training methods and the evaluation of training outcomes were identified as key factors contributing to improved performance (Said et al., 2022).

4.3.2.1 Thematic Analysis on Aspects of the Current Training Programs Most Beneficial to Participants' Professional Development

Respondents highlighted several aspects of their current training programs that have been most beneficial to their professional development, with many emphasizing the value of job-specific training, which equips them with the technical skills necessary to perform their roles effectively. Training sessions focused on financial management, risk assessment, and customer service were particularly noted as enhancing their ability to meet institutional goals. Additionally, respondents appreciated the hands-on training methods, such as workshops and case studies, which provided practical insights and real-world problem-solving skills. These interactive approaches were seen as more impactful than theoretical instruction alone, as they enabled employees to apply their learning directly to their daily tasks.

Furthermore, respondents pointed to continuous professional development opportunities as a key factor in their career growth. Programs that offer refresher courses, leadership training, and mentorship initiatives were particularly beneficial in helping employees advance within the organization. Many also noted that digital learning platforms and self-paced courses allowed for greater flexibility, enabling them to balance training with their work responsibilities. Some respondents emphasized that exposure to industry best practices through training programs improved their adaptability and innovation, ultimately enhancing both individual and institutional performance. Overall results suggests that, creating an environment that supports training and encourages collaboration is essential for enhancing employee performance.

4.3.3 Descriptive Statistics On competitive reward systems

The descriptive statistics on rewards highlight employees’ perceptions of recognition programs, bonuses, salaries, and benefits within their firms. Likert-scale questions were used to gauge employees' views on these factors. These reward systems are crucial for fostering motivation and job satisfaction, and understanding employees' perceptions helps evaluate the effectiveness of these strategies in driving organizational performance. By examining the responses, the study sheds light on how well current reward systems align with employee expectations and the impact of rewards on engagement and retention.

Table 4.7

Descriptive Statistics On competitive reward systems

Statement on Rewards	SD	D	N	A	SA	Mean	Std Dev
Our firm has effective recognition programs for outstanding employee performance.	2.0%	4.0%	16.0%	42.7%	35.3%	4.05	.93
Employees feel appreciated through the current recognition programs.	2.0%	2.0%	20.7%	37.3%	38.0%	4.07	.92
The criteria for recognition programs are fair and transparent.	2.0%	2.7%	30.0%	33.3%	32.0%	3.91	.95
Recognition programs in our firm motivate employees to perform better.	3.3%	2.7%	16.0%	41.3%	36.7%	4.05	.97
Our firm provides bonuses based on performance achievements.	0.0%	4.7%	33.3%	30.0%	32.0%	3.89	.91
Employees are satisfied with the bonus structure at our firm.	2.0%	4.0%	16.7%	43.3%	34.0%	4.03	.92
The process for awarding bonuses is clear and well-communicated.	2.0%	2.0%	20.7%	38.0%	37.3%	4.07	.92
Bonuses provided by our firm effectively incentivize employees.	2.0%	2.7%	30.7%	34.0%	30.7%	3.89	.95
Salaries offered by our firm are competitive within the industry.	3.3%	2.7%	16.7%	39.3%	38.0%	4.06	.98
Employees believe their salaries reflect their skills and contributions.	0.0%	4.7%	31.3%	34.0%	30.0%	3.89	.89
The salary structure at our firm is reviewed regularly to remain competitive.	2.0%	4.0%	17.3%	41.3%	35.3%	4.04	.93
Competitive salaries help retain talented employees in our firm.	2.0%	2.0%	20.0%	36.0%	40.0%	4.10	.93
Our firm offers comprehensive benefits packages to employees.	2.0%	2.7%	30.7%	33.3%	31.3%	3.89	.95

Statement on Rewards	SD	D	N	A	SA	Mean	Std Dev
Employees are satisfied with the health and wellness benefits provided.	3.3%	2.7%	18.0%	40.0%	36.0%	4.03	.98
The benefit packages are competitive compared to other firms.	0.0%	4.0%	32.0%	32.7%	31.3%	3.91	.89
Benefits offered by our firm contribute to overall employee satisfaction.	2.0%	2.7%	28.0%	34.0%	33.3%	3.94	.95

The findings on recognition programs show that employees generally perceive their firms as having effective initiatives for acknowledging outstanding performance. With a mean of 4.05 (SD = 0.93) for the statement that the firms have effective recognition programs and a similar score for the statement that these programs motivate employees (mean = 4.05, SD = 0.97), employees feel that these initiatives positively impact their motivation and engagement. However, the 30% of neutral responses on whether recognition criteria are fair and transparent (mean = 3.91, SD = 0.95) indicate that some employees may have concerns or uncertainties about the fairness of the process, suggesting the need for greater transparency in recognition criteria.

In terms of bonuses, employees largely agree that bonuses are linked to performance achievements (mean = 3.89, SD = 0.91) and that the bonus structure is clear and well-communicated (mean = 4.07, SD = 0.92). While this indicates a positive perception of the bonus system, the 30.7% of neutral responses on whether bonuses effectively incentivize employees (mean = 3.89, SD = 0.95) suggests that some employees may not feel sufficiently

motivated by the current bonus structure. This could indicate that the bonus system may need to be more closely aligned with individual and organizational performance to enhance its effectiveness.

Regarding salaries, employees generally agree that their salaries are competitive within the industry (mean = 4.06, SD = 0.98) and help retain talent (mean = 4.10, SD = 0.93). However, the 31.3% neutral response on whether their salaries reflect their skills and contributions (mean = 3.89, SD = 0.89) suggests a gap in satisfaction for some employees who feel that their pay does not fully align with their performance or role. This highlights a potential area for improvement in ensuring that employees' compensation is appropriately linked to their skills and contributions.

Finally, in terms of employee benefits, the findings indicate a slightly lower level of agreement, with 30.7% of respondents neutral on whether the firm offers comprehensive benefits (mean = 3.89, SD = 0.95). While most employees are satisfied with health and wellness benefits (mean = 4.03, SD = 0.98), there is high neutrality regarding the competitiveness of benefits (mean = 3.91, SD = 0.89), suggesting that employees may feel the benefits package is not fully aligned with industry standards or their personal needs. This may point to the need for a review of the benefits offered to ensure they are competitive and meet employee expectations.

The findings align with the previous work which highlighted that both financial and non-financial rewards significantly impact employee performance, with employee involvement serving as a key mediating factor (Liu et al., 2022). In this study, employees perceived recognition programs as effective in motivating them and acknowledging outstanding performance, suggesting that recognition has a positive impact on their engagement and

performance. Therefore, the effectiveness of recognition programs can be strengthened by ensuring transparency in the criteria, fostering a stronger connection between recognition and employee performance.

Moreover, the findings on bonuses and salaries resonate with the findings which explored how rewards impact organizational performance (Aboramadan et al., 2020). Bonuses were linked to performance achievements and were well-communicated, but some employees felt that the bonus system did not strongly incentivize them, reflecting a gap in effectively motivating employees through rewards.

4.3.3.1 Thematic Analysis on the impact that Participants believed recognition programs had on employee morale and performance

Respondents widely acknowledged that recognition programs play a crucial role in enhancing employee morale and performance within their firms. Many noted that being acknowledged for their contributions fosters a sense of value and appreciation, leading to increased motivation and job satisfaction. When employees feel that their efforts are recognized, they are more likely to remain engaged, committed, and willing to put in extra effort to achieve organizational goals. Several respondents highlighted that recognition programs, whether through verbal appreciation, awards, or incentives, create a positive work environment where employees feel encouraged to perform at their best.

Additionally, respondents emphasized that recognition programs contribute to a culture of productivity and competitiveness within microfinance institutions. Employees who receive regular acknowledgment tend to set higher performance standards for themselves and their teams. Some respondents pointed out that non-financial recognition, such as career advancement opportunities and employee-of-the-month awards, serves as a strong motivator

for sustained excellence. Moreover, public acknowledgment of achievements fosters a sense of companionship and encourages others to strive for similar recognition, leading to overall organizational growth.

However, some respondents expressed concerns that inconsistent or biased recognition programs could lead to dissatisfaction and reduced morale among employees. They noted that recognition should be based on clear, transparent, and measurable criteria to ensure fairness. Employees also suggested that a more inclusive approach, where both individual and team efforts are recognized, would further enhance motivation and cooperation. Overall, respondents agreed that well-structured recognition programs significantly contribute to improving employee morale, job satisfaction, and overall performance within their firms.

4.3.3.2 Thematic Analysis on the Satisfaction Respondents had with the Current Structure of Bonuses and Benefit Packages Provided

Respondents expressed mixed levels of satisfaction with the current structure of bonuses and benefit packages provided by their firms. While some acknowledged that the financial incentives and benefits offered were competitive within the microfinance sector, others felt that they were inadequate in addressing employee needs and motivation. Many appreciated performance-based bonuses, health benefits, and retirement plans, which contributed to job satisfaction and financial security. However, concerns were raised about the consistency and transparency of bonus distribution, with some employees feeling that the criteria for determining incentives were unclear or not fairly applied.

To improve the effectiveness of the rewards system, respondents suggested several changes. Many recommended an increase in both monetary and non-monetary benefits, such as higher performance-based bonuses, housing allowances, and education support programs. Others

proposed the introduction of more personalized incentives, such as professional development sponsorships and flexible work arrangements, to enhance employee well-being and retention. Additionally, respondents emphasized the need for a more structured and transparent bonus system that clearly defines performance expectations and reward criteria, ensuring that all employees feel fairly compensated for their contributions. Overall, the findings highlight a need for alignment between pay and job responsibilities, which can be seen as a potential lever for improving organizational commitment and performance.

4.3.4 Descriptive Statistics On participative mechanisms

The descriptive statistics on participative mechanisms focus on the extent to which employees are engaged in various aspects of their work, including participation in task forces, collaboration with colleagues, task assignments, and accountability. Through Likert scale questions, employees’ views on their involvement were captured, providing insight into how they feel about their level of engagement and the effectiveness of communication and cooperation within the organization.

Table 4.8

Descriptive Statistics On participative mechanisms

Statement on participative mechanisms	SD	D	N	A	SA	Mean	Std Dev
Our firm frequently forms employee task forces to address specific issues or projects.	4.7%	2.7%	23.3%	32.7%	36.7%	3.94	1.06
Employees are encouraged to join task forces and contribute their expertise.	4.0%	6.7%	16.0%	25.3%	48.0%	4.07	1.13

Statement on participative mechanisms	SD	D	N	A	SA	Mean	Std Dev
Task forces in our firm lead to meaningful improvements in organizational processes.	7.3%	8.0%	30.7%	36.0%	18.0%	3.49	1.10
The work done by employee task forces is valued and recognized by management.	4.0%	2.0%	20.0%	40.7%	33.3%	3.97	.99
Team collaboration is actively promoted within our firm.	0.0%	10.7%	24.7%	35.3%	29.3%	3.83	.97
Employees have sufficient opportunities to collaborate with colleagues on projects.	4.7%	4.0%	22.0%	33.3%	36.0%	3.92	1.08
Team collaboration enhances productivity and innovation in our firm.	4.0%	6.0%	16.7%	28.0%	45.3%	4.05	1.11
The firm provides resources and tools that facilitate effective team collaboration.	6.7%	7.3%	31.3%	37.3%	17.3%	3.51	1.07
The process of assigning tasks to employees is clear and efficient.	3.3%	3.3%	19.3%	41.3%	32.7%	3.97	.98
Employees receive assignments that align with their skills and interests.	0.0%	10.7%	23.3%	34.0%	32.0%	3.87	.99
Task assignments are communicated clearly and promptly.	4.0%	3.3%	22.7%	36.7%	33.3%	3.92	1.03
The workload distribution when issuing tasks is fair and balanced.	4.0%	6.7%	14.7%	27.3%	47.3%	4.07	1.12
Employees are held accountable for their responsibilities in our firm.	6.7%	8.0%	28.7%	36.7%	20.0%	3.55	1.10

Statement on participative mechanisms	SD	D	N	A	SA	Mean	Std Dev
Clear guidelines are provided regarding individual responsibilities.	4.0%	2.0%	20.0%	40.0%	34.0%	3.98	.99
Employees are empowered to take ownership of their work and decisions.	0.0%	10.7%	23.3%	35.3%	30.7%	3.86	.98
Accountability measures in our firm contribute to overall performance and efficiency.	4.0%	8.0%	26.7%	34.0%	27.3%	3.73	1.07

The descriptive statistics on participative mechanisms provide a detailed view of how employees perceive their participation in task forces, collaboration, task assignments, and accountability measures within the organization. The mean values, ranging from 3.49 to 4.07, suggest moderate to strong agreement with the statements, highlighting areas where employees are actively engaged and where there may be room for improvement.

Regarding task forces, employees generally feel that their firm effectively forms task forces to tackle specific issues (mean = 3.94, SD = 1.06) and that their participation is encouraged (mean = 4.07, SD = 1.13). However, a notable proportion (30.7%) remains neutral about whether these task forces lead to tangible improvements (mean = 3.49, SD = 1.10), suggesting some uncertainty about their actual impact on organizational outcomes. Nevertheless, employees perceive that management values and acknowledges the contributions made by task forces (mean = 3.97, SD = 0.99), which fosters a sense of appreciation and inclusion within the organization.

In terms of team collaboration, employees report that collaboration is actively promoted (mean = 3.83, SD = 0.97), and it significantly contributes to enhancing productivity and

fostering innovation (mean = 4.05, SD = 1.11). However, a significant portion (31.3%) of employees remain neutral about whether the firm provides adequate resources to support these collaborative efforts (mean = 3.51, SD = 1.07). This suggests that while collaboration is encouraged, there may be gaps in the necessary tools or infrastructure to optimize its effectiveness.

When examining task assignments, employees largely agree that their tasks are aligned with their skills and interests (mean = 3.87, SD = 0.99) and that the process for assigning tasks is clear and efficient (mean = 3.97, SD = 0.98). However, there is a notable amount of neutrality on the clarity of communication regarding task assignments (22.7%) and the fairness of workload distribution (14.7%). These findings suggest some inconsistencies or perceived inequities in how tasks are communicated or allocated among employees.

Finally, accountability measures show a mix of perceptions. While employees generally feel that clear guidelines are in place to define responsibilities (mean = 3.98, SD = 0.99), 28.7% remain neutral about whether employees are held accountable for their work (mean = 3.55, SD = 1.10). This indicates that there may be some ambiguity regarding the consistency or enforcement of accountability within the organization. Similarly, while employees acknowledge empowerment in decision-making (mean = 3.86, SD = 0.98), a significant portion of the workforce remains undecided, suggesting a need for greater clarity or confidence in decision-making authority.

The findings from this study align with those of past scholars who explored the effects of participative mechanisms on organizational excellence (Liu et al., 2022). Employee involvement was found to have a modest impact on organizational excellence, which resonates with the findings in this study, where employees expressed moderate to strong

agreement with aspects of involvement. Additionally, a study emphasized the significant mediating role of training and motivation in enhancing the effects of employee involvement (Liu et al., 2022). Similarly, the current study found that while employees feel encouraged to participate in task forces and collaborate, there were gaps identified in resources for collaboration and in the clarity of task assignments, suggesting that the absence of adequate support systems, such as training and motivation, may limit the full potential of participative mechanisms with the connection underscoring the need to integrate targeted training and motivation strategies to maximize the impact of participative mechanisms on organizational effectiveness and excellence.

4.3.4.1 Thematic Analysis on how Participants' Participation in Employee Task Forces or Committees Contributed to their Engagement with their Firm's Goals and Objectives

Respondents indicated that participation in employee task forces or committees has significantly enhanced their engagement with their firm's goals and objectives. Many noted that being involved in these groups provided them with a deeper understanding of the institution's strategic direction and operational priorities. By actively contributing to decision-making and problem-solving, employees felt a stronger sense of ownership and responsibility for the firm's success. Additionally, respondents highlighted that collaboration within task forces allowed them to work closely with colleagues from different departments, fostering teamwork and a shared commitment to achieving organizational objectives.

Furthermore, respondents reported that their involvement in committees improved their leadership skills, decision-making abilities, and overall job satisfaction. Many felt that contributing ideas and initiatives in these forums made them more invested in the firm's

growth and performance. Some also noted that participation in task forces provided opportunities for skill development, including project management and conflict resolution, which further strengthened their professional capabilities. Ultimately, employees who engaged in such initiatives felt more valued by the organization, leading to increased motivation and alignment with the institution's long-term vision.

4.3.5 Descriptive Statistics On Organizational Performance

The descriptive statistics on organizational performance highlight employees' perceptions regarding market position, customer satisfaction, employee well-being, and service expansion.

Table 4.9

Descriptive Statistics On Organizational Performance

Statement on Organizational Performance	SD	D	N	A	SA	Mean	Std Dev
Our firm has successfully increased its market share in the recent past.	2.0%	4.0%	24.0%	48.7%	21.3%	3.83	.88
Our firm's market position is stronger compared to our competitors.	3.3%	6.0%	23.3%	38.7%	28.7%	3.83	1.02
Our firm consistently meets the expectations of our customers.	3.3%	6.0%	30.7%	34.0%	26.0%	3.73	1.02
Customers are highly satisfied with our firm's products/services.	2.7%	1.3%	28.7%	43.3%	24.0%	3.85	.90
Our employees' demands are met	0.0%	6.0%	31.3%	34.7%	28.0%	3.85	.90
Our employees have a good relationship with each other	2.0%	6.7%	24.7%	43.3%	23.3%	3.79	.94
Our organization has introduced new loan services	2.0%	6.0%	26.0%	39.3%	26.7%	3.83	.96
Our organization has new fee services	2.7%	1.3%	36.7%	32.7%	26.7%	3.79	.94

The mean values ranging from 3.73 to 3.85, indicating moderate to strong agreement, show that employees generally perceive the company's market performance positively.

Specifically, employees believe that their firm has effectively increased its market share (mean = 3.83, SD = 0.88) and has a stronger market position than its competitors (mean = 3.83, SD = 1.02). These perceptions highlight a robust competitive standing and can significantly influence employee motivation and alignment with organizational goals. However, the relatively high percentage of neutral responses (24.0% and 23.3%) suggests that some employees may not be fully aware of or involved in the firm's competitive strategies or market achievements. This gap may point to a need for greater internal communication to ensure employees understand the broader market context in which the firm operates, which could positively affect their engagement and performance.

When it comes to customer satisfaction, employees perceive that their firm meets customer expectations (mean = 3.73, SD = 1.02) and that customers are highly satisfied with the products or services provided (mean = 3.85, SD = 0.90). These findings indicate that employees are confident in the company's ability to satisfy its customers, which is essential for fostering a customer-centric culture. However, the 30.7% neutrality regarding customer expectations may reflect uncertainty about how customer satisfaction is measured or how the company ensures high satisfaction levels. Employees may not always be privy to customer feedback or satisfaction data, which suggests a need for better communication and transparency in sharing customer insights. This would enable employees to better understand their role in meeting customer needs and contribute more effectively to improving satisfaction levels.

The employee-related aspects of organizational performance show moderate agreement with the statements. Employees feel that their needs are met (mean = 3.85, SD = 0.90) and that they maintain good relationships with colleagues (mean = 3.79, SD = 0.94). These aspects are

important for fostering a positive organizational culture, as they reflect an environment that values employee well-being and collaboration. However, the relatively high percentage of neutral responses (31.3% for employee demands and 24.7% for workplace relationships) signals that there might be areas for improvement in meeting employee expectations or fostering stronger interpersonal dynamics. This suggests that while the organization is generally effective in promoting employee satisfaction, there may be specific areas, such as communication or workplace support, that require more attention to further enhance overall employee engagement and organizational performance.

In terms of service expansion, employees generally agree that the organization has successfully introduced new loan services (mean = 3.83, SD = 0.96) and new fee-based services (mean = 3.79, SD = 0.94). These findings indicate that the firm is actively expanding its offerings, which can be a sign of business growth and innovation. However, over one-third of respondents (36.7%) remained neutral about the new fee services, which may suggest a lack of awareness or involvement in the company's expansion strategies. This neutrality could indicate that employees are not fully informed about or engaged in the development of new services. To address this, the firm could enhance internal communication strategies, ensuring that employees are kept well-informed about service expansions and are encouraged to actively participate in or contribute to these initiatives. Such involvement can foster a greater sense of ownership and drive better alignment between employees and the company's long-term strategic objectives.

4.3.5.1 Thematic Analysis on What Were the Most Significant Factors Contributing to the Overall Performance of Their Firm

One of the most significant key factors contributing to the overall performance of their microfinance institutions that respondents identified was the effectiveness of human resource practices, particularly in recruitment, training, and employee motivation. A well-structured recruitment process was noted as essential in attracting skilled personnel who align with the institution's goals, while continuous training programs ensured that employees remained competent and adaptable to industry changes. Additionally, a well-implemented rewards system was highlighted as a crucial motivator, fostering job satisfaction and commitment, which in turn enhanced productivity and service delivery.

Beyond human resource practices, respondents emphasized strong leadership, customer relationship management, and technological adoption as critical drivers of performance. Effective leadership was seen as instrumental in strategic decision-making and creating a positive organizational culture that promotes teamwork and efficiency. Customer-focused strategies, such as personalized financial services and responsive support, were identified as key to building client trust and retention. Furthermore, leveraging digital platforms for service delivery was noted as enhancing operational efficiency and expanding market reach, ultimately strengthening the institution's competitive position.

4.4 Diagnostic Tests

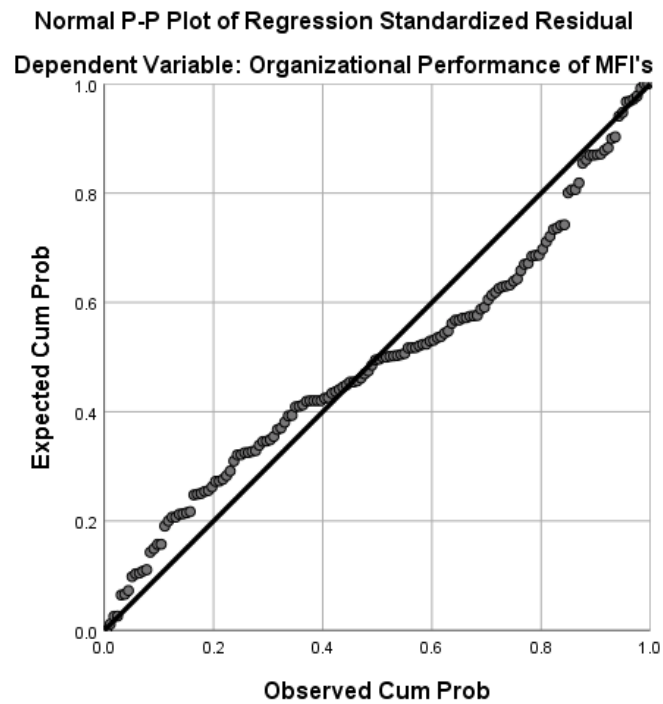
Among the diagnostic tests conducted before multi-linear regression analysis were a test for autocorrelation, a linearity test, a test for homoscedasticity, and a test for independence.

4.4.1 Tests for Normality

The Normal Probability-Probability (P-P) Plot is used to assess whether the residuals of a regression model are normally distributed. In a perfect normal distribution, points should align closely with the diagonal reference line.

Figure 4.1

Normality Test



The P-P plot for the organizational performance of MFIs shows that most data points closely follow the diagonal line, indicating that residuals are approximately normally distributed.

Table 4.10*Tests of Normality*

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Recruitment	.085	116	.088	.957	116	.051
Training	.069	116	.200*	.965	116	.104
Rewards	.111	116	.101	.939	116	.056
Participative mechanisms	.121	116	.200	.904	116	.087
Organizational Performance of MFI's	.108	116	.202	.926	116	.082
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

The Kolmogorov-Smirnov and Shapiro-Wilk tests for normality were applied to assess the distribution of the data. For all variables, the Kolmogorov-Smirnov test resulted in p-values greater than 0.05, indicating that the data did not significantly deviate from normality. For Training, the p-value was 0.200, which further supports normality, while the other variables also showed non-significant results. The Shapiro-Wilk test, with p-values above 0.05, also confirmed normality, particularly for Organizational Performance (0.926), which reinforces the suitability of the data for parametric analysis.

4.4.2 Test for Multi-Collinearity

Multicollinearity occurs when independent variables in a regression model are highly correlated, which can distort statistical inferences. Variance Inflation Factor (VIF) and Tolerance values assess this issue. A VIF above 10 indicates severe multicollinearity, while tolerance values below 0.1 suggest problematic correlations.

Table 4.10

Multi-Collinearity Test

	Tolerance	VIF
Recruitment process	0.358	2.793
Training & development	0.547	1.829
Competitive reward systems	0.33	3.027
Participative mechanisms	0.806	1.241

Recruitment process (VIF = 2.793, Tolerance = 0.358) and Rewards (VIF = 3.027, Tolerance = 0.33) show a moderate correlation but remain within acceptable limits. Training & development (VIF = 1.829, Tolerance = 0.547) and participative mechanisms (VIF = 1.241, Tolerance = 0.806) indicate no multicollinearity concerns. Overall, no multicollinearity was detected, allowing for reliable regression analysis.

4.4.3 Tests for Autocorrelation

The Durbin-Watson (DW) test detects autocorrelation in regression residuals. A DW value between 1.5 and 2.5 indicates no serious autocorrelation, while values below 1.5 suggest positive autocorrelation, and above 2.5 indicate negative autocorrelation.

Table 4.11*Autocorrelation*

Durbin-Watson	
Model	2.068
<i>a Predictors: (Constant), participative mechanisms, recruitment process, Training & development, competitive reward systems</i>	
<i>b Dependent Variable: Organizational Performance of MFIs</i>	

The Durbin-Watson statistic of 2.068 suggests that autocorrelation is not a concern in this model. Since the value is within the ideal range (1.5 - 2.5), the regression results can be considered statistically reliable.

4.4.4 Homoscedasticity Test

The Breusch-Pagan test assesses homoscedasticity, which refers to whether residual variances are constant across all levels of the independent variables. A significant p-value (Sig. < 0.05) indicates heteroscedasticity.

Table 4.12*Breusch-Pagan Test for Homoscedasticity*

Chi-Square	df	Sig.
1.312	1	.252
<i>a. Dependent variable: Organizational Performance of MFIs</i>		
<i>b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.</i>		

The Chi-Square value is 1.312 with a significance level of 0.252. Since $p > 0.05$, the test fails to reject the null hypothesis, indicating that heteroscedasticity is not present. This confirms that the fulfilling of the assumption of homoscedasticity, which ensures reliable regression estimates.

4.4.5 Linearity Test

The linearity test evaluates whether the relationship between the independent variables and the dependent variable is linear, a key assumption in regression analysis. A random scatter pattern suggests a non-linear relationship, while a clear pattern around the fitted line indicates linearity.

Figure 4.2

Linearity Test



The scatterplot shows a pattern where an increase in X leads to an increase in Y constantly which means the assumption of linearity between the independent and dependent variables has not been violated. Most of the data for the variables lie equally above and below the line of best fit.

4.5 Correlation Analysis

The Pearson correlation test measures the strength and direction of the relationship between independent variables (recruitment process, Training & development, Competitive reward systems, and participative mechanisms) and the dependent variable (Organizational Performance of MFIs). Correlation values range from -1 to 1, where positive values indicate a direct relationship and higher absolute values suggest stronger associations. A p-value below 0.05 signifies a statistically significant correlation.

Table 4.13

Correlations

Variable Name			Recruitment process (RP)	Training & development (T&D)	Competitive reward systems (CRS)	Participative mechanism (PM)	Organizational Performance of MFIs (OP)
RP	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	150					
T&D	Pearson Correlation		.607**	1			

		Sig. (2-tailed)	.000			
	N		150	150		
CR S	Pearson Correlation		.790**	.635**	1	
		Sig. (2-tailed)	.000	.000		
	N		150	150	150	
PM	Pearson Correlation		.351**	.395**	.401**	1
		Sig. (2-tailed)	.000	.000	.000	
	N		150	150	150	150
OP	Pearson Correlation		.763**	.713**	.775**	.482**
		Sig. (2-tailed)	.000	.000	.000	.000
	N		150	150	150	150

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

Competitive reward systems ($r = 0.775$) have the strongest correlation with organizational performance. This suggests that effective reward systems (bonuses, salaries, and benefits) play a crucial role in enhancing employee motivation and performance. Recruitment process ($r = 0.763$) also shows a strong relationship, meaning that proper hiring and selection practices contribute significantly to organizational success.

Training & development ($r = 0.713$) is highly correlated with performance, emphasizing that investments in employee development positively influence productivity and organizational

growth. participative mechanisms ($r = 0.482$) has the weakest but still significant correlation. While involvement in decision-making and collaboration affects performance, its impact is lower compared to recruitment process, training, and rewards. These findings confirm that HR practices are crucial determinants of organizational performance in MFIs. The strongest impact comes from rewards, recruitment, and training, suggesting that firms should focus on enhancing compensation structures, hiring processes, and employee development programs.

4.6 Bivariate Regression

4.6.1 Recruitment process and Performance

The regression analysis results provide insights into the relationship between recruitment process and organizational performance in microfinance institutions (MFIs).

Table 4.14

Regression analysis on recruitment process and organizational performance

Model Summary						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	
1	.763 ^a	.583	.580		.532987	
<i>a. Predictors: (Constant), recruitment process</i>						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.699	1	58.699	206.631	.000 ^b
	Residual	42.043	148	.284		
	Total	100.742	149			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.682	.222		3.070	.003
	Recruitment	.824	.057	.763	14.375	.000
<i>a. Dependent Variable: Organizational Performance of MFI's</i>						

a. Dependent Variable: Organizational Performance of MFI's

b. Predictors: (Constant), recruitment process

The R-value of 0.763 indicates a strong positive correlation between recruitment process and organizational performance. The R-squared value of 0.583 suggests that 58.3% of the variance in organizational performance can be explained by recruitment practices. The Adjusted R-squared value of 0.580 confirms that the model fits the data well, with minimal overfitting.

The F-value of 206.631 and a significant p-value of 0.000 show that the regression model is statistically significant. This means that recruitment practices significantly influence the performance of MFIs, with no evidence of random variability.

The unstandardized coefficient for recruitment is 0.824. The standardized coefficient (Beta) is 0.763, which represents the strength of recruitment's influence on performance in standardized terms. The t-value of 14.375 with a p-value of 0.000 indicates that the recruitment variable is highly significant in predicting organizational performance. This aligns with previous research, which noted that efficient recruitment practices are essential for achieving organizational goals and ensuring the right talent is in place to drive performance (Miebaka & Ogechi, 2020). Furthermore, a study supports this by highlighting that recruitment enhances employee commitment, which in turn contributes to improved performance (Al-Tarawneh, 2020).

4.6.2 Training & development and Performance

The regression analysis results demonstrate the relationship between Training & development and organizational performance in microfinance institutions (MFIs).

Table 4.15*Regression Analysis On Training & development And Organizational Performance*

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.713 ^a	.508	.505	.578794		
<i>a. Predictors: (Constant), Training</i>						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51.162	1	51.162	152.720	.000 ^b
	Residual	49.580	148	.335		
	Total	100.742	149			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.186	.218		5.447	.000
	Training	.719	.058	.713	12.358	.000
<i>a. Dependent Variable: Organizational Performance of MFI's</i>						
a. Dependent Variable: Organizational Performance of MFI's						
b. Predictors: (Constant), Training & development						

The R-value of 0.713 indicates a strong positive correlation between Training & development and organizational performance. The R-squared value of 0.508 suggests that 50.8% of the variance in organizational performance can be explained by training practices. The Adjusted R-squared value of 0.505 further supports the model's adequacy, indicating a good fit with minimal overfitting.

The F-value of 152.720 and a significant p-value of 0.000 confirm that the regression model is statistically significant, meaning training has a significant effect on MFIs’ performance. The model explains a substantial portion of the variance, demonstrating that training is a key predictor of performance.

The unstandardized coefficient for Training & development is 0.719, meaning that for each unit increase in Training & development, organizational performance increases by 0.719 units. The standardized coefficient (Beta) is 0.713, showing the strength of training’s influence in standardized terms. The t-value of 12.358 with a p-value of 0.000 indicates that training is a highly significant predictor of organizational performance.

This finding corroborates earlier studies, which noted that training positively impacts organizational outcomes by enhancing employee skills and productivity (Bolarinwa, 2020). The study's regression analysis confirms the strength of this relationship, as investments in employee development through training have been shown to improve performance metrics. Additionally, a study emphasize the importance of tailored training programs and the role of training transfer in achieving tangible performance outcomes (Said et al., 2022).

4.6.3 Competitive reward systems and Performance

The regression analysis results demonstrate the relationship between competitive reward systems and organizational performance in microfinance institutions (MFIs).

Table 4.16
Regression Analysis On competitive reward systems And Organizational Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.775 ^a	.600	.597	.521867

ANOVA ^a							
Model		Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	60.435	1	60.435	221.906	.000 ^b	
	Residual	40.307	148	.272			
	Total	100.742	149				
Coefficients ^a							
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	.539	.224			2.406	.017
	Rewards	.821	.055	.775		14.897	.000

a. Dependent Variable: Organizational Performance of MFI's

b. Predictors: (Constant), competitive reward systems

The R-value of 0.713 indicates a strong positive correlation between competitive reward systems and organizational performance. The R-squared value of 0.508 means that 50.8% of the variance in organizational performance can be explained by the competitive reward systems. The Adjusted R-squared value of 0.505 confirms that the model is a good fit, adjusting for the number of predictors, and provides reliable results.

The F-value of 152.720 with a significant p-value of 0.000 indicates that the regression model is statistically significant. This suggests that training significantly impacts organizational performance in MFIs. The p-value confirms that the relationship between training and performance is not due to random chance.

The unstandardized coefficient for training is 0.719, meaning for every unit increase in training, organizational performance increases by 0.719 units. The standardized coefficient (Beta) is 0.713, showing the relative strength of training's effect in standardized terms. The t-value of 12.358 with a p-value of 0.000 further supports the statistical significance of training as a predictor of organizational performance.

Previous research, supports this by demonstrating that reward systems play a pivotal role in motivating employees, which leads to improved performance (Hussain et al., 2021). Furthermore, a previous study confirm that competitive rewards, such as salary increments and bonuses, positively influence employee performance (Noorazem et al., 2021).

4.6.4 Participative mechanisms and Performance

The regression analysis results reveal the relationship between participative mechanisms and organizational performance in microfinance institutions (MFIs).

Table 4.17*Regression Analysis On participative mechanisms And Organizational Performances*

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	
1	.482 ^a	.233	.227		.722740	
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.434	1	23.434	44.862	.000 ^b
	Residual	77.308	148	.522		
	Total	100.742	149			
Coefficients ^a						
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.850	.299		6.190	.000
	Employee Involvement	.509	.076	.482	6.698	.000

a. Dependent Variable: Organizational Performance of MFI's

b. Predictors: (Constant), participative mechanisms

The R-value of 0.775 indicates a strong positive correlation between participative mechanisms and organizational performance. The R-squared value of 0.600 suggests that 60% of the variance in organizational performance is explained by the rewards practices. The Adjusted R-squared value of 0.597 confirms that the model is well-fitting, adjusting for the number of predictors, which suggests a reliable model.

The F-value of 221.906 with a significant p-value of 0.000 indicates that the regression model is statistically significant, meaning rewards are an important predictor of organizational performance. The p-value shows that this result is unlikely to have occurred by chance.

The unstandardized coefficient for rewards is 0.821, meaning that for every unit increase in rewards, organizational performance increases by 0.821 units. The standardized coefficient

(Beta) is 0.775, which indicates the strength of the rewards' effect in standardized terms. The t-value of 14.897 with a p-value of 0.000 demonstrates that rewards are a highly significant predictor of organizational performance.

This finding is consistent with the study by Kiryongi, which found that employee involvement in decision-making processes significantly enhances organizational effectiveness in the Kenyan context (Kiryongi, 2022). Additionally, Liu highlight that employee involvement, when coupled with training and motivation, can substantially improve organizational commitment and performance (Liu et al., 2022).

4.7 Multi-linear Regression Analysis

Multiple regression analysis evaluates the influence of multiple independent variables on the dependent variable (Organizational Performance of MFIs). The Model Summary, ANOVA, and Coefficients tables provide insights into the model's overall fit, statistical significance, and the impact of each predictor.

To evaluate the research hypotheses, the study utilized multiple regression analysis to examine the relationship between the independent variables (recruitment process, training & development, competitive reward systems, and participative mechanisms) and the dependent variable (organizational performance). The following hypotheses were tested:

H0₁: Recruitment process does not have a significant influence on the performance of MFIs in Nairobi County.

H0₂: Training & development does not have a significant influence on the performance of MFIs in Nairobi County.

H0₃: Competitive reward systems do not have a significant influence on the performance of MFIs in Nairobi County.

H0₄: Participative mechanisms does not have a significant influence on the performance of MFIs in Nairobi County.

Table 4.18

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857 ^a	.734	.727	.429805

R of 0.857 indicates a strong positive correlation between the independent variables and organizational performance. R² of 0.734 means that 73.4% of the variance in organizational performance is explained by recruitment process, training & development, competitive reward systems, and participative mechanisms. The adjusted R² (0.727) remains close to R², suggesting a good model fit with minimal overfitting.

Table 4.19

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.956	4	18.489	100.085	.000 ^b
	Residual	26.786	145	.185		
	Total	100.742	149			

a. Dependent Variable: Organizational Performance of MFIs

b. Predictors: (Constant), participative mechanisms, Recruitment, Training, Rewards

The F-statistic (100.085) is highly significant ($p = 0.000$), indicating that the regression model significantly predicts organizational performance. The independent variables collectively explain a substantial proportion of the variation in the dependent variable

Table 4.20*Regression coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.325	.222		-1.466	.145
Recruitment process	.337	.077	.312	4.354	.000
Training & development	.284	.058	.281	4.853	.000
Competitive reward systems	.309	.079	.292	3.918	.000
participative mechanisms	.153	.050	.145	3.040	.003

Each predictor's effect on organizational performance is analyzed based on Beta values, t-statistics, and p-values:

H0₁: Recruitment process does not have a significant influence on the performance of MFIs in Nairobi County.

Recruitment process ($B = 0.337$, $\beta = 0.312$, $p = 0.000$), is the most significant predictor with a strong positive effect on performance. Therefore, we reject **H0₁** and accept the alternative hypothesis that Recruitment process significantly influences the performance of MFIs in Nairobi County. A previous study assert that talent acquisition, development, and retention are crucial for improving organizational efficiency (Al-Tarawneh, 2020). Their study highlights how firms that implement effective recruitment strategies tend to experience better resource utilization and enhanced performance. Similarly, another study found that employee commitment is closely linked to recruitment, as organizations that attract top talent ensure a workforce that is aligned with corporate goals and productivity objectives (Jennifer & Asri, 2022). Moreover, a study that developed a comprehensive recruitment model emphasizing that organizational attraction and job pursuit behaviors influence hiring outcomes. This study

underscores that organizations need structured recruitment processes to secure committed and competent employees (Al-Tarawneh, 2020). Another study by also highlighted the importance of recruitment in different generational cohorts, reinforcing that different hiring strategies influence workplace performance across age groups (Muithya & Muathe, 2020).

H0₂: Training & development does not have a significant influence on the performance of MFIs in Nairobi County.

Training & development ($B = 0.284$, $\beta = 0.258$, $p = 0.000$) → Also highly significant, confirming its importance in organizational success. Hence, **H0₂** is rejected, and we conclude that Training & development significantly impacts MFI performance. This aligns with a previous study which demonstrated that training enhances firm performance by equipping employees with relevant skills that translate into better service delivery. Similarly, previous study found that training significantly impacts employee efficiency, particularly when combined with a strong organizational culture (Bolarinwa, 2020). Training methods, delivery style, and job-based learning improve employee competencies, leading to enhanced firm performance. Training is particularly effective in government institutions, where employees benefit from structured learning and knowledge transfer mechanisms (Said et al., 2022).

H0₃: Competitive reward systems do not have a significant influence on the performance of MFIs in Nairobi County.

Competitive reward systems ($B = 0.280$, $\beta = 0.279$, $p = 0.000$), Strong impact, reinforcing the role of compensation in performance improvement. Consequently, **H0₃** is rejected, affirming that competitive reward systems play a significant role in enhancing the performance of MFIs in Nairobi County. A study that examined financial and non-financial rewards in Indonesian pharmaceutical firms and found that performance-based incentives drive efficiency,

particularly when employees feel valued (Liu et al., 2022). Similarly, a study explored the impact of rewards in the Nigerian public sector, finding that incentive structures directly influence employee commitment and firm performance (Noorazem et al., 2021).

H04: Participative mechanisms does not have a significant influence on the performance of MFIs in Nairobi County.

participative mechanisms ($B = 0.153$, $\beta = 0.145$, $p = 0.003$) → the least influential predictor, but still statistically significant. Therefore, **H04** is rejected, indicating that participative mechanisms significantly contributes to the performance of MFIs. A past study found a strong positive relationship between participative mechanisms and performance, noting that engaged employees exhibit higher motivation and efficiency (Noercahyo et al., 2021). A study which investigated European firms and established that participative mechanisms fosters organizational excellence, particularly when complemented by training and motivation (Liu et al., 2022). A study further reinforced these findings by demonstrating that workplace collaboration and leadership styles impact participative mechanisms, ultimately boosting firm performance (Jennifer & Asri, 2022).

The overall model can now be written as follows:

$$Y=0.337X1+0.284X2+0.309X3+0.153X4$$

CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This study examined the influence of human resource practices on the performance of microfinance institutions (MFIs) in Nairobi County. Specifically, it sought to address four key objectives: assessing the influence of recruitment process, training & development, competitive reward systems, and participative mechanisms on the performance of MFIs in Nairobi County. This chapter presents a summary of the study's findings, followed by a detailed discussion, conclusions, and recommendations. These insights aim to inform HRM strategies within MFIs and provide a foundation for future research on optimizing human resource practices to improve institutional performance. The subsequent sections outline the study's key results and their broader implications.

5.2 Summary of the Study

This study explored the impact of human resource practices on the performance of microfinance institutions (MFIs) in Nairobi County, focusing on key HR strategies that drive organizational growth and efficiency. Using rigorous statistical methods, the research achieved an impressive response rate of 98.03% (n=150), ensuring comprehensive input from a variety of stakeholders.

These insights align with established human resource management models that emphasize the role of strategic HR practices in enhancing employee productivity and organizational performance. Diagnostic tests, such as those for normality, autocorrelation, and multicollinearity, confirmed the accuracy and validity of the statistical findings, further enhancing the credibility of the results. The correlation analysis revealed significant positive

relationships between human resource practices and the performance of microfinance institutions in Nairobi County, highlighting the critical role of effective HR strategies in enhancing organizational success. These findings support existing theories in human resource management and organizational performance, which emphasize the influence of strategic HR practices on productivity and institutional performance (Winterton & Cafferkey, 2022).

The regression analysis revealed that the selected predictors accounted for 73.4% of the variance in microfinance institutions' performance, demonstrating the model's robustness in assessing the influence of human resource practices. These findings align with existing research on organizational performance, which underscores the critical role of HR strategies in driving efficiency, employee productivity, and overall institutional success. The regression equation indicated that key predictors, including recruitment process, training & development, competitive reward systems, and participative mechanisms, significantly contributed to enhancing microfinance institutions' operational effectiveness.

5.2.1 Recruitment process and Performance

The first objective examined the influence of recruitment process on the performance of microfinance institutions in Nairobi County. Bivariate regression analysis indicated a strong positive relationship between recruitment process and organizational performance (Beta = 0.824, p-value = 0.000), confirming that recruitment process significantly impacts performance. Based on multiple regression results, the study found that recruitment process was the most significant predictor of performance, as evidenced by the highest standardized coefficient ($\beta = 0.312$) and a p-value of 0.000. This finding aligns with existing literature on human resource management, which emphasizes the critical role of talent acquisition in enhancing organizational efficiency. These findings suggest that microfinance institutions

must adopt well-structured recruitment frameworks to secure competent employees and drive sustainable performance improvements.

5.2.2 Training & development and Performance

The second objective examined the influence of Training & development on the performance of microfinance institutions in Nairobi County. The bivariate regression showed that training had a significant positive effect on organizational performance (Beta = 0.719, p-value = 0.000). Similarly, the multivariate regression results reinforced that training enhances performance by providing employees with necessary skills. Based on multiple regression results, the study found that Training & development was a highly significant predictor of performance, as indicated by the standardized coefficient ($\beta = 0.258$) and a p-value of 0.000. These findings align with existing research highlighting the crucial role of employee training in enhancing organizational success..

5.2.3 Competitive reward systems and Performance

The third objective assessed the influence of competitive reward systems on the performance of microfinance institutions in Nairobi County. Bivariate regression analysis revealed that competitive reward systems had a significant and positive impact on organizational performance (Beta = 0.821, p-value = 0.000). This was further confirmed by the multivariate regression results. Based on multiple regression results, the study found that competitive reward systems had a strong impact on performance, as reflected by the standardized coefficient ($\beta = 0.279$) and a p-value of 0.000. This finding underscores the critical role of compensation in enhancing employee motivation and organizational success..

5.2.4 Employee Participative mechanisms and Performance

The fourth objective examined the influence of participative mechanisms on the performance of microfinance institutions in Nairobi County. The bivariate regression results demonstrated that participative mechanisms is positively related to organizational performance ($\beta = 0.707$, $p\text{-value} = 0.003$). This was corroborated by the multivariate regression results. Based on multiple regression results, employee involvement was the least influential predictor ($\beta = 0.145$, $p = 0.003$), it remained statistically significant, highlighting its role in shaping organizational success. A past study in concurrence found a strong positive relationship between participative mechanisms and performance, noting that engaged employees tend to exhibit higher motivation and efficiency (Noercahyo et al., 2021).

5.3 Conclusions of The Study

This study examined the influence of human resource practices on the performance of microfinance institutions in Nairobi County by analyzing key HR strategies, including recruitment, training, rewards, and employee involvement. The findings underscored the critical role of effective HR practices in enhancing employee productivity, operational efficiency, and overall institutional performance. These conclusions provide valuable insights into optimizing workforce management strategies to improve the sustainability and competitiveness of microfinance institutions.

5.3.1 Recruitment process and Performance

The study emphasized the critical role of effective human resource practices, particularly recruitment, in enhancing the performance of microfinance institutions in Nairobi County. Recruitment was found to be the most significant predictor of performance, with well-structured hiring processes positively influencing organizational efficiency. The study

underscores the importance of strategic recruitment practices in achieving superior organizational performance. Moreover, organizations that invest in a rigorous recruitment process can significantly reduce turnover and improve employee engagement, leading to better alignment with long-term organizational goals. By implementing robust recruitment strategies, microfinance institutions can attract top talent, align workforce capabilities with organizational objectives, and drive sustained performance improvements. These findings align with existing literature, which highlight the importance of talent acquisition in strengthening employee commitment and organizational success (Altındağ & Bilaloğlu Aktürk, 2020). This study underscores the necessity of adopting tailored recruitment frameworks to secure competent employees, thereby supporting the long-term growth and stability of microfinance institutions in Nairobi County.

5.3.2 Training & development and Performance

The study concluded that Training & development is a critical driver of performance in microfinance institutions (MFIs) in Nairobi County. The significant role of training in improving organizational performance was evident, with the findings showing that it is a key predictor of success. The positive relationship between training and performance aligns with existing literature, which highlights the importance of employee skill development in enhancing service delivery, efficiency, and overall institutional success. While the study highlights the positive impact of training on MFI performance, it also suggests that the effectiveness of training programs hinges on their alignment with organizational objectives and the specific skill gaps within the workforce. MFIs that continuously assess and adapt their training programs are likely to experience sustained improvements in employee productivity and overall performance. MFIs should prioritize comprehensive and tailored training

programs to equip their employees with the necessary skills, ultimately leading to improved performance across various operational metrics.

Additionally, the conclusions of this study are grounded in Human Capital Theory, which posits that investments in employee training and development contribute directly to organizational growth and productivity. By improving employee competencies, MFIs are not only enhancing individual performance but also fostering long-term institutional success. The study suggests that MFIs should view training as a strategic investment in human capital, which can lead to better employee retention, increased productivity, and higher organizational effectiveness. This approach will ensure that MFIs remain competitive and efficient, improving key performance indicators such as financial sustainability, customer satisfaction, and the quality of their services.

5.3.3 Competitive reward systems and Performance

The study concluded that competitive reward systems are a significant factor in driving the performance of microfinance institutions (MFIs) in Nairobi County. The strong influence of rewards, as evidenced by the statistical findings, highlights the essential role that both financial and non-financial incentives play in enhancing employee motivation and organizational success. Employees who feel valued through appropriate compensation and recognition are more likely to be committed, productive, and engaged in their work.

The findings suggest that both financial and non-financial rewards play a crucial role in motivating employees and boosting performance. Additionally, organizations that integrate personalized reward systems are better positioned to enhance employee satisfaction, which directly correlates with increased organizational effectiveness.

Moreover, the Resource-Based View (RBV) theory provides a valuable lens through which to understand the role of rewards in enhancing organizational performance. According to RBV, the unique and strategic deployment of resources, including human capital, is essential for sustained competitive advantage. In the context of MFIs, rewards are a critical component of human resource management that helps attract and retain valuable employees, who, in turn, contribute to the institution's capabilities and performance. By effectively managing rewards, MFIs can enhance their competitive edge and improve key performance metrics such as financial sustainability, customer satisfaction, and overall operational efficiency. Thus, the study underscores the importance of rewards as a key resource in building the human capital necessary for long-term success.

5.3.4 Participative mechanisms and Performance

The study concluded that employee involvement, while the least influential predictor, plays a significant role in the performance of microfinance institutions (MFIs) in Nairobi County. The statistical significance of the relationship, despite its lower influence compared to other factors, highlights the importance of fostering an inclusive work environment. Engaged employees tend to be more motivated, efficient, and committed, all of which contribute to organizational success. Previous studies have shown that Participative mechanisms in decision-making and the creation of collaborative work environments improve organizational effectiveness (Noercahyo et al., 2021). Therefore, while Participative mechanisms may not be the dominant driver of performance, it remains essential for achieving long-term success in MFIs by promoting higher motivation and fostering a more committed workforce.

Participative mechanisms was found to positively affect organizational performance, particularly when employees are actively engaged in decision-making processes.

Furthermore, fostering a culture of involvement encourages ownership of organizational goals, leading to higher levels of accountability and innovation within MFIs.

The High-Performance Work Systems (HPWS) model provides a useful framework for understanding how employee involvement can enhance organizational performance. The HPWS model emphasizes the strategic alignment of human resource practices to create a high-performance culture, where employee involvement is central. By ensuring employees are well-compensated, involved in decision-making, and supported through continuous development and communication, MFIs can improve productivity, innovation, and overall performance.

5.4 Recommendations of The Study

Based on the conclusions and key findings of this study, several policy recommendations and directions for future research are proposed. These recommendations aim to enhance the effectiveness of human resource practices in microfinance institutions (MFIs) in Nairobi County, particularly in the areas of recruitment process, training & development, competitive reward systems, and participative mechanisms. The suggestions are grounded in the study's emphasis on the critical role of human resource practices in improving organizational performance, driving employee motivation, and enhancing overall institutional success. By focusing on the optimization of HR practices, MFIs in Nairobi County can better position themselves to compete effectively, improve customer satisfaction, and achieve financial sustainability. These recommendations provide a foundation for policymakers and practitioners to refine HR strategies and contribute to the continued growth and performance of the microfinance sector in Nairobi County. Central Bank of Kenya (CBK) should establish clearer guidelines for microfinance institutions (MFIs) on human resource management

practices, particularly in recruitment process, training & development program, reward systems, and employee participative mechanism. CBK should encourage MFIs to adopt strategic HR practices that align with organizational goals to improve performance. NACOSTI should strengthen its role as a regulator and enabler of scientific research and innovation in the Human Resource Management (HRM) sector in Kenya. With the evolving nature of work, digital transformation, and increased interest in data-driven HR practices, there is a growing need for evidence-based policies and ethical standards to guide HRM research and innovation.

The study recommend that NACOSTI shoul integrate HRM more explicitly into its regulatory priorities by enhancing research licensing frameworks, supporting interdisciplinary research, and promoting responsible innovation in talent management, organizational behavior, and workplace technology.

5.4.1 Recruitment process

The study recommends that microfinance institutions (MFIs) in Nairobi County should continue to prioritize and strengthen their recruitment strategies to enhance organizational performance. By investing in well-structured recruitment processes, MFIs can attract top-tier talent that aligns with their strategic goals, thereby improving operational efficiency and productivity. Additionally, MFIs should adopt tailored recruitment frameworks that focus on identifying and acquiring employees with the skills, knowledge, and capabilities that contribute to their long-term growth and success. This approach will not only improve employee commitment but also strengthen the overall competitiveness of the microfinance sector in Nairobi County. Furthermore, the study suggests that MFIs should invest in continuous training and professional development programs to further equip their workforce,

ensuring that employees are well-prepared to meet the evolving demands of the industry and contribute to the institution's success.

MFIs should prioritize recruiting individuals with strong technological proficiency to keep up with industry trends and ensure adaptability to changing market demands. Additionally, recruitment strategies should focus on attracting candidates who demonstrate innovative thinking and a capacity for developing creative solutions in financial services. This approach will help MFIs stay competitive by fostering a workforce capable of meeting evolving customer needs and improving service delivery.

Lastly, MFIs should integrate a holistic approach to human resource management, encompassing rewards, employee involvement, and career development opportunities to foster a motivated and committed workforce, ultimately driving sustained performance improvements.

5.4.2 Training & development programs

The study recommends that microfinance institutions (MFIs) in Nairobi County should prioritize the development and implementation of comprehensive training & development programs as a key strategy to enhance organizational performance. Given the significant positive relationship between Training & development and performance, MFIs must invest in tailored training initiatives that address the specific skill requirements of its employees. These programs should focus on improving service delivery, operational efficiency, and overall institutional success.

Training programs should focus on equipping employees with the skills necessary to navigate new technologies and stay ahead of market trends. By offering continuous professional

development, MFIs can build a more adaptable workforce that can respond proactively to changes in customer expectations and financial technology. Furthermore, training initiatives should emphasize innovation, encouraging employees to contribute fresh ideas for product and service design that meet emerging market needs.

By equipping employees with the necessary skills and knowledge, MFIs can foster a more competent and motivated workforce, driving improvements in various operational metrics. Furthermore, MFIs and regulators should consider ongoing professional development to ensure that employees continue to adapt to the changing demands of the industry, thereby ensuring sustained growth and competitiveness in the microfinance sector.

5.4.3 Competitive reward systems

The study recommends that microfinance institutions (MFIs) in Nairobi County should develop and implement robust reward systems to enhance employee performance and organizational success. The findings underscore the significant role of both financial and non-financial incentives in motivating employees and driving productivity. MFIs should focus on creating structured reward frameworks that recognize employee contributions and provide appropriate compensation, fostering a culture of commitment and engagement.

Providing rewards for creativity and problem-solving will foster a culture of innovation, motivating employees to bring forward solutions that improve operational efficiency. Additionally, MFIs should consider offering rewards tied to the achievement of specific technological milestones, aligning employee performance with the organization's broader strategic goals in a rapidly evolving market.

By ensuring employees feel valued and appreciated, MFIs can improve motivation, reduce turnover, and ultimately enhance overall institutional performance. Additionally, a well-rounded reward system that balances both intrinsic and extrinsic incentives can further strengthen employee satisfaction and organizational success.

5.4.4 Employee Participative mechanisms

The study recommends that microfinance institutions (MFIs) in Nairobi County should place greater emphasis on enhancing participative mechanisms to foster a more inclusive and collaborative work environment. While employee involvement may not be the most dominant factor influencing performance, its statistical significance highlights its critical role in boosting employee motivation, efficiency, and commitment. Moreover, MFIs should create opportunities for employees to participate in decision-making processes, which can enhance organizational effectiveness and drive long-term success.

Creating cross-functional teams to collaborate on identifying emerging market trends and technological advancements will ensure that the organization remains agile and responsive. Moreover, providing employees with access to accurate, timely information will enable them to make informed decisions and contribute to the long-term success of the institution.

In addition, by promoting a culture of engagement and inclusion, MFIs can improve workforce morale, reduce turnover, and ultimately enhance overall organizational performance. Lastly, encouraging employee involvement is essential for building a motivated and committed workforce that contributes positively to the institution's success.

5.5 Contribution to the Body of Knowledge

The research contributes to the body of knowledge in the areas of Human Resource Management and organizational performance in microfinance institutions (MFIs) in the following ways:

HR Practices and MFI Performance: The research gives empirical evidence on how human resource practices are important in enhancing the organizational performance of MFIs in Nairobi County, which includes recruitment, training, rewards and employee involvement. This research closes this gap in literature especially in the microfinance sector where such research has been limited by pointing out these HR practices.

Contextual Insights about Nairobi County: As opposed to prior research that was done on various geographical regions or sectors, this particular research is dealing with the context of MFIs in Nairobi County in Kenya. It contains a contextualized knowledge of the influence of HR practices on performance and offers a practical implication on the part of the managers and policy makers in the microfinance sector.

Methodological Contributions: The research uses a mixture of bivariate and multivariate regression analysis, which is a strong methodological approach to the study of the connection between HR practices and organizational performance. Such a two-fold solution will give a complete picture of the impact of both individual HR practices and their interplay on the performance of MFIs.

5.6 Suggestions for Further Research

While this study focused on the influence of human resource practices on the performance of microfinance institutions (MFIs) in Nairobi County, several areas remain unexplored that

could enhance understanding of the factors shaping organizational success in this sector. Future research could investigate further the role of organizational culture and its influence on HR practices and performance outcomes. Examining how different cultural aspects within MFIs influence employee motivation, satisfaction, and overall performance could offer valuable insights.

In addition, the interaction between HR practices and external factors, such as economic fluctuations and regulatory changes, could be examined. Understanding how these external dynamics affect the implementation and effectiveness of HR practices within MFIs may provide a broader perspective on their performance.

Further research could explore the role of digital HRM in enhancing HR practices within MFIs, focusing on the integration of technology in recruitment, training, and performance management. Additionally, examining the impact of organizational culture on employee performance and the effects of external shocks, such as economic downturns or regulatory changes, would provide valuable insights for strengthening MFI resilience and growth

Furthermore, there is an opportunity to explore the role of digital HR tools, such as online training platforms or recruitment systems, in enhancing the efficiency and reach of HR practices. As technology continues to evolve, its integration into HR functions could present new opportunities for MFIs to improve performance. Expanding the scope of future studies to incorporate these variables would help build a more comprehensive understanding of how human resource practices influence the success of MFIs in Nairobi County.

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APPENDICES

Appendix I: Introduction Letter

My name is Aaron Sharon Mueni, a Master's student at Kenya Methodist University. Currently am writing my project on the *Influence of selected Human Resource Practices on the Organizational Performance of MFIs in Nairobi County, Kenya*. You have been chosen to participate in this study to provide your opinion on the subject. There are, however, no true or wrong answers, therefore, you are required to provide honest opinions as much as you can. Your responses will enable me to complete this academic project by reporting what you and others will provide in this questionnaire as opinions. You are free to participate in this study and can choose to withdraw at any time without any repercussions. I will do my best to ensure that the information you provide herein is kept safe without divulging it to a third party.

Consent Given []

Consent Declined []

Reason for decline

Appendix II: Questionnaire

Section I: Demographic Information

1. What is your Gender?

Male ☐ Female ☐

2. Age of the Respondents

25 years to 30 years ☐ 31 years to 35 years ☐

36 years to 40 years ☐ 41 years to 45 years ☐

Above 46 years ☐

3. Please indicate the number of years you have worked in your organization

Less than 5 years ☐ 6 years to 10 years ☐

11 years to 15 years ☐ Over 15 years ☐

4. How would you rate the level of work experience required for your role?"

None ☐ Basic ☐ Intermediate ☐ Advanced ☐

5. What are your average daily working hours? ()

6. Please indicate your highest level of education

Diploma ☐ Bachelor's degree ☐

Postgraduate diploma ☐ Master's degree ☐

Doctoral Degrees (PhD) ☐

Section II: Recruitment process

Using a scale of 1 to 5, where 1 = Strongly Disagreed (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), and 5= Strongly Agree (SA). Please indicate the extent to which you agree with the following statements on **Recruitment process**.

Statement on Recruitment	SD	D	N	A	SA
Screening					
7. The screening process effectively identifies qualified candidates.					
8. Our firm uses various methods to thoroughly assess candidates.					
9. Screening criteria are clearly defined and consistently applied.					
Shortlisting					
10. The shortlisting process is fair and unbiased.					
11. The criteria for shortlisting are relevant to the job requirements.					
12. Shortlisting effectively narrows down to suitable candidates.					
Diversity/Inclusivity					
13. Our firm promotes diversity in hiring.					
14. Inclusivity policies are in place during hiring.					
15. Diversity is considered at all hiring stages.					
Reference Checks					
16. Reference checks are comprehensive.					
17. Reference checks provide valuable insights.					
18. Reference checks influence the final hiring decision.					
Panel Interviews					
19. Panel interviews are well-organized and effective.					
20. Panel interviews provide a balanced assessment.					
21. Feedback from all panel members is considered.					

22. How would you describe your experience with the recruitment process at your firm?

.....

.....

.....

23. What improvements do you think could be made to the recruitment process to attract and retain talented individuals more effectively?

.....

24. What is the primary method used for recruitment in your firm?

Online ☐ Referrals ☐ Campus Outreach ☐ Others (Specify): _____

25. Have you participated in the recruitment process for your team?

Yes ☐ No ☐

26. Rank the recruitment channels based on their effectiveness (1 = Most Effective, 5 = Least Effective):

Job Boards ☐ Company Website ☐ Recruitment Agencies ☐ Internal Referrals ☐
 Social Media Platforms ☐

27. How would you rate the clarity of job descriptions during recruitment?

Very Poor [1] -- [2] -- [3] -- [4] -- [5] Very Clear

28. How many job applicants does your department handle in a typical month? ()

Section III: Training & development

Using a scale of 1 to 5, where 1 = Strongly Disagreed (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), and 5= Strongly Agree (SA). Please indicate the extent to which you agree with the following statements on **Training & development**.

Statement on Training	S D	D	N	A	S A
Skill gaps assessment					

29. Our firm regularly assesses skill gaps among employees.					
30. The skill gaps assessment process is comprehensive and accurate.					
31. Skill gaps identified are relevant to job performance requirements.					
32. Employees receive feedback on their skill gap assessments.					
Training Resources					
33. Adequate resources are allocated for employee training programs.					
34. The training materials provided are relevant and up-to-date.					
35. Our firm invests in high-quality training tools and technologies.					
36. Employees have access to the necessary resources for continuous learning.					
Mode of Training Delivery					
37. The mode of training delivery suits the learning needs of employees.					
38. Training sessions are interactive and engaging.					
39. Both online and in-person training options are available.					
40. The training delivery method is flexible to accommodate different schedules.					
Training, Monitoring, and Evaluation					
41. Training programs are regularly monitored for effectiveness.					
42. Feedback is collected from employees after each training session.					
43. Training outcomes are evaluated to measure the impact on performance.					
44. Continuous improvement is made to training programs based on evaluation results.					

Section IV: Competitive Reward systems

Using a scale of 1 to 5, where 1 = Strongly Disagreed (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), and 5= Strongly Agree (SA). Please indicate the extent to which you agree with the following statements on **Competitive Reward systems**.

Statement on Rewards	S D	D	N	A	S A
Recognition Programs					
45. Our firm has effective recognition programs for outstanding employee performance.					

46. Employees feel appreciated through the current recognition programs.					
47. The criteria for recognition programs are fair and transparent.					
48. Recognition programs in our firm motivate employees to perform better.					
Bonuses					
49. Our firm provides bonuses based on performance achievements.					
50. Employees are satisfied with the bonus structure at our firm.					
51. The process for awarding bonuses is clear and well-communicated.					
52. Bonuses provided by our firm effectively incentivize employees.					
Competitive Salaries					
53. Salaries offered by our firm are competitive within the industry.					
54. Employees believe their salaries reflect their skills and contributions.					
55. The salary structure at our firm is reviewed regularly to remain competitive.					
56. Competitive salaries help retain talented employees in our firm.					
Benefit Packages					
57. Our firm offers comprehensive benefits packages to employees.					
58. Employees are satisfied with the health and wellness benefits provided.					
59. The benefit packages are competitive compared to other firms.					
60. Benefits offered by our firm contribute to overall employee satisfaction.					

61. What impact do you believe recognition programs have on employee morale and performance within your firm?

.....
.....
.....

62. How satisfied are you with the current structure of bonuses and benefit packages provided by your firm? What changes would you suggest?

.....

.....
.....
63. Which type of reward do you prefer the most?

Monetary Bonuses [] Recognition Programs [] Non-Monetary Benefits []

64. Do you receive performance-based rewards?"

Yes [] No []

65. Rank the following types of rewards in terms of effectiveness (1 = Most Effective, 4 = Least Effective):

Salary Increments [] Bonuses [] Promotions [] Recognition []

66. How many times have you received a reward in the last financial year? ()

Section V: Participative mechanisms

Using a scale of 1 to 5, where 1 = Strongly Disagreed (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), and 5= Strongly Agree (SA). Please indicate the extent to which you agree with the following statements on **Participative mechanisms**.

Statement on Participative mechanisms	S D	D	N	A	S A
Employee Taskforce					
67. Our firm frequently forms employee task forces to address specific issues or projects.					
68. Employees are encouraged to join task forces and contribute their expertise.					
69. Task forces in our firm lead to meaningful improvements in organizational processes.					
70. The work done by employee task forces is valued and recognized by management.					
Team Collaboration					
71. Team collaboration is actively promoted within our firm.					
72. Employees have sufficient opportunities to collaborate with colleagues on projects.					
73. Team collaboration enhances productivity and innovation in our firm.					

74. The firm provides resources and tools that facilitate effective team collaboration.					
Issuance of tasks					
75. The process of assigning tasks to employees is clear and efficient.					
76. Employees receive assignments that align with their skills and interests.					
77. Task assignments are communicated clearly and promptly.					
78. The workload distribution when issuing tasks is fair and balanced.					
Responsibility/Accountability					
79. Employees are held accountable for their responsibilities in our firm.					
80. Clear guidelines are provided regarding individual responsibilities.					
81. Employees are empowered to take ownership of their work and decisions.					
82. Accountability measures in our firm contribute to overall performance and efficiency.					

83. How has your participation in employee task forces or committees contributed to your engagement with your firm's goals and objectives?

.....

.....

.....

84. What initiatives or changes could be implemented to enhance employee involvement in decision-making processes within your MFI?

.....

.....

.....

85. Do you participate in decision-making processes?

Yes [] No []

86. Are you part of any work committees?

Yes [] No []

87. Rate your level of involvement in decision-making.

Not Involved [] Rarely Involved []

Occasionally Involved [] Frequently Involved []

Always Involved []

88. Rank the following involvement methods based on their impact on your performance (1 = Most Impact, 4 = Least Impact):

Team Meetings [] Surveys [] Taskforces [] Brainstorming Sessions []

89. How many team meetings have you attended in the past three months?.....

90. What percentage of decisions in your team involve employee contributions? ()

Section VI: Organizational Performance of MFIs

Using a scale of 1 to 5, where 1 = Strongly Disagreed (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), and 5= Strongly Agree (SA). Please indicate the extent to which you agree with the following statements on **Performance**.

Statement on Performance of MFIs	S D	D	N	A	S A
Market Share					
91. Our firm has successfully increased its market share in the recent past.					
92. Our firm's market position is stronger compared to our competitors.					
Customer Satisfaction					
93. Our firm consistently meets the expectations of our customers.					
94. Customers are highly satisfied with our firm's products/services.					
Employee satisfaction					
95. Our employees' demands are met.					
96. Our employees have a good relationship with each other.					

New products					
97. Our organization has introduced new loan services.					
98. Our organization has new fee services.					

99. In your opinion, what are the most significant factors contributing to the overall performance of your firm?

.....
.....
.....

100. How many new products have been introduced by your organization in the past three years?

.....
.....

Appendix III: Ethics and Review Board Letter



KENYA METHODIST UNIVERSITY

P. O. BOX 267 MERU - 60200, KENYA
TEL: 254-064-30301/31229/30367/31171

FAX: 254-64-30162
EMAIL: info@kemu.ac.ke

Our Ref: KeMU/ISERC/BUS/05/2025

March 06, 2025

AARON SHARON MUENI
BUS-3-1569-1/2022

Dear Sharon,

SUBJECT: INFLUENCE OF HUMAN RESOURCE PRACTICES ON PERFORMANCE OF MICRO FINANCE INSTITUTIONS IN KENYA

This is to inform you that Kenya Methodist University Institutional Scientific Ethics and Review Committee has reviewed and approved your research proposal. Your application approval number is KeMU/ISERC/BUS/05/2025. The approval period is 6th March, 2025 – 6th March, 2026.

This approval is subject to compliance with the following requirements:-

- I. Only approved documents including (informed consents, study instruments, MTA) will be used.
- II. All changes including (amendments, deviations, and violations) are submitted for review and approval by Kenya Methodist University Institutional Scientific Ethics and Review Committee.
- III. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to KeMU ISERC within 72 hours of notification.
- IV. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to KeMU ISERC within 72 hours.
- V. Clearance for export of biological specimens must be obtained from relevant institutions.

- VI. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- VII. Submission of an executive summary report within 90 days upon completion of the study to KeMU ISERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://oris.nacosti.go.ke> and also obtain other clearances needed.

Your sincerely,

MR. HERBERT KIBEBE
CHAIR (ISERC)

Appendix IV: NACOSTI license

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 152202	Date of Issue: 20/March/2023
RESEARCH LICENSE	
	
This is to Certify that Mr. Sharon Muriu of Kenya Methodist University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: INFLUENCE OF HUMAN RESOURCE PRACTICES ON PERFORMANCE OF MICROFINANCE INSTITUTIONS IN KENYA for the period ending : 20/March/2026.	
License No: NACOSTI/2023/152202	
152202	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Applicant Identification Number	Verification QR Code
	
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.	
See overlaid for conditions	

Appendix V: List of MFIs

S/N	Name of Microfinance
1	Choice Microfinance Bank in Kenya
2	Faulu Microfinance Bank Ltd
3	Kenya Women Microfinance Bank Ltd
4	SMEP Microfinance Bank Ltd
5	Remu Microfinance Bank Ltd
6	Rafiki Microfinance Bank Ltd
7	Century Microfinance Bank Ltd
8	Sumac Microfinance Bank Ltd
9	U&I Microfinance Bank Ltd
10	Daraja Microfinance Bank Ltd