

**INFLUENCE OF STRATEGIC PLANNING ON THE PERFORMANCE OF
MICROFINANCE INSTITUTIONS IN KENYA. A SURVEY OF SELECTED
MICROFINANCE INSTITUTIONS IN KITUI COUNTY**

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THE AWARD OF A DEGREE IN MASTER OF BUSINESS ADMINISTRATION
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DECLARATION AND RECOMMENDATION

I hereby declare that this thesis is my original work and that it has not been presented in the Kenya Methodist University or any other institution of higher learning for a degree award

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Declaration by the Supervisors

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ABSTRACT

Performance is a critical measure of an organization's effectiveness, efficiency, and ability to achieve its goals, directly impacting its sustainability and growth. The performance of microfinance institutions (MFIs) in Kenya, remains a critical concern given their vital role in promoting financial inclusion and economic growth. Despite various initiatives and strategic efforts, many MFIs continue to exhibit suboptimal performance, highlighting the need to analyze specific performance metrics such as loan repayment rates, portfolio quality, operational efficiency, and client outreach. In this case the current study sought to establish the influence of strategic planning on performance of microfinance institutions (MFIs) in Kitui County. This study delved specifically into four objectives that focused on influence of organization policy, technology, crisis management, and financial management and the link they have with performance of MFIs in Kitui County. The study was guided by the following key theories; Stewardship theory, Technology diffusion theory, the theory of Reasoned Action and the Agency theory. To conduct the study, the research design adopted was a descriptive design with a target population of 175 managers serving in seven MFIs in Kitui County. To obtain an appropriate sample size of 122 respondents for the study a stratified sampling technique was used. Questionnaire were administered electronically and also in person in collection of primary data whereas secondary data was collected from the financial statements and records of the organizations. Analysis on the data gathered was done through SPSS where descriptive analysis and inferential analysis were used. Additionally, responses from qualitative data were analyzed thematically through content analysis. Findings revealed a beta coefficient of 0.309 and a p-value of 0.007 between organizational policy and performance, a beta coefficient of 0.552 and a p-value of 0.001 between financial management and performance, additionally results showed a beta coefficient of 0.048 and p-value of 0.023 between technology and performance. Lastly results showed a beta coefficient of 3.312 and a p-value of 0.003 between crisis management and performance of MFIs. Conclusions for the study were that organizational policy, technology, financial management and crisis management positively and significantly influenced performance of MFIs in Kitui county. The study recommended the alignment of the organization's policy with the strategic plan through clear policies on ethical practices, leadership practices, and decision-making structure. The study also recommends the audit of the existing technology infrastructure among the MFIs to align them with the strategic plans so that they can enhance decision-making, provide information security, and the automation of practices to enhance organization performance. The MFIs managers should come up with comprehensive practices on crisis management that can pre-empt, respond to as well and accommodate crises to mitigate the effects of the crisis as well as take advantage of the opportunity presented by the crisis. Finally, MFIs managers can align their financial management plan with the organization's strategic plan through budgeting, the use of cash flows to support strategic planning, and ultimately the performance of the MFIs.

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LIST OF ACRONYMS AND ABBREVIATIONS

APC	Anticipated Probability of a Catastrophe
BMLDSS	Business Management Laboratory Decision Support System
CGAP	Consultative Group to Assist the Poor
CV-I	Company Value Indicator
DOI	Diffusion of Innovation
DSS	Decision Support Systems
DSS	Decision Support Systems
EEC	Ethical Environment Cultivation
EEC	Excellent ethical conduct
EIU	Economist Intelligence Unit
ICT	Information and communications technology
KMO	Kaiser-Meyer-Olkin
KTDA	Kenya Tea Development Agency
MFIs	Microfinance Institutions
MMEs	Micro - And Medium-Sized Enterprises
NGOs	Non-governmental organizations
NOC	Nepal Oil Corporation's
OSE	Ontario Stock Exchange
ROA	return on Assets
SEM	Structural Equation Modeling
SMEs	Small and Medium-sized Enterprises
SPSS	Statistical Package for Social Sciences

SWOT Strength weaknesses, opportunities

TRA Theory of Reasoned Action

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance refers to how well an individual, group, or organization achieves its goals and objectives. It is an important aspect of any organization as it directly influences its ability to succeed and sustain operations. High performance leads to improved productivity, efficiency, and profitability, contributing to the overall growth and stability of the organization. It involves various dimensions, including financial results, operational effectiveness, customer satisfaction, and employee engagement (Gomez & Bernet, 2019). Organizations continuously strive to enhance performance through strategic initiatives, investment in technology, talent development, and process optimization. The importance of performance management lies in its ability to provide actionable insights, drive accountability, and ensure that all parts of the organization are aligned towards common objectives (Gofwan, 2022).

In Microfinance Institutions (MFIs), performance is particularly fundamental due to the dual objectives of financial sustainability and social impact. MFIs aim to provide financial services to underserved populations, fostering economic development and poverty alleviation. Therefore, their performance is measured not only by profitability but also by their outreach and effectiveness in improving the lives of their clients (Aydoğmuş, et al., 2022). High performance in MFIs ensures the efficient allocation of resources, better risk management, and the ability to scale operations to reach more clients. Moreover, it helps attract funding from investors and donors who are critical for the expansion and sustainability of these institutions. The success of MFIs is often reflected in their ability to provide timely and accessible financial services, maintain low default rates, and achieve a positive social impact (Mohd, 2018).

Performance in MFIs is measured using several metrics, encompassing both financial and social indicators. Key financial metrics include portfolio quality (e.g., portfolio at risk), operational self-sufficiency, and return on assets. Social performance metrics might include the number of clients served, the percentage of clients below the poverty line, and the impact on clients' income and quality of life. These metrics help MFIs assess their effectiveness in meeting their dual objectives. The relationship between performance and strategic planning in MFIs is significant. Effective strategic planning ensures that MFIs remain focused on their mission, adapt to changing market conditions, and continuously improve their services. By aligning strategic plans with performance metrics, MFIs can track progress, make informed decisions, and ensure that their operations contribute to both financial viability and social impact (Wassie, et al., 2019).

Strategic planning is the process by which an organization's executives identify and create a plan to enable it to achieve its goals. The strategic plan identifies the organization's ambition and goals and the various ways to achieve these goals. The strategic plan also offers a roadmap on which an organization seeks to achieve its objectives. Firms use strategic planning to develop medium-term and long-term objectives spanning from three to five years. Strategic plans are evaluated regularly to ensure that an organization aligns with the changes in the external environment. Changes in the strategic plan help an organization to compete effectively in the market. A comprehensive strategic plan acts as a blueprint by which an organization seeks to achieve its corporate goals (Arend, et al., 2017).

In today's fiercely competitive business landscape, it's essential for organizations to have a well-thought-out strategic plan in place to achieve their objectives successfully. However, merely having a strategic plan isn't a guarantee of organizational effectiveness. It falls on managers to carefully evaluate these plans to ensure they are truly conducive to reaching the organization's

goals. One effective method for assessing the efficacy of strategic plans is by conducting a SWOT analysis, which helps uncover internal strengths and weaknesses while pinpointing any gaps in the organization's strategy.

Through the SWOT analysis, managers gain insights that can inform necessary updates to the strategic plan, allowing the organization to capitalize on emerging opportunities while mitigating potential risks in the dynamic business environment. Prior to implementing the strategic plan, managers need to consider various administrative factors. These considerations are crucial for crafting a unique value proposition that sets the organization apart from competitors, making it difficult for rivals to replicate (Benzaghta, et al., 2021).

An organizational policy serves as a framework comprising guidelines, principles, and regulations directing the functioning and decision-making within an organization. These policies typically encompass various aspects including governance, ethical standards, human resource management, and operational protocols. When organizational policies are aligned with strategic objectives, it fosters coherence and transparency, empowering employees to make decisions in line with the organization's overarching goals and purpose. Studies have shown that organizations with clearly defined policies tend to witness heightened efficiency, greater employee contentment, and enhanced overall performance (Johnson, et al., 2018).

Financial management is another critical variable in strategic planning and organizational culture. Effective financial management ensures the proper allocation and utilization of resources, facilitates decision-making, and supports long-term sustainability. Studies have revealed that organizations that prioritize financial stability and transparency tend to have better strategic planning outcomes. By effectively managing finances, organizations can invest in research and

development, training, and innovation, which ultimately foster a positive organizational culture and improve performance (Damanpour & Schneider, 2016).

Crisis management refers to an organization's ability to identify, respond to, and recover from unexpected events or emergencies. Effective crisis management involves strategic planning to mitigate risks, establish clear communication channels, and implement contingency plans. Research in this area suggests that organizations with a strong crisis management framework exhibit resilience, adaptability, and employee confidence. Furthermore, an organizational culture that values preparedness and proactive decision-making during crises contributes to employee morale, loyalty, and a sense of security (Weber, 2017).

Technology is an increasingly influential variable impacting strategic planning and organizational culture. The rapid advancement of technology has transformed the way organizations operate, communicate, and deliver products or services. Adopting and integrating relevant technologies can enhance efficiency, collaboration, and innovation within an organization. Research findings highlight that organizations embracing technology-driven strategies experience improved strategic planning capabilities and a positive cultural shift. Technology fosters an environment of continuous learning, enables remote work, and enhances communication channels, all of which contribute to organizational success (Buhalis & O'Connor, 2018).

Strategic planning is essential for an organization's long-term success. The variables of organizational policy, financial management, crisis management, and technology significantly influence both strategic planning and organizational culture. Organizations that effectively align their policies, manage finances, navigate crises, and leverage technology experience enhanced performance, improved employee satisfaction, and increased resilience. By understanding the findings related to these variables, organizations can proactively shape their strategic planning

efforts and foster a positive organizational culture, ultimately achieving their goals and staying competitive in a dynamic business landscape (Mitroff & Anagnos, 2021).

Agrawal and Sen (2017) sought to examine three firms in Europe. The study focused on examining the internal and external environment facing multinational firms. The study noted that firms can create a competitive advantage by leveraging their SWOT analysis and PESTEL analysis. The PESTEL analysis exposes the external issues that may pose hazards or offer opportunities to an organization. For instance, an organization may discover that it lacks the requisite technological advancement or the infrastructure support to compete in the global market. The PESTEL analysis could also reveal that an organization needs to recruit more people, establish more divisions, or acquire modern technologies if it is to compete effectively in new markets. Evaluating the business procedures can also reveal the processes that need to be put in place to enable an organization to succeed. On the other hand, an internal review evaluates the resources, people, technologies, and organizational structures and their impacts on competitiveness.

According to Arend, et al. (2017) external reviews are a critical component of strategic planning, which is especially important for competing in foreign markets. Multinational corporations can encounter new political, financial, socioeconomic, and technical obstacles in new markets. For instance, a brand image may need to be changed based on environmental requirements, social standards may lead locals to reject the product, and technical assistance may not be easily accessible within the nation. Political instability can also cause a loss in currency value. These circumstances might lead to corporate collapse if a sound strategic plan is not in place.

According to George, et al. (2019) a strategic innovation strategy is a blueprint for the operational structure to become more digital. George, et al. (2019) surveyed information technology firms in the United States. The study identified the role of strategic innovation in the company's

performance. The researchers identified that IT aids in bringing new digital project deployments and adjustments into alignment with the organization's long-term goals. The appropriate methodology may enhance strategy execution through a bottom-up, dynamic goal-setting and monitoring process instead of a top-down, static approach. Managers and other professionals must collaborate to assist the firm and align resources in pursuing shared objectives. This planning is made more accessible by the use of technology. Thus, enterprise governance and strategic IT planning must be intertwined. The use of expertise, techniques, and procedures utilized in manufacturing output and scientific study combined with cumulative information to create innovation (Agrawal & Sen, 2017).

Managers must be conscious of technology's strategic role in enhancing their firms' capabilities and giving them a competitive edge. As technological development's expense, sophistication, and velocity rise, technological rivalry and its sources become more global. Effective processes and mechanisms must be implemented to ensure that the organization's current and future technology resources align with its strategic goals. It is necessary to evaluate the effects of technological and market developments in terms of possible risks and opportunities, especially those posed by disruptive technologies and marketplaces. The fundamental element of multinational organizations is information (Arend, et al., 2017).

Agrawal and Sen (2017) noted that 11 e-commerce firms in Australia companies retain and preserve a significant quantity of important files, from fundamental customer data to in-depth assessments of portfolio statistics, whether by hand or computer. So that Boards and Managers may make informed choices, this data has to be processed, saved, and presented understandably. The study identified that solid information technology should serve as a means to transform raw data into useful information. One of the most significant difficulties organizations confront

globally is frequently stated as being related to technology. Even while effective use of technology may lower costs, boost productivity, and broaden reach, many companies continue to make subpar innovation efforts or choose not to make any, restricting their capacity to expand and meet demand. Arend, et al. (2017) surveyed six oil companies in Nigeria. The study sought to identify that strategic planning involves managers being conscious of the strategic role in managing crises that help the company maintain its relevance in the market. Threat management entails identifying the various sources of risks and developing strategies that will address these risks before they manifest in the organization. Threat management also ensures that an organization can operate in times of crisis by offering a suitable recovery process.

According to Mori and Charles (2018) several crises were posed to various organizations in Ghana, resulting in some notable organizations' demise. The study sought to examine crisis management in the process of strategic planning. The study identified that while some institutions went out of business independently, the regulator often terminated their licenses for various reasons, including bankruptcy, taking on too much risk, and recurrent statutory violations. For instance, some microfinance companies, nevertheless, were able to continue operating and safeguard all stakeholders' requirements. Different firms respond to crisis circumstances differently, either turning around their operations or letting them fail. Practical crisis management aims to prevent or lessen adverse effects to save organizations, employees, or businesses from harm. Consequently, a leader's capacity to implement suitable mitigation methods and best business practices will determine their ability to turn a crisis to their benefit. As a result, crisis influence reduction will be crucial to the long-term viability of companies.

A study conducted by Sulayman (2015) on financial service firms in Tanzania identified that Tanzania's financial industry has lately seen enormous expansion due to the spike in the number

of companies offering these services, including commercial banks and other profit-driven businesses. According to the study, there is still a significant demand for financial services because more than half of the country's population is still unaffiliated with them.

According to a study by Imbuhila (2016) one of the most prestigious tasks for every organization is critical planning, both to maintain the relevance of its purpose and to match tools with goals in a way that enables the mission to be pursued successfully and expeditiously. Any institution's governance framework is crucial. The governing structure of any institution plays a crucial part in encouraging strategic decision-making. Workplace procedures are described in several corporation policies for employees. According to a survey conducted by Awale, et al. (2016) on oil companies, strategic plans involve employees who are required to abide by organizational policies to keep operations operating effectively. Managers can use deadlines to ensure employees submit requests for vacation on time thus facilitating strategic planning. Managers can also impose policies such as the use of verbal and written warnings on employees to ensure they comply with policies. Well-written policies provide the ability to solve difficulties and concerns without continually consulting higher management for lower-level staff. Guidelines explain the options and provide the parameters for decision-making.

Financial indicators are one of the crucial indicators of a company's performance. Researchers note that in addition to achieving other financial and non-financial benefits, one objective of strategic planning is to generate profits. Strategically planning improves a company's financial and non-financial success over time. An organization can use financial plans, financial controls, and economic decisions to balance checkbooks (Zainal, et al., 2022). Organizations need to define their targets, evaluate the available assets, and identify ways to utilize these assets to achieve their goals. Strategic planning is also concerned with managing liabilities, expenses, debtors, and

creditors to improve an organization's competitiveness. Miriko (2020) noted that Britam-Kenya has focused on developing inner limits and understanding the concept of strategic planning to prosper and endure the challenging environment. With the changing business environment in mind, the organization has concentrated on developing risk administration. Additionally, since the financial disaster in 2008, security net suppliers have been pressured by a widespread crisis of certainty about monetary markets.

According to Mabati, et al. (2020) there are three types of microfinance organizations in Kenya: formal, subsidized, non-subsidized, and informal. The Central Bank of Kenya registers and regulates formal, non-subsidized financial businesses. They are referred to as microfinance banks (MFBs), and the Microfinance Act of 2008 governs them, allowing them to accept deposits from and make savings for their clients. Beginning in the late 1960s, a few NGOs established experimental programs offering donor-funded lending services, which marked the beginning of the Kenyan microfinance business. Several of these associations have become industrialized, self-sufficient, and highly lucrative groups over time. The organizations started as church-based financing initiatives, focusing primarily on a tiny proportion of religious congregations and supplying funding for representatives until expanding to include a larger population in Kenya's urban and rural districts. The idea of microfinance is quickly evolving into Kenya's most approachable and cheap financial sector. According to Kitonga (2016) MFIs confront difficulties with strategic planning, budgeting, personnel, institutional arrangements, development and strategy implementation.

Strategic leadership is necessary since it is clear that those without the necessary knowledge of the issues at hand cannot resolve them. As evidenced by research from Mutua and Mbuva (2022) MFIs in Kitui County play an important role in fostering economic and social development by offering

essential financial services such as small loans, savings accounts, and insurance to individuals and small businesses typically excluded from traditional banking. These services are particularly crucial for women and rural entrepreneurs, who make up a significant portion of the county's population. Mutia (2018) noted that strategic planning by MFIs in Kitui focuses on meeting the specific needs of the community, supporting key economic activities like agriculture, small-scale trading, and local industries, which are integral to the county's economy. Through this strategic approach, MFIs aim to enhance financial stability, improve living standards, and stimulate local enterprise growth. This targeted support not only empowers residents financially but also drives broader economic development in Kitui County, showcasing the critical role of strategic planning in aligning MFIs' efforts with the region's unique socio-economic landscape.

1.2 Statement of the Problem

Performance is a crucial measure of an organization's effectiveness, efficiency, and ability to achieve its goals, directly impacting its sustainability and growth. Performance is vital in microfinance institutions as it determines their capacity to provide financial services to underserved populations, thereby fostering economic development and financial inclusion. High performance in these areas would mean that MFIs can continue to support local businesses, micro-enterprises, and financially constrained individuals, promoting entrepreneurship and community development (Aydoğmuş, et al., 2022).

Strategic planning plays a significant role in enhancing the performance of MFIs by consolidating their strategies, mission, and priorities alongside long-term goals and the necessary steps to achieve them, aiming for desired outcomes (Gurl, 2017). Despite the potential benefits of strategic planning, many MFIs continue to exhibit suboptimal performance and continue to struggle to meet market demand, resulting in missed opportunities for economic development and financial

inclusion. If these issues are not addressed, the sustainability and impact of MFIs will be compromised, hindering their ability to support underserved communities (George, et al., 2019).

According to Consultative Group to Assist the Poor (2020) many MFIs struggle with loan repayment rates, with some institutions experiencing rates below 90%, indicating challenges in borrower repayment behavior and credit risk management. A significant number of MFIs have non-performing loan (NPL) ratios exceeding 10%, signaling issues with credit quality and risk management practices. Besides, a research by the World Bank (2022) revealed that operational costs for MFIs can be high, with operating expense ratios exceeding 30% in many cases, indicating inefficiencies that affect profitability and sustainability. Additionally, while some MFIs have substantial outreach, many struggle to reach underserved populations effectively with the average number of active borrowers per MFI remaining modest, hence, indicating limited penetration into target markets. Also, Economist Intelligence Unit (2021) highlighted that a significant proportion of MFIs face financial sustainability challenges, with declining profitability and increasing regulatory pressures affecting long-term viability.

Research by Ahmed, et al. (2018) examines how resource allocation strategies impact the performance of Kenya's water service boards, highlighting the importance of personnel development, economic competitiveness, infrastructure investment, and technology adoption. Similarly, Lo and Campos (2018) explore the relationship between technology adoption in strategic planning and the performance of the Kenya Wildlife Service, revealing a positive correlation with the adoption of Internet of Things technologies. Conversely, Nangih, et al. (2020) find no significant relationship between financial management practices in strategic planning and the performance of large enterprises in Busia town, emphasizing the complexity of strategic planning's influence on organizational outcomes.

The debate surrounding strategic planning and its impact on organizational performance remains ongoing, with various studies yielding conflicting results. These disparities may stem from differences in sector focus, methodological approaches, or existing research gaps. Given the concerning statistics on MFIs performance, further research is warranted to investigate the influence of strategic planning on MFIs performance in Kenya, particularly in regions like Kitui County.

1.3 Research Objectives

1.3.1 General Objective

To determine the influence of strategic planning on the performance of selected microfinance institutions in Kitui County.

1.3.2 Specific Objectives

- i. Influence of organizational policy on the performance of selected MFIs in Kitui County is not significant.
- ii. To establish the influence of technology on the performance of selected MFIs in Kitui county.
- iii. To assess the influence of crisis management on the performance of selected MFIs in Kitui county.
- iv. To evaluate the influence of financial management on the performance of selected MFIs in Kitui county.

1.4 Research Hypotheses

H₀₁: Organizational policy does not have a significant influence on the selected MFIs in Kitui County.

H₀₂: Technology does not have a significant influence on the performance of selected MFIs in Kitui County.

H₀₃: Crisis management does not have a significant influence on the performance of selected MFIs in Kitui County.

H₀₄: Financial management does not have a significant influence on the performance of selected MFIs in Kitui County.

1.5 Significance of the Study

The current study is important to various groups including policymakers, academicians, and theory development. The policymakers can use the recommendations of the current study to enhance the performance of the MFIs institutions in Kenya. The study is also of importance to the academicians who can use the findings of the current study in their development of empirical literature in their future studies in similar areas. Finally, the study is also important in the development of theories, the hypothesis that is tested by the current study can help in the improvement of the explanation of the phenomenon given by the existing theories.

1.6 Scope of the Study

The study was conducted within six months according to the study guidelines given by the university. The study also focuses on the four variables identified by the study: Organizational policy, technology, crisis management, and financial management. The study data was conducted in Kitui County, where data was mainly collected using questionnaires among middle-level managers working for micro-finance institutions. The study was conducted between October 2022 and August 2024.

1.7 Limitations and Delimitations of the Study

The study depended on the responses from the participants to complete the project, however, the validity and the reliability of the response are not guaranteed because they depended on the honesty of the respondents. Besides, the study was only conducted within the geographical confines of Kitui County, it is therefore hard to generalize the findings within only Kitui County as applicable among all micro-finance institutions in Kenya. The study overcame the issue of validity and reliability by pleading with respondents to provide honest opinions to enable the researcher to complete the project, further, the researcher used validity and reliability tests to enhance the quality of the project.

The researcher anticipated that some of the respondents may not be willing to give responses for fear that the information gathered would be divulged to a third party who may be a competitor. To overcome the confidence issues among the respondents on participation, the researcher used all ethical practices which are professional ways of enhancing data confidentiality and assuring the respondents that the data collected would only be for academic purposes alone, the letter from NACOSTI, as well as research authorization from the university, were issued to the respondents to obtain consent in participation.

The researcher also depended on their savings to conduct the study. Kitui County is a vast country and traversing it which collects data means that a lot of financial resources were needed. The researcher overcame the financial challenge by choosing a representative sample through probabilistic means, therefore, the quality of the research was not affected in any way by the financial limitations.

1.8 Operational Definition of Terms

Strategic Planning	refers to the function of a leader in determining what the vision of a company will be like, and setting out goals as well as objectives. The different sequence of events and activities to realize the vision through objectives set (Bao, 2019).
Technology:	refers to the application of scientific skills in innovating a more efficient and effective way of doing things in an organization using machines (ICT machines) such as computers and the Internet of things (Gaturu, et al., 2018).
Organizational policy:	Refers to the rules or ways of conducting oneself in an organization, the way activities are carried out such as recruitment policy, code of conduct, or even the way conflicts are resolved (Gaturu, et al., 2018).
Performance:	refers to the output realized by an organization from using its inputs. The actual performance can also be measured against the budgeted or intended output (Ahmed, et al., 2018).
Crisis Management:	Refers to the different approaches undertaken by a business whenever an emergency occurs such as an employee strike or capital challenges (Gaturu, et al., 2018).
Financial Management:	refers to the decisions on deciding where the finances will come from as well as how effectively and efficiently will be utilized in reaching company goals (Bao, 2019).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two of the study presented the theories that apply to the study, the chapter also presented the past literature on the empirical literature, a critical review of the literature, and conceptual framework as well as the Research gaps identified from the available literature.

2.2 Theoretical Orientation

2.2.1 Stewardship Theory

Stewardship Theory, primarily developed by Davis, et al. (1997) and later expanded by scholars such as James Donaldson and others, suggests that managers, or stewards, are inherently motivated to act in the best interests of their principals, the owners or shareholders. This theory contrasts with Agency Theory by suggesting that stewards are trustworthy, intrinsically motivated, and committed to the organization's success, viewing their role as one of stewardship rather than exploitation. It emphasizes a relationship of mutual trust and cooperation between managers and owners, highlighting the alignment of interests and the role of organizational culture and norms in fostering stewardship behaviors (Chrisman, 2019).

The key arguments of Stewardship Theory revolve around the intrinsic motivation of managers to act in the best interest of the organization, thereby enhancing performance and long-term value creation. It argues that stewards are motivated by a sense of duty, pride in their work, and a desire to contribute to the organization's success rather than merely pursuing personal gain (Zhang, et al., 2018). Additionally, the theory highlights the importance of organizational culture and trust, asserting that when a culture of trust and collaboration is established, managers are more likely to act in ways that align with the organization's goals and policies. This perspective encourages

practices that support empowerment, autonomy, and a shared vision between managers and owners (Torfing & Bentzen, 2020).

Critics of Stewardship Theory argue that it may overlook the potential for self-serving behavior by managers, particularly in situations where there is a lack of adequate oversight and accountability. They suggest that while the theory idealizes the steward as a benevolent actor, real-world complexities and individual differences might lead managers to act in ways that are not always aligned with organizational interests. Critics also point out that the theory's emphasis on trust and culture might not adequately address situations where managers' interests diverge significantly from those of the shareholders, or where external pressures and competitive dynamics could lead to opportunistic behavior. Additionally, some argue that the theory may underestimate the importance of monitoring mechanisms and incentives that are essential to align the interests of managers with those of the shareholders (Löhde, et al., 2021).

Stewardship Theory provides a valuable lens through which to examine the role of managers in driving organizational performance making it highly applicable in this study. The theory's emphasis on trust, collaboration, and alignment of interests can help to understand how strategic planning processes are shaped by the attitudes and behaviors of managers. For microfinance institutions, where trust and long-term commitment to community development are crucial, the stewardship approach can illustrate how managers' intrinsic motivations and commitment to the organization's mission influence their strategic decisions. By applying Stewardship Theory, the study can explore how effective governance practices, supportive organizational policies, and a strong culture of stewardship enhance the implementation of strategic plans, thereby improving the performance and sustainability of microfinance institutions (Torfing & Bentzen, 2020).

Stewardship Theory is intrinsically linked to organizational policy, as it underscores the importance of creating an environment where managers feel empowered and motivated to act as stewards of the organization. Effective organizational policies, according to this theory, are those that foster trust, promote ethical behavior, and align the interests of managers with those of the stakeholders. In microfinance institutions, this could involve developing policies that encourage transparency, accountability, and participatory decision-making, thereby enhancing managerial commitment to the institution's goals. The theory suggests that when policies are designed to support stewardship behaviors, they not only enhance managerial performance but also contribute to the overall success and resilience of the institution. Therefore, in the study, examining how organizational policies are crafted to support stewardship could reveal critical insights into their impact on strategic planning and institutional performance.

2.2.2 Technology Diffusion Theory

Technology Diffusion Theory was originally formulated by Everett Rogers in 1962 in his seminal work "Diffusion of Innovations." This theory offers a comprehensive framework to understand how new ideas, technologies, products, or practices spread within societies and organizations. At its core, the theory posits that the adoption of innovations follows a predictable pattern characterized by stages of awareness, interest, evaluation, trial, and adoption. Innovations are adopted over time by different segments of a population, with early adopters influencing later adopters through social networks and communication channels. This diffusion process is often visualized as a bell-shaped curve, highlighting the varying speeds at which different groups embrace innovations (Al-Rahmi, et al., 2019).

Critics of the Technology Diffusion Theory argue that while it provides valuable insights into adoption patterns, it may oversimplify the complexities inherent in adoption decisions. Contextual

factors such as organizational culture, political influences, and power dynamics can significantly impact how innovations are adopted and integrated within organizations. Additionally, the theory's focus on individual attributes and social networks may not fully capture the broader institutional and systemic barriers that can hinder or facilitate adoption processes (Yadegari, et al., 2024).

Technology Diffusion Theory holds particular relevance in this study since microfinance institutions in Kenya face unique challenges in adopting and integrating new technologies that could potentially enhance their operational efficiency, expand outreach, and improve financial inclusion efforts. Understanding the factors that facilitate or impede the diffusion of technology within these institutions is crucial for devising effective strategies to promote adoption and maximize benefits (Yuen, et al., 2021).

Strategic planning emerges as a critical factor in this regard, serving as a guiding framework that aligns organizational goals with technological investments. By strategically planning technology adoption initiatives, microfinance institutions can overcome barriers such as financial constraints, regulatory compliance, and resistance to change. This approach not only facilitates the integration of technology into daily operations but also enhances the institution's capacity to leverage technological advancements for improved client services and operational effectiveness.

2.2.3 Theory of Reasoned Action

Theory of Reasoned Action (TRA) was formulated by Fishbein as a fundamental theory for understanding and predicting human behavior based on attitudes, subjective norms, and behavioral intentions. According to TRA, individuals' behavioral intentions are shaped by their attitudes toward performing a specific behavior and by subjective norms—perceived social pressures and expectations regarding that behavior. These intentions subsequently influence actual behavior,

assuming individuals possess rational decision-making capabilities and control over their actions (Conner, 2020).

Critics of TRA have noted its limitations in accounting for factors beyond rational decision-making, such as emotional influences and situational constraints. Despite these criticisms, TRA has remained influential across various disciplines, including psychology, marketing, and public health, due to its structured approach in predicting and explaining human behavior (Ajzen & Kruglanski, 2019).

TRA offers a robust framework to analyze how strategic planning decisions impact organizational behavior and performance outcomes making it highly relevant in this study. Strategic planning within MFIs involves critical decisions guided by organizational attitudes towards strategic initiatives and perceived norms within the institution, such as expectations from stakeholders and regulatory bodies. Behavioral intentions shaped by these attitudes and norms play a crucial role in determining the effectiveness of strategic planning efforts in enhancing MFI performance metrics such as financial sustainability, outreach, and client satisfaction (Ajzen, 2020).

Moreover, applying TRA to crisis management within MFIs elucidates how organizational leaders and staff may respond to and manage crises. During crises, such as economic downturns or operational challenges, TRA suggests that organizational responses are influenced by leaders' attitudes towards crisis management strategies and by perceived norms from key stakeholders, including investors and regulatory authorities. Effective crisis management hinges on leaders' intentions to implement proactive measures, such as contingency planning and risk mitigation, which are informed by their attitudes towards crisis preparedness and the perceived expectations of external and internal stakeholders.

2.2.4 Agency Theory

Agency Theory emerged in the 1970s as a response to the challenges posed by the separation of ownership and control in large corporations. The theory was notably developed by economists Michael Jensen and William Meckling, who explored how conflicts of interest between principals (owners) and agents (managers) could affect organizational performance. At its core, Agency Theory posits that managers, as agents, may prioritize their own interests over those of shareholders due to differing goals and incentives. This divergence can lead to agency costs—such as managerial opportunism or shirking—that potentially reduce firm value or operational efficiency unless mitigated by effective governance mechanisms (Vitolla, et al., 2020).

Central to Agency Theory is the argument that aligning the interests of principals and agents is essential for organizational success. This alignment is typically sought through various mechanisms, including incentive structures, monitoring systems, and contractual agreements. By designing compensation packages that tie managerial rewards to firm performance metrics, for instance, firms aim to motivate agents to act in the best interest of shareholders. Moreover, establishing clear lines of communication and accountability helps mitigate the information asymmetry that often characterizes principal-agent relationships, thereby fostering trust and enhancing decision-making processes (Mio, et al., 2020).

Critics of Agency Theory have highlighted several limitations. One common critique is its oversimplification of human behavior and organizational dynamics. Critics argue that the theory's emphasis on financial incentives may overlook the importance of non-financial motivations and relational factors in influencing managerial decisions. Moreover, Agency Theory's focus on rational economic actors may neglect the complexities of social interactions and the role of trust in organizational governance. Critics also caution against a one-size-fits-all approach, suggesting

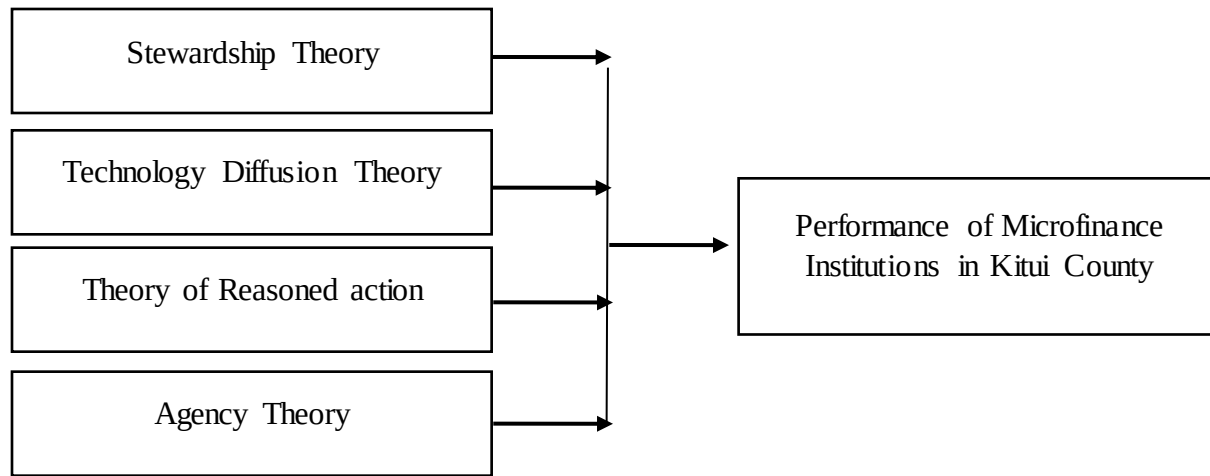
that the effectiveness of governance mechanisms may vary across different organizational contexts and industries (Mitnick, 2019).

In this study, Agency Theory offers valuable insights making it applicable. Microfinance institutions face unique challenges in balancing financial sustainability with their social missions of poverty alleviation and inclusive finance. Strategic planning becomes crucial in defining clear organizational goals and aligning operational activities with these objectives. According to Agency Theory, strategic planning helps mitigate agency costs by providing a framework for setting performance targets, monitoring outcomes, and aligning managerial incentives with organizational goals.

Financial management within microfinance institutions involves critical decisions regarding resource allocation, risk management, and operational efficiency—all of which are central to Agency Theory's concerns. Effective financial management requires mechanisms to ensure that managers prioritize the financial interests of shareholders while also considering the needs of other stakeholders, such as borrowers and regulatory authorities. This can be achieved through transparent financial reporting, robust internal controls, and governance structures that promote accountability and ethical behavior.

Figure 2.1:

Theoretical Framework



Source: Mitnick (2019).

2.3 Empirical Review

2.3.1 Organizational Policy and Performance

Olson, et al. (2018) undertook a study to explore how organizational policies impact the performance of companies in Ethiopia, with a specific focus on corporate culture and its association with organizational outcomes. Their objective was to identify effective strategies utilized by an oiling company to enhance its performance. To achieve this, they employed the Denison Corporation framework as a conceptual model. The data gathered from the interviews were meticulously analyzed, with transcripts, categories, and codes being cross-referenced and verified by members to enhance the reliability of the findings.

The findings revealed that companies with well-defined objectives and goals were able to keep their employees focused, thereby increasing productivity. Additionally, the study highlighted the importance of corporate social responsibility in promoting community well-being, indicating it as a significant outcome of effective corporate culture. The result emphasizes the need for

organization to promote a culture which relates well with the employees, sharing values and practices that enhances the employees' morale. It was therefore noted by the scholar on the need to promote employees wellbeing as well as enhancing community standards while at the same time ensuring that the community and the organization itself are in harmony. A study in Ethiopia however is quite different geographical and is encountered by economic policies that are different from organizations in kenya, more so institutions that handle financial matter are navigate a market landscape that is quite different from general enterprises.

Roffia, et al. (2022) conducted a study exploring the impact of leadership policies on a company's financial performance and how employees' receptiveness to change influences this relationship. Their research revealed that the openness of employees to change acts as a mediator in the connection between leadership policies and the financial success of businesses. The study involved surveys from 213 delivery companies in Greece, where both employees and managers provided insights into their company's leadership styles and openness to change, respectively. The researchers employed structural equation modeling to test their theoretical framework. The findings from the survey indicated that enthusiasm and encouragement among employees serve as mediators between leadership practices and a company's financial success, emphasizing the significant role of leadership in improving return on assets. Notably, this research was conducted during the challenging economic climate of the Greek economic crisis, where external and internal factors heavily influenced employees' behaviors.

As a result, there is a potential for further investigation to validate the observed relationships under more favorable economic conditions. The study suggests that strategic leaders across various organizations should prioritize fostering employee flexibility in their approach to work, which can ultimately enhance the financial performance of the firm. However, it's important to note that the

findings of this study cannot be generalized to other contexts, particularly those with different geographical locations and unique demands, such as the case of Kenya.

A study by Akinola (2018) delved into examining how organizational policies correlate with company performance, focusing particularly on the financial impact of corporate ethics on Ghanaian businesses. The researchers aimed to assess how ethical practices within companies affect their financial outcomes. They expressed concerns regarding the influence of ethical standards in Ghanaian businesses on their financial prosperity. Indicators for dependent variables such as Return on Assets (ROA) measured the overall success of the firms within financial concept while independent variables on business ethics and elimination of favoritism or nepotism served to predict the overall outcome. On the methodology applied, data combined both primary and secondary sources on use of questionnaire and secondary data collection schedules, with unit of analysis being 40 firms at the stock exchange whereas unit of observation were staff of the firms. The outcomes revealed that companies upholding ethical business standards had the capacity to significantly bolster their profitability by elevating Ethical Environment Cultivation (EEC) while curtailing deceitfulness and favoritism. The research uncovered a favorable connection between corporate profit margins and each individual factor. It deduced that a company's Return on Assets (ROA) and financial prosperity were markedly intertwined with its dedication to ethical business principles. In light of these revelations, the scholars recommended that enterprises prioritize the implementation of policies that nurture ethical behavior, establish robust ethical guidelines, and combat favoritism to augment their likelihood of financial triumph. Additionally, they proposed the promotion of ethical leadership, the fostering of gender equality and parity, and the provision of ethical training programs within the workplace. While the study enriches scholarly comprehension of the topic, it primarily focused on broad financial sectors, signaling a necessity

for further investigation, particularly within microfinance enterprises in Kenya. Thus, prudence should be exercised in extrapolating the findings beyond the confines of this study.

Study by Donkor, et al. (2018) on implication of business policies on performance on firms that were non-financial but publicly listed at the stock exchange within Ghana. The approach and design was longitudinal one where study spanned seven-year period. On account of sampling, the size was 26 firms where secondary data was obtained through website browsing of the financial Metrix posted by these firms. Panel data regression techniques were conducted to find out if there existed any link. Interestingly results shows that indeed policies on organizational structure significantly led to improving of performance for the said companies. Furthermore, the study uncovered a negative association between performance and current short-term liabilities, contrary to the expected positive correlation. This observation challenges the conventional belief that short-term borrowing positively influences performance due to its cost-effectiveness and accessibility. However, shareholders often bear the consequences of such decisions on profitability. Therefore, the preferences regarding capital structure significantly influence equity returns, regardless of various economic leverage variables. Ultimately, the management's decision-making regarding the extent of debt utilization in a corporation is pivotal, with shareholders playing a central role. However, high leverage led to a drop in performance whereas attractive cash flows promoted performance. This study differs in some ways with the intended study as it was conducted outside Kenya, which means it faced geographical limitations, on contextual basis the study was within listed firms whereas contextually the study was considering financial performance which is a much narrower scope within performance contexts. It is important to note that the findings of this study may not be applicable across all contexts, particularly in microfinance or Kenyan companies, due to potential differences in financial indicators and operational dynamics.

Ahmed, et al. (2018) research was to determine how Kenya's water service boards performed on resource allocation strategy. The researcher accomplished this by concentrating on the following specific goals: To assess the impact of strategic economic resources on the effectiveness of Kenya's Water Services Boards, to establish the effect of strategic technological resources on the point of Kenya's Water Services Boards, to evaluate the impact of strategic workforce development on the effectiveness of Kenya's Water Services Boards, and to investigate the effects of strategic infrastructure developments.

The researchers used both a descriptive and a correlational design. The Kenyan Water Services Corporation personnel were the study's target audience. The researcher chose a sample size of 120 workers from the workforce of water services boards using the stratified random selection approach. Top leadership, middle-level management, supervisors, and administrative leaders made up the stratum. Simple random selection was employed to determine which specific respondents were sent questionnaires to respond to study questions within each of the four strata. With the aid of semi-structured questionnaires, preliminary information was gathered. Each of the department's research support helped with the questionnaire distribution. SPSS software was employed to evaluate the data that was collected. The adequacy of the questionnaire items was determined using factor analysis. The researchers employed both inferential and descriptive statistical techniques. Utilizing means, periodicity, ratios, figures, diagrams, and graphs were all part of descriptive statistics.

On the other hand, bivariate analysis and the Pearson correlation coefficient were utilized in the study's inferential statistics. The research also conducted a multiple regression analysis to determine the impact of strategic personnel development, critical economic ability, proactive infrastructure projects, and strategic technology advancement on the effectiveness of water service

boards. The study results showed that the water services organizations in Kenya were required by the need to provide water to the country's fast-expanding population to develop sensible plans to satisfy these needs. This has been the primary driving force for adopting strategic planning, with several approaches to the allocation of resources strategy designed to enhance institutional productivity. As per the study's findings, strategic enhancements in workforce capabilities, competitive economic prowess, efficient infrastructure investments, and deliberate integration of technology significantly heightened the effectiveness of Water Services Boards. The study advises the National Water Board to ensure their company has the appropriate funding and is appropriately deployed for the correct purpose and at the right time. To ensure that all judgments on the use of resources are carefully considered and that there is a tracking mechanism in place for all distributions, the management of the water services board must impose stringent accountability standards on its employees.

Additionally, this would guarantee that all sustainable decision-making procurement serves the firm's common good. The study suggests that various corporations' board management implement a policy of giving employees opportunities for meaningful development. This will enable them to participate actively and ingeniously in tasks that will raise the company's essential productivity. Moreover, the researchers suggest that various firms' executives show dedication to developing workers to fill open positions and empowering corporate employees.

Tanui (2021) research focus was on examining the connection between organizational policies and company performance. The research delved into the impact of diverse facets of corporate policies on 189 financially challenged Indonesian enterprises spanning the years from 1988 to 1996. To gather quantitative data, the researcher utilized the financial records of these enterprises. The collected data underwent thorough analysis using descriptive statistics and regression techniques.

The findings of the study unveiled that policies aimed at retaining insider ownership had a positive correlation with the likelihood of business survival. Notably, companies that underwent a change in leadership, particularly through an external shareholder assuming the presidency, faced a significantly higher risk of firm failure, nearly twice as much.

Moreover, the examination illustrated that diverse organizational policy strategies yielded differing effects on the asset valuation of publicly traded firms. Additionally, the research highlighted the significant role of effective stewardship in enhancing company performance, leading to increased stock returns. By identifying specific organizational policies that influence financial sector performance, the study provided valuable insights. However, it's important to note that the conclusions drawn from the research might not be directly applicable to microfinance institutions in Kenya. This limitation arises from the fact that the analysis focused on Caribbean firms rather than listed companies in Kenya.

Ibrahim (2021) study explored the relationship between organizational policies and company performance, particularly in the context of Ontario. The main aim of the research was to introduce and evaluate two novel ethical frameworks implemented within organizations. One of these frameworks utilized quantitative analysis, utilizing predefined variables to measure the Company Value Index (CV-Index). The second framework involved the computation of stock values relative to ownership concerning the CV-Index and other relevant variables. To carry out their investigation, the researchers employed varied methodologies, concentrating on companies listed on the Ontario Stock Exchange (TSX) in Canada. Through comprehensive survey assessments, the researchers unearthed compelling evidence indicating a significant connection between organizational values, as represented by the CV-Index, and company profitability. This finding holds particular importance for companies with lower competition valuations. It underscores the

crucial role of business ethics not only for management and staff but also for investors, stakeholders, and the broader community, as emphasized in academic literature.

2.3.2 Financial Management and Performance

Nangih, et al. (2020) delved into the impact of financial management strategies in strategic planning on the performance of large businesses situated in Busia town. Their aim was to scrutinize how asset management, working capital management, cash flow management, and income statement management influence the operations of small and medium-sized enterprises. Employing a descriptive research methodology, the researchers focused on a population of 714 traders from Busia. From this pool, a representative sample of 89 participants was randomly chosen. Data collection involved the creation and dissemination of a questionnaire to managers and business proprietors. Subsequently, the collected data underwent meticulous organization and categorization for thorough analysis. Both descriptive and inferential statistical techniques were applied in data analysis. Descriptive statistics, such as mean values, standard deviations, frequency distributions, and percentage distributions, were utilized to summarize responses. Furthermore, multiple regression analysis was conducted to elucidate any statistical correlations among the variables. Despite these efforts, the outcomes revealed no significant correlation between financial management practices and business performance. It's essential to acknowledge that the conclusions drawn from this study may not be broadly applicable to other settings, particularly within the microfinance sector, owing to the presence of distinct variables.

Wambia and Jagongo (2020) researched how practices on working capital influenced the financial performance, while specifically delving into companies that insure. Descriptively the study targeted responses from underwriters, the accountants as well as financial managers of the 47 firms who were 141 in total and through census all participants were included in sample. To gather the

data structured questionnaire with Likert questions and open questions was used and responses analyzed both qualitatively and quantitatively using SPSS. Practices on working capital management within the firms resulted positively as well as significantly as indicated by very low probability score of 0.001. the study is not however enough to illustrate how strategic planning influences performance, because the two studies are contextually different as one is within insurance setting while the other is in microfinance, additionally the study scopes are different conceptually as one devolves into predicting general performance while the other looked at financial performance in particular, lastly geographical scopes are different as one is in Nairobi while the other is in Kitui, which calls for undertaking of the study

Albrecht (2018) sought to determine the influence of financial management practices on the company's performance. According to the researchers, corporate entities frequently struggle to achieve capital structure, especially given the current market environment. Successful business models provide excellent references for aspiring individuals. The income statement, which involves views of profits and losses, a component of annual reports and accounts, is a summary accounting record that displays the outcomes of an organization's operations and thereby gauges its success over a calendar year. Therefore, this study focuses on how the operational result influences financial development by looking at gross revenue. The firms registered and operated on the Stock Exchange of Bucharest between 2012 to 2016 were the authors of the study's primary audience. The researcher's findings of this study demonstrated that operations performance strongly influenced gross revenue and businesses registered and operated on the Stock Exchange of Bucharest could effectively withstand the effects of the recession and the financial crisis.

Awale, et al. (2018) examined the relationship between financial management and organizational performance. This research examines the links between Nepal Oil Corporation's (NOC) financial

performance and budget management while outlining the organization's situation. Consequently, a descriptive survey methodology was employed as a sample for the research to collect information via a structured questionnaire administered to 120 participants from the record, financial management, administrative structure, construction, and operation offices to evaluate the profession of budgetary control and financial results. The study's results demonstrated how budgetary control practices boost revenue, but performance management commitment is necessary for this to happen. According to the study's findings, the fiscal control procedure significantly improves NOC's profitability through its effects on investment goals, funding allocation, and expenditure. The research suggests that NOC administration and staff be made more aware of the value of budgetary controls in boosting financial performance, the need to avoid needless meddling in the budgeting process, and the utilization of financial instruments for effective management. The results of the manufacturing industry cannot be used to generalize the results of the microfinance institutions in Kenya.

Gaturu, et al. (2018) sought to research the link between the management of finances and the performance of firms. The study research focused on investigating the impact of risk management procedures on the monetary success of businesses in Kenya's Nairobi county's tourism sector. The author's study goal is to determine how risk management strategies influence organizational functionality in Kenya's tourism sector. As it will provide substantial contributions from a multidisciplinary point of view, this research will be crucial for tourism enterprises, the broader population, academics, and the ministry. Supposedly, it will advance knowledge of risk management techniques and how they impact a company's governance. The viability and durability of Kenya as a travel destination are affected by significant problems and difficulties. Over the years, Kenya's hospitality business has faced challenges, especially during a protracted

era. The study discovered that internal environment and control activities significantly positively affected companies' financial performance in Nairobi County's hospitality sector.

In contrast, risk evaluation, response planning, innovations, and excellence had substantial advantages. Nearly all the variation in the organizations' business results may be attributed to their general risk management strategies. The research concludes that risk management methods have a significant impact on the financial success of success in the tourism sector. The study suggests that businesses in the tourism sector in Kenya should implement effective risk management procedures as they are likely to impact their profitability in one way or another. They should concentrate more on refining how they evaluate their internal environments and should work on management systems as these are likely to improve the profitability of such companies.

2.3.3 Technology and Performance

According to Olomu (2019) realizing the organizational performance goals of overall customer satisfaction can be based on technology consistency, flexibility, and cost savings. Automation is frequently preferred over human techniques because it provides uniformity and control over the result. A business may also use automation to gather information on how well its process is functioning and to identify the determinants that affect regardless of whether productivity goals are met. The study researcher looked at how automation affected how the KTDA-managed factories operated. Out of the 67 managed factories, 61 took part in the study. Primary data was gathered from company leaders interested in the influence of mechanization on production and strategy. The study's findings indicate that even though entirely automated assembly plants perform better operationally than partially automated ones, there is no discernible difference between them in terms of overall achievement. Additionally, there was no clear differentiation between the workforce cost when it is completely automated and partially automated processing

plants. It thus tends to indicate that the cost structure of the factories under consideration does not change considerably when workers are replaced by machinery. However, the study discovered those manufacturers reporting technology innovation thought they had a more significant advantage in terms of competition than those less mechanized. The researcher recommends that more research be done to identify the main expense element(s) in KTDA-operated factories. Additionally, research advises corporations' management to adopt a customer-centric approach to digitization rather than pursuing automation independently of consumers, as the findings of this study suggest.

Chege, et al. (2020) examined how technological innovation within SMEs in Nairobi county affects the performance. To conduct this study, the researcher used a sample of 240 firms that provided data through their employees. A cross-sectional survey research design was applied, with data mainly being collected through questionnaire that were sent to participants through their emails. Researcher analyzed data using R-code and presented in tables and summarized output in narratives. Results shown that technological innovation have impact of performance which was significant. These findings are only specific to SMEs context and cannot be considered as appropriate within the microfinance setting, additionally the finds can also be considered to raise geographical gaps as it was within Nairobi, present study is however within Kitui county.

Saemundsson, and Sigurjonsson (2022) summarize the findings of an empirical study of the effects of Decision Support Systems on the effectiveness of small-group decision-making. The research is carried out within the framework of the Business Management Laboratory. All study participants utilized two manufacturing function modules from Wolfe's Business Management Laboratory Decision Support System (BMLDSS) to assist them in thinking critically and making decisions. As assessed by production costs and income, the results show that using these modules increased

decision-making efficiency in the second year of operation. The control subjects, separate from the experimental environment, acquired unofficial DSS, as indicated by the questioning. With this information in mind, a reanalysis of the statistical information revealed that only in the second year were profits, and the efficiency of the treatment groups was better than that of the control groups. The discussion also includes the findings of a questionnaire that asked participants how they felt about the Decision Support Systems (DSS). The report stresses how crucial DSS are to business effectiveness. The validity of hypotheses explaining how DSS impact business productivity has been examined in past studies. DSS offer valuable data for making choices and represent the company's current economic and financial situation. These data include effectiveness, production statistics, and details on the influence of various occurrences on the operation of different units.

Moreover, better strategic performance levels correlate with more robust management information system capacity. The researcher proposed that these and several more elements are crucial DSS components directly affecting businesses' monetary and critical strategic success. The significance of DSS skills and their direct impact on business profitability is explained in this research using a resource-based approach. To put it another way, the paper's central thesis examines business performance in light of how information system capabilities are employed.

Campos (2018) undertook a study aiming to investigate the relationship between technology innovation capabilities and business performance. The study focused on two primary aspects of technical innovation capabilities: refinement capability, involving the enhancement of existing investment portfolios, and reconfiguring capacity, which entails the reorganization of asset portfolios by incorporating new assets. Analyzing data from 304 small and medium-sized industrial firms in Japan, the study found that refinement competence exhibited a stronger

correlation with productivity enhancement compared to restructuring capacity. Conversely, reconfiguring capability showed a more positive association with successful implementation. The results suggested that companies with strong refinement abilities often possess better reconfiguration capacities. Moreover, the study revealed that a business's refinement and reconfiguration capabilities are influenced by various internal and external factors, such as company size, age, volatility, and inter-firm collaboration. It's worth noting that the study focused solely on SMEs, limiting the generalization of its findings to other contexts such as MFIs in Kenya due to differences in variables and contexts.

Agrawal and Sen (2017) sought to determine the link between technology and a firm's performance in Australia. The study aimed to examine how information security practices firm functionality. The impact of security activities on organizational performance was concerned with this, and the goal of addressing transactional consistency in the securities sector by utilizing a firm's system security as a tool for carrying out cybersecurity activities. Herzberg's motivation theory, one of the theoretical approaches that may affect system security operations, was used to investigate these impacts under the presumption that information security activities' efficacy may increase organizational effectiveness. An empirical study of the securities sector was done to gauge the conceptual model's natural characteristics. In this exploratory analysis, the suggested framework multiple regression models made up of IT operation, data security, information dissemination, transactional consistency, and operational commitment validated by employing modified least squares. The study was undertaken among securities sectors; thus, the results cannot be assumed to apply to MFIs in Kenya.

Lo and Campos (2018) carried out a study to explore how technology impacts strategic planning and the performance of the Kenya Wildlife Service. Specifically, they investigated the connection

between the Internet of Things (IoT) and organizational effectiveness. The researchers opted for a descriptive survey methodology to meet their research objectives. The study targeted fifty-six staff members from both Amboseli National Park and the Kenya Wildlife Services headquarters.

To gather primary data, the researchers conducted interviews and administered a semi-structured survey. They then processed the data using regression analysis and descriptive statistics. The findings indicated a notable positive correlation between the organization's performance and the adoption of IoT. However, the integration of this technology faces challenges such as the high cost associated with acquiring and installing gadgets, unreliable internet connectivity, and a lack of necessary facilities and implementable technology.

In light of these findings, the researchers recommended further studies on the subject, particularly focusing on different economic sectors. Additionally, they suggested investigating potential solutions to the challenges identified in order to facilitate the successful adoption of IoT in organizational settings.

2.3.4 Crisis Management and Performance

According to Bao (2019) organizations ready for emergencies are typically seen to be better able to foresee, identify, control, and take appropriate actions during disasters. As a result, organizational crisis readiness is strategically vital and significantly impacts the company. Therefore, the study intends to empirically investigate the significance of corporate disaster prevention for medium and large-sized organizations and its eventual influence on company achievement.

Additionally, it seeks to ascertain if past and present organizational crisis preparedness quantitatively affects a firm's productivity as assessed by its two dimensions, business efficiency, and productiveness. On a set of experimentally acquired findings from a primary survey

questionnaire, this study utilizes variance-based structural equation modeling (PLS4-SEM). This study used empirical evidence to support the idea that organizational crisis readiness has a statistically significant beneficial influence on company performance. Research offers valuable recommendations for administrators and intriguing views into the concept of crisis management, which has not been sufficiently empirically studied.

Therefore, using empirical data from Promassidor Ltd., this study investigates the impact of the strategic crisis approach on the firm success of transnational Nigerian companies. Crisis management is the foundation of harmonious interaction between employers, staff, and society. Since crises may take many different shapes and intensities, they are inescapable in every institution. From a workforce of 600 people, a total of 322 employees were chosen randomly to participate in this research. Two theories were developed to lead the investigation, and corresponding regression was used to evaluate the information gathered. The findings showed that poor organizational effectiveness is to blame for operational issues with the strategic crisis approach and that crisis management strategy has no impact on company functionality. Based on the study's findings, suggestions were made on the need for global firms in Nigeria to continuously make finances accessible to advance their human capital and the market for institutional administration to take a proactive approach to human resource policies.

Consequently, the ability of an institution to move forward despite this unavoidable restriction will be significantly influenced by the strategic HR managers. They are accountable for carrying out the difficult task of crisis resolution. The researcher revealed that highly successful firms are generally well-prepared for catastrophes, suggesting that there may be a tight relationship between overall economic performance and organizational crisis readiness. The study recommended that

administrative relevance learn whether institutional disaster readiness may be viewed as a critical factor in determining the performance of an enterprise.

Pranjal and Sarkar (2020) sought to determine the link between crisis management and organizational performance. This research examines several variables that affect crisis preparation, such as the company's size, market dynamics, and anticipated probability of a catastrophe (APC). Additionally, it assesses how disaster preparedness affects operational efficiency. According to findings from a PLS-SEM analysis of 303 executives in the U. S., industry volatility boosts both PLC and crisis preparation while promoting business success. Administrators at micro - and medium-sized enterprises (MMEs) observed increased APC but lesser crisis preparedness compared to big corporations, highlighting the obstacles experienced by tiny businesses when it comes to crisis planning. The study employed both primary and secondary data to examine the results. The results were presented in tables, graphs, and diagrams.

Furthermore, favorably associated with both financial and non-financial success was crisis preparation. The model used in this study supports the impact of organizational and environmental elements on crisis management. The model examined in this research demonstrates the effect of corporate and ecological aspects on crisis management and the following connections to organizational effectiveness.

2.4 Conceptual Framework

Conceptual framework is a representation of the various elements of a research showing how the variables relate with each other. Independent variables in the study included: Organizational policy, technology, crisis management, and financial management. On the contrary, the independent variable was the Performance of MFIs.

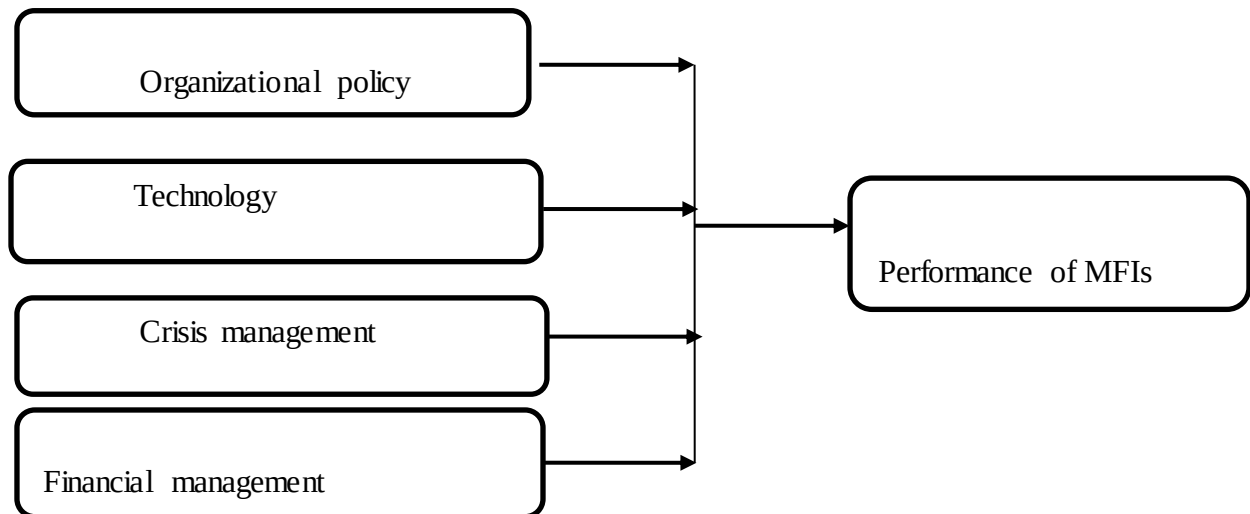
2.4 Conceptual Framework

Figure 2.2:

Conceptual Framework

Independent Variables

Dependent Variable



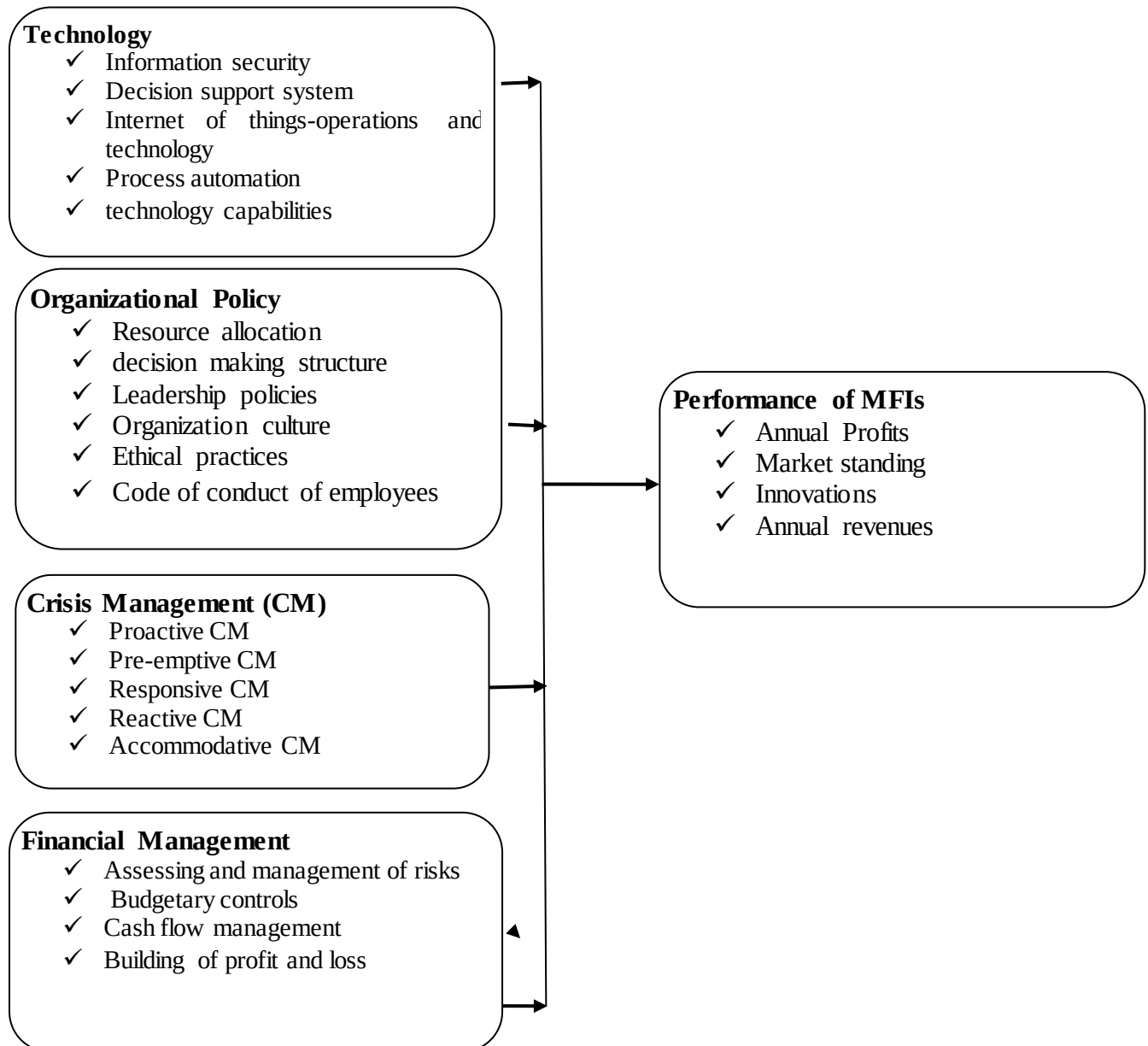
2.5 Operationalization of Variables

Figure 2.3:

Operationalization Framework

Independent variable

Dependent variable



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three presented the research design applied in the study, the target population of the study, sampling procedures that were adopted by the study the methods of collecting the data for the study, and the instrument that was used in collecting the study data. Besides, the chapter had a section for the analysis of the data and the way it was presented.

3.2 Research Design

In this study a cross-sectional survey was used because several firms were involved. Besides, application of the research design has the advantage of allowing collecting of data at the same time within different geographical locations (Bloomfield & Fisher, 2019). This method was selected due to its capacity to examine the relationship between variables, particularly in investigating the impact of strategic planning on microfinance performance in Kitui county. By utilizing this approach, the study aims to gain insights into how strategic planning practices may influence the performance of microfinance institutions in Kitui county, Kenya.

3.3 Target Population

The focus of this research centered on middle-level managers employed across seven Microfinance Institutions (MFIs) situated in Kitui County, as indicated by the Kenya National Bureau of Statistics report from 2021 (refer to Appendix III for details). Deloitte (2022) revealed that a total of 175 middle-level managers are distributed across various departments such as finance, human resources, procurement, sales, marketing, ICT, and governance within these MFIs. The study targeted these middle-level managers that were sampled from each MFI using the simple random

sampling method as the primary respondents for data collection purposes because they are directly involved in policy design and also implementation (refer to Appendix III).

Table 3.1:

Target Population

Departments	Population size
Finance	43
Human Resources	27
Procurement	22
Sales and Marketing	52
ICT and Governance	31
Total	175

Source: Delloite (2022)

3.4 Sample Size and Sampling Design

The sample for the study comprised of 122 participants. The participants were selected using a stratified-random technique where random respondents are selected from the different strata which in this study represent the various departments in the microfinance institutions that are in Kitui county. The sampling technique is a probability approach therefore given every participant an equal chance of participating in the study (Sileyew, 2019). The random technique used involved the use of Taro Yamane's statistical formula where a sampling error margin of 5% was considered. The formula applied is as follows,

$$: n = \frac{N}{[1+N(e^2)]} \dots \dots \dots \text{equation (i)}$$

In execution of the formula the following approach was taken by replacing N with the target population of the study, and also replacing e with the margin error of 5% to obtain a sample size of n or 122. $n = 175/[1 + 175(0.05 * 0.05)] = 122$ respondents. The sample which was gotten from the study was apportioned proportionately across the strata as shown in table 3.2.

Table 3.2:

Sample Distribution

Departments	Population Size	Ratio	Sample Size
Finance	43	0.246	30
Human resources	27	0.154	19
Procurement	22	0.126	15
Sales and marketing	52	0.297	36
ICT department	31	0.177	22
Total	175	1	122

Source: Researcher (2023)

3.5 Data Collection Procedure

Data for this research was collected using a questionnaire. The questionnaires were used because it is able to collect accurate data and save time in the collection procedure. The questionnaires sought to collect data on attitudes, perceptions from the respondents, enabling the researcher to make meaningful conclusions from the study. Two research assistants were employed to help in the data collection by delivering the 99 questionnaires physically to MFIs premises. Besides, the researcher sent 23 questionnaires electronically through emails. Several visits were done to the MFIs premises to ensure that the participants were reached and explained to the purpose of the study for purposes of realizing a good response rate. The participants who were not available physically but were willing to participate were sent an electronic format of the questionnaire so that they can participate as well, this was articulately done through google-sheet questionnaire. The secondary data was collected from the organization's annual financial statements (net profits

and sales) of the microfinance institutions and magazines on market share and new product development.

Data collection instrument had six sections seeking to collect data for the four independent variables, an independent variable and on the demographic information. The instrument had questions that were closed, multiple choice questions as well as open questions. The closed questions were on rank, ranging between 1 and 5, ranking the opinions of the respondents.

3.6 Pretesting of the Data Collection Tools

Lowe (2019) defines a pilot study as a preliminary inquiry undertaken on a smaller scale to prepare for a bigger study. According to Tseng and Sim (2021) in order to achieve accurate pilot studies, it is deemed acceptable to utilize a sample size ranging from 1 to 10%. A preliminary investigation was conducted on a cohort of 12 participants, which represents 10% of the total sample size. To ensure that the following study collects reliable, error-free data, pilot testing of devices is essential. The pilot testing strengthens the validity and reliability of the instruments, but it does not immediately establish them (Ismail, et al., 2018).

3.6.1 Validity Tests

According to Sürücü and Maslakçı (2020) validity tests are aimed at evaluating whether the questionnaires will capture the required data. This study employed two tests to test the validity of the questionnaires. Notably, the used content and construct validity whereby the content validity was used to check whether the choice of words was able to collect the required information. Importantly, the content validity helped reduce the grammatically and other errors in the questionnaires. The content validity also helped remove vagueness in the research and eliminate any typing errors. The construct validity in this research helped evaluate whether the statistical approach used in this study yielded the required data. The used the Kaiser-Meyer-Olkin (KMO)

and Bartlett tests for the validity tests whereby a KMO score of 0.7 or higher was considered adequate.

3.6.2 Reliability Tests

Sürücü and Maslakçi (2020) explains that reliability tests are used to check whether there is internal consistency in the questionnaires. This research used the test &re-test and Cronbach alpha to check for reliability. This test was achieved by giving questionnaires to 10 respondents in the first day and then giving them again after several days. This test helped check whether there was consistency in the responses of the questions. The Cronbach test was evaluated using SPSS whereby a Cronbach score, and an alpha score greater than 0.7 was considered reliable.

3.7 Data Analysis and Presentation

Data collected from the field was entered in SPSS after harmonizing data from electronic and ones collected through physical questionnaires. Questionnaires were also evaluated for completeness to enhance the quality of output. For analysis of the data descriptive and inferential analysis was used. Descriptively data was analyzed by using frequency, mean, percentages and standard deviation. Besides, inferential analysis involved regression as well as correlation analysis. Results of the study were presented through tables and narratives for interpretation and discussion of findings. The model that was applied in the study was as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \dots\dots\dots \text{equation (ii)}$$

Where:

Y was the performance of microfinance institutions.

X₁ is the organization's policy

X₂ was the financial management

X₃ the technology

X_4 was the Crisis management

$\beta_1, \dots, \beta_4$ were the coefficients of the variables.

ε was the error term in the model.

The study tested four major hypotheses as given in Table 3.3.

3.7.1 Diagnostic Tests

Before the actual regression analysis, the study assumptions of multi-linear regression analysis were determined to ascertain whether they were violated. Among the assumptions are: auto-correlation, linearity, normality, and independence/homoscedasticity.

Linearity Test

Assumptions of multi-linear regression are that variables in the study are somehow interlinked and such link can be observed through a pattern of variables' data direction between variables. To test for linearity, the study used a scatter matrix and residual plot to reveal the observation of the variable link (Ghani & Kumari, 2021).

Homoscedasticity Test

The study also carried out a homoscedasticity test to ascertain whether the independent variables change results in the variations on the residuals. Breusch-Pagan-Godfrey tests were applied, the study, therefore, carried out regression analysis between the residuals and the independent variables, where the observed p-values were higher than 0.05, implying that the null hypotheses was rejected because the residuals do not change with the changes of the independent variables (Bajaña, et al., 2020).

Multi-Collinearity

Independence among the independent variables implies that the independent variables are not subsets of other independent variables but are indeed standing on their own. To test for multi-

collinearity, the study applied correlation analysis. In cases where the Pearson score is above 0.8, the study considered the independent variables highly correlated, therefore, the problem of auto-correlation. Regression analysis can be used where one of the independent variables is treated as a dependent variable and regressed against the other independent variable. The process is repeated for other independent variables by treating the other independent variables as dependent for different instants. To test for multi-collinearity, the study applied a value inflation factor (VIF), the VIF score runs between 1 and 10, a score outside 10 and 1 indicates the presence of multi-collinearity between variables and therefore one should be dropped (Farizal, et al., 2021). If multi-collinearity occurs, the following steps can be applied removing one or more highly correlated variables, the other process involves combining correlated variables into composite scores, and finally, it involves obtaining additional data from more respondents to reduce the collinearity.

Normality Tests

The assumption of multi-collinearity is that data from the sample was obtained from a population whose data is normally distributed; data should therefore not be positively or negatively skewed, to ascertain the normality of the Kolmogorov–Smirnov test and the Shapiro–Wilk test. A p-value greater than 0.05 indicated that the data was normally distributed (Aswed, et al., 2022).

Table 3.3:

Assumptions of Multi-Linear Regression and Tests

Assumption	Tests	Process	Rule
Linearity between Variables	Linearity Test	Use Scatter matrix	Consider linear if the data follows within the line.
Independence	Multi-collinearity test Correlation tests	Use VIF or Pearson score	For VIF consider lack of independence if values are outside 1 and 10 For Pearson, if the Pearson score is above 0.8 consider it to have high multi-collinearity.

Non-Auto-correlation		Test for Auto-Auto-collinearity Test	Use Durbin Watson test	Lack of auto-correlation if the score is within 2
Normal Distribution	data	Normality Tests	Use Kolmogorov–Smirnov test and the Shapiro–Wilk test	Sample data was considered normally distributed in situations where the calculated p-value was greater than 0.05
Uniformity in a variation of residuals and independent variables		Homoscedasticity Test	Use of Breusch-Pagan-Godfrey test	Consider data as having homoscedasticity where the p-values are higher than 0.05 i.e. accept the null hypothesis that the residuals do not vary significantly with variation in the independent variable.

Source: Researcher (2023)

3.8 Ethical Considerations

While carrying out the study the researcher upheld ethical considerations such as anonymity voluntary participation, informed consent, the potential for harm as well as the results for communication. In voluntary participation the researcher did not force respondents to participate in the study, furthermore, the respondents were free to withdraw at any time during the process of data collection if they wished to do so (Suri, 2020).

On informed consent the respondents were made aware of the risks, benefits as well and funding before they decided to participate or decline in the study. On identities, the researcher did not reveal the identities of the study respondents or collect data on personal identities. On confidentiality, the researcher did not give data collected from the respondents to third parties. The researcher also tried to minimize social and psychological harm. In the results and communication, the researcher acknowledged all research materials including referencing all past scholars in the study to avoid plagiarism.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

Chapter four presented descriptive and inferential findings on the study as well as the discussion of the findings by comparing and contrasting the study's findings with those of other scholars presented in the literature review. The main themes include the variables of the study: organizational policy, financial management, crisis management, and technology.

4.1.1 Response Rate

The study administered 122 questionnaires through online and physical administration out of which 106 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 an 86.88% response rate. From a total of 99 questionnaires administered physically, the researcher received 84 representing 84.82% while those administered online the researcher was able to receive back 22 representing 95.65% implying that digital methods can be highly effective and convenient for collecting data, potentially due to ease of access and flexibility for respondents. According to, Bloomfield and Fisher (2019) 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. 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	106	86.88
Questionnaires that were not filled	16	13.12
Total Questionnaires administered	122	100

Source: Primary Data (2023)

4.1.2 Reliability and Validity Statistics

4.1.2.1 Reliability Analysis

Reliability analysis was conducted on the constructs to determine whether they were internally consistent, on the five constructs which included: organizational policy, technology, financial management, and crisis management. The study intention was to drop items that had a Cronbach score of below 0.7. To conduct the task, the deletion of items that would strengthen the construct was adopted. Findings of the study revealed an overall Cronbach alpha value of 0.928, dropping any of the five (5) items would result in a weaker construct therefore all the five indicators were considered reliable for further analysis. The Cronbach alpha for financial management was 0.821, dropping any of the five (5) indicators associated with financial management as well would have resulted in a weaker construct as shown through 'Cronbach alpha if item deleted'. Findings also showed that technology had an overall Cronbach alpha value of 0.922, deleting any of the items of the construct would have resulted in a weaker construct therefore all five (5) indicators were considered reliable for further analysis. Findings further indicated that crisis management had an overall Cronbach score of 0.854, dropping or deleting any of the items for the construct would have resulted in a weaker measure, therefore the study considered all five items reliable for further analysis. Findings finally, revealed that performance had an overall Cronbach alpha score of 0.803, dropping any of the five items of underperformance would have resulted in a weak construct, and

the indicators were considered reliable for further analysis. Overall, the findings suggested that all the contracts were reliable because their Cronbach alpha score was all higher than the set threshold of 0.7. The findings are shown in Table 4.2.

Table 4.2:

Reliability Analysis

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	Decision
Organization Policy						
OrgnP1	8.99	9.933	.823	.910	0.928	Reliable
OrgnP2	9.03	9.875	.784	.919		
OrgnP3	9.20	10.541	.830	.909		
OrgnP4	9.15	10.587	.787	.917		
OrgnP5	9.18	10.472	.852	.905		
Financial Management						
FM1	15.52	4.614	.660	.772	0.821	Reliable
FM2	15.66	4.550	.622	.783		
FM3	15.38	4.771	.668	.772		
FM4	15.61	4.449	.699	.759		
FM5	15.87	4.878	.449	.837		
Technology						
Tech1	14.42	10.056	.746	.916	0.922	Reliable
Tech2	14.32	9.782	.885	.887		
Tech3	14.30	9.946	.813	.901		
Tech4	14.02	11.162	.824	.905		
Tech5	14.41	10.262	.758	.913		
Crisis Management						
CM1	16.07	7.529	.307	.934	0.854	Reliable
CM2	15.19	6.726	.737	.807		
CM3	15.22	6.324	.836	.780		
CM4	15.24	6.525	.789	.793		
CM5	15.24	6.544	.821	.787		
Performance						
Perf1	14.6081	4.155	.605	.762	0.803	Reliable
Perf2	14.4444	4.176	.662	.750		
Perf3	14.7263	3.738	.539	.786		
Perf4	15.3288	3.606	.615	.758		
Perf5	14.2776	4.078	.568	.771		

Source: Primary Data (2023)

4.1.2.2 Validity Analysis

Validity analyses were conducted through the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy (KMO) and the Bartlett test of Sphericity. Values of KMO run between zero and one, whereby values closer to 1, the sample is considered adequate for factor analysis in the study the threshold was 0.7 whereas p-values for Bartlett that were lower than 0.05 were considered suitable for further analysis.

Table 4.3:

Validity Analysis

	Organization Policy	Financial Management	Technolog y	Crisis Management	Performance
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.874	.891	.810	.894	.795
Bartlett's Test of Sphericity	Approx. Chi-Square	407.694	189.162	400.299	397.144
	Df	10	10	10	10
	Sig.	.000	.000	.000	.000

Source: Primary Data (2023)

The findings of the study revealed that all the KMO values associated with Organization Policy (0.874), Financial Management (0.891), Technology (0.810), Crisis Management (0.894), and performance (0.795), were relatively high therefore the sample was considered adequate for factor analysis. On the other hand, the Bartlett tests of sphericity indicate whether there is a significant relationship between variables, on whether the correlation matrix was suitable for factor analysis. Findings revealed that all the variables chi-square were associated with p-values that were 0.001 indicating that variables were suitable for factor analysis because they were significant relationships between the variables in each dimension.

Overall, the sample appears to be adequate for factor analysis, and there is a significant relationship between the variables within each dimension (Organization Policy, Financial Management,

Technology, Crisis Management, and Performance). These results suggest that the data can be further analyzed using factor analysis techniques to explore underlying factors or constructs within each dimension.

4.2 Demographic Statistics

The demographic statistics conducted included the determination of gender composition, the different age groups, the experience of the respondents, and the positions where the respondents worked. The findings presented in Table 4.4 provide more information about the respondents based on their gender, age, departments where they work, and years of experience. This information gives more understanding of the respondents based on each category.

Table 4.4:***Demographic Statistics of the Respondents***

Gender	Gender of Respondents	
	Frequency	Percentage (%)
Male	77	72.6
Female	29	27.4
Total	106	100.0
Age of Respondents		
below 25 years old	15	14.2
Between the age of 26 and 39 years	21	19.8
Between the age of 40 and 49 years	58	54.7
Above 50 years of age	12	11.3
Total	106	100.0
Departments Where Respondents Work		
Finance	5	4.7
Human resources	18	17.0
Procurement	11	10.4
sales and marketing	56	52.8
ICT and Governance department	16	15.1
Total	106	100.0
Period staff had worked din the organizations		
Period that is not more than 5 years	31	29.2
A period of between 5 and 9 years	38	35.8
A period above 10 years	37	34.9
Total	106	100.0

Source: Primary data (2023)

4.2.1 Gender of the Respondents

Findings presented in Table 4.4 show that the majority of the respondents were male at 72.6% (77), and only 29 were female which represented 27.4% of the total participants suggesting a significant gender disparity in the workforce of microfinance institutions in Kitui County. This gender imbalance implies that strategic planning and performance measures within these

institutions might not fully address or leverage the perspectives and contributions of female employees, potentially affecting organizational diversity and inclusiveness.

4.2.2 Age of Respondents

The findings revealed that 15 of the respondents were less than 25 years old, this category comprised 14, 2% of the participants in the study. Between the age group of 26-39 years, 21 respondents in this category represented 19.8% of the participants. Between the age category of 40-49 years, 58 respondents represented 54.7% of the total participants in the study, this group also had the highest number of participants. The category of respondents who were above 50 years were 12 participants which represented 11.3% of the total participants. These findings suggest that middle-aged professionals are predominantly involved in strategic planning and decision-making in microfinance institutions in Kitui County. This age distribution indicates that experienced individuals are likely to influence the performance and strategic direction of these institutions with the lower participation rates from those under 25 and those above 50 years suggesting that younger and older age groups may have less influence or engagement in strategic planning roles within these organizations.

4.2.3 Departments Where Respondents Work

The findings presented revealed that in the Finance department, there were 5 respondents which made up 4.7% of the total participants in the study. From the Human resources department, 18 respondents accounted for 17% of the total number of participants. From the procurement department, 11 respondents represented 10.4% of the participants in the study. From the Sales and marketing, 56 participants represented 52.8% of the total participants in the study. Finally, in the ICT and Governance department, there were 16 respondents from this department, which contributed to up to 15.1% of the total respondents in the study. The findings indicate a strong

involvement of the Sales and Marketing department, suggesting that strategic planning significantly impacts their performance. Human Resources and ICT and Governance also play crucial roles, reflecting their importance in the strategic initiatives of microfinance institutions. The lower participation from Finance and Procurement departments implies that their involvement in strategic planning may be more specialized or focused on specific areas.

4.2.4 Years of Experience

From Table 4.4 findings, respondents with less than 5 years of experience were 31 respondents accounting for 29.2% of the total respondents in the study. Between 5 to 9 years of experience, there were 38 individuals, making up 35.8% of the total number of participants, this experience ranges also had the highest number of respondents compared with the other experience categories. Finally, those above 10 years of experience had 37 respondents which represented 34.9% of the total respondents in the study. Overall, the findings suggested that the participants in the study were well distributed according to different gender, age groups, experience at work, and designations (departments where they worked).

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 (organization policy, technology, financial management, technology, crisis management, and organizational performance. Mean and standard deviation were mainly used for the interpretation of the findings.

4.3.1 Descriptive Statistics on Organization Policy

A Likert scale between one and five was used in ranking the opinions of the respondents, one= strongly disagreed on the lower side whereas five= strongly agreed on the higher side. The mean and standard deviation help in the understanding of the central tendency as well as the dispersions

of the opinions regarding the organization policy as a practice of strategic planning among micro-finance institutions in Kitui County. Table 4.5 presents the findings.

Table 4.5:

Descriptive Statistics on Organization Policy

Statement	on	SD		D		N		A		SA		M	Std. Dev
		F	%	F	%	F	%	F	%	F	%		
Organization Policy													
We've established a set of guidelines for our employees outlining the expected ethical standards to adhere to		0	-	9	8.5	2	1.9	76	71.7	19	17.9	3.99	0.737
We have an organizational structure for all positions in the organization		0	-	3	2.8	11	10.4	66	62.3	26	24.5	4.08	0.678
We have a decision-making structure in our organization		1	0.9	3	2.8	1	0.9	69	65.1	32	30.2	4.21	0.686
Our leaders come up with vision for the organization		0	-	4	3.8	10	9.4	49	46.2	43	40.6	4.24	0.775
Our organization have come up with policies that help in directing the ways resources for the organization will be shared		11	10.4	0	-	131	2.3	53	50.0	29	27.4	3.84	1.148
Composite mean												4.07	2

Source: Primary data (2023)

Table 4.5 show that respondents generally agreed that the microfinance institutions they worked for had set guidelines on ethical standards, confirmed by a mean of 3.99. This indicates a strong emphasis on ethical conduct, fostering trust and integrity within the organization. A mean of 4.08

was also obtained to ascertain that there was an organizational structure, suggesting that respondents perceive a clear and well-defined framework guiding operations, which is essential for efficiency and accountability. Additionally, participants agreed that there was a decision-making structure within the organization, as shown by a mean of 4.21. This highlights the presence of robust mechanisms for making informed and timely decisions, crucial for organizational agility and responsiveness. Furthermore, participants agreed that the organization had strategic leaders with visions, demonstrated by a mean of 4.24, reflecting confidence in leadership's ability to guide the organization towards long-term success. Lastly, a mean score of 3.84 for policies directing how organizations shared resources suggests general satisfaction but indicates potential room for improvement in resource allocation and management. These findings imply that microfinance institutions are generally well-structured and governed, with strong ethical standards and leadership, though there is an opportunity to enhance efficiency through better resource management policies.

These findings align with a study by Olson et al. (2018) that investigated the impact of organizational policies on organizational performance in Ethiopia. Their research found that clearly defined objectives contribute to increased employee engagement and productivity. Additionally, having well-defined objectives motivates individuals to work towards achieving corporate goals, ultimately benefiting the community through corporate social responsibility initiatives aimed at enhancing societal well-being.

Besides, respondents presented their views on the question, “which are some of the organizational policies that have enhanced better planning for your microfinance and general performance outcome”.

Respondents revealed that there were several policies that shaped organizational planning and general outcomes of the MFIs in Kitui county including long-term objectives set by their organizations and strategic approaches set which gave the managers of the employees of the MFIs a clear plan of action or road map on how to align the organizational resources to boost performance. Additionally, respondents highlighted that their organizational policy on risk management helped in assessing and mitigation of the impending risk by taking actions that safeguarded the financial stability of the companies as well as bolstering resilience. In additional participants highlighted that governance structures in place ensured that all employees adhered to set codes of conduct on how to conduct themselves while conducting duties assigned in the organization. It was clear therefore that organizational policy practices within the MFIs were put in place to enhance performance by offering a governance framework, power relations and risk mitigation strategies.

4.3.2 Descriptive Statistics on Financial Management

The study also sought descriptive statistics on Financial Management as a practice of strategic planning among micro-finance institutions in Kitui County. The study used both mean and standard deviation for the interpretation of findings to indicate the central tendencies as well as dispersion respectively. The five-point Likert scale used ranged between one and five where one indicated strongly disagreed whereas five indicated strongly agreed. Table 4.6 presents the findings.

Table 4.6:***Descriptive Statistics on Financial Management***

Statement on Financial Management	SD		D		N		A		SA		M	Std. Dev
	F	%	F	%	F	%	F	%	F	%		
Our organization carries out the assessment and management of financial risks	0	-	2	1.9	4	3.8	67	63.2	3	31.1	4.24	0.610
We have tools for budget control	0	-	2	1.9	4	3.8	66	62.3	3	32.1	4.25	0.614
We carry out cash flow management	0	-	4	3.8	11	10.4	32	30.2	5	55.7	4.38	0.822
we have scheduled costs against revenues	0	-	2	1.9	21	.9	75	70.8	2	25.5	4.20	0.559
We have an audit team for financial management	0	-	2	1.9	0	-	47	44.3	5	53.8	4.50	0.606
Composite Mean											4.31	4

Source: Primary data (2023)

The results presented in Table 4.6 indicate that respondents generally agreed with various statements related to financial management practices within their organizations. The mean score of 4.24 for the assessment and management of financial risks suggests that respondents recognize and support the importance of proactive financial risk management, which is essential for organizational stability and sustainability. Similarly, the mean score of 4.25 for the tools for budget control indicates confidence in the organization's budgetary processes, reflecting effective financial oversight and planning. The mean score of 4.38 for cash flow management implies strong agreement that the institutions are adept at managing cash flow, which is critical for maintaining liquidity and operational continuity. Likewise, the mean score of 4.20 for having a schedule for costs against revenues suggests that respondents agree with the structured approach to financial planning and monitoring, promoting financial discipline and strategic allocation of resources.

Furthermore, the high mean score of 4.50 for the presence of an audit team in financial management indicates a strong consensus on the importance of auditing practices, underscoring the role of audits in ensuring transparency, accuracy, and accountability in financial reporting. These findings imply that the microfinance institutions in Kitui County have robust financial management practices, which are crucial for their financial health and operational efficiency. However, continuous improvement and adherence to best practices in financial management are necessary to maintain and enhance these strengths.

Overall, the data suggest that respondents generally agree that financial management practices are utilized in strategic planning within microfinance institutions in Kitui County, as evidenced by a composite mean score of 4.314.

“What would you about the existing financial management practices within your organization, please mention some of these practices as well and how effectively they are outlined”.

Respondent highlighted that in addressing financial management concerns within the MFIs various practices were evident, for instance budgeting that was stipulated addressing the expenditure versus the sources of financial resources, every department was asked to give their proposal on expenditure for more prudent management of finances. The participants also indicated that appropriate accounting procedures such as international standards on accounting and international financial reporting approaches were adhered to for a reflection of a true and fair view of books. In that case all transactions were recorded for accountability reasons.

More so on accountability and financial management, frequent audits were conducted to monitor progress and address any potential variations from expectations. The practice of financial risk management entailed maintaining financial controls to safeguard the assets of the company. The participants further called for the implantation of more robust techniques in financial management

such as financial analytics to enhance predictions on cash inflows and outflows for better financial management.

4.3.3 Descriptive Statistics on Technology

Technology as a practice of strategic planning among micro-finance institutions in Kitui County was also another variable whose descriptive statistics were determined through frequencies, percentages, mean, and standard deviation. The study used mean and standard deviation in the interpretation of findings for the different items of the variable to enable measurement of central tendency as well as measures of dispersion. A five-point Likert scale was also used to rate opinions given by respondents, where 1 suggested strongly disagreed and 5 suggested strongly agreed. The results presented in Table 4.7 indicate respondents' agreement range/levels with various statements regarding technology usage in strategic planning among microfinance institutions in Kitui County.

Table 4.7:

Descriptive Statistics on Technology

Statement on Technology	SD		D		N		A		SA		M	Std. Dev
	F	%	F	%	F	%	F	%	F	%		
We have information security systems	0	-	3	2.8	5	4.7	77	72.6	21	19.8	4.09	0.594
We have decision support systems	0	-	4	3.8	5	4.7	70	66.0	27	25.5	4.13	0.663
We have an online feedback mechanism	1	0.9	5	4.7	11	10.4	51	48.1	38	38.8	4.13	0.852
We have electronic organization operations like mailing	6	5.7	0	-	10	9.4	73	68.9	17	16.0	3.90	0.872
We have come up with new products through technological innovations	6	5.7	8	7.5	4	3.8	55	51.9	33	31.1	3.95	1.081
Composite mean											4.04	

Source: Primary data (2023)

From the findings presented on table 4.7 it was agreed by participants that there exists information security systems for the microfinance institutions, given by mean of 4.09, additionally results shows there are decision support systems that are technology based as evidenced by an average of 4.31. As well respondents were in agreement there were electronic mailing systems as noted by a mean of 3.90. Lastly, it was agreed by participants that new products were developed as a result of technological advancements as demonstrated through a mean of 3.95.

“How would you say that your organization utilizes technology?”

Participants highlighted that their organizations leveraged technology in various ways among them loan management software, customer relation management and software, and security, on financial transactions. The available technology was very effective in loan processing and disbursement to their customers. Mobile banking was also utilized by clients in remote areas who cannot access physical banks through the use of smart apps loaded through smartphones.

Participants also noted that they leveraged technology to conduct data analysis on the market demands for their product, management of market risks as well as optimization of product offerings to maximize profits.

Of importance as well was the use of technology in countering cyber crimes by regularly updating security systems to ensure that important information does not leak to potentially harmful people or competitors. In summing up technology offered an avenue for innovation, improved service offering, improvement of the operations of the firms, and achieving better performance outcomes.

4.3.4 Descriptive Statistics on Crisis Management

The study also carried out descriptive statistics on the variables; crisis management, frequencies, percentages, the mean, and standard deviation were determined from data obtained on a five-point Likert scale of 1 to 5, where 1= strongly disagreed and 5= strongly agreed. The study interpreted

findings based on the mean scores and standard deviation observed, table 4.8 presented findings on the practices of crisis management among the micro-finance institutions in Kitui County.

Table 4.8:

Descriptive Statistics on Crisis Management

Statement on Crisis Management	SD		D		N		A		SA		M	Std. Dev
	F	%	F	%	F	%	F	%	F	%		
We carry out proactive crisis management	2	1.9	5	4.7	7	6.6	67	63.2	25	23.6	4.02	0.816
We carry out pre-emptive crisis management	0	-	2	2.9	5	4.7	56	52.8	43	40.6	4.32	0.655
We carry out responsive crisis management	0	-	3	2.8	5	4.7	50	47.2	48	45.3	4.35	0.704
We carry out reactive crisis management	0	-	2	1.9	4	3.8	39	36.8	61	57.5	4.50	0.665
We carry out accommodative crisis management	0	-	5	4.7	6	5.7	35	33.0	60	56.6	4.42	0.803

Source: Primary data (2023)

The findings reveal that respondents generally perceive the microfinance institutions in Kitui County as proactive in crisis management, indicating agreement with the organization's efforts to prevent potential crises with a mean score of 4.02. This suggests a strong foundation in proactive measures such as risk assessments and preventive strategies. Additionally, respondents strongly agree (mean score of 4.32) that the institutions demonstrate pre-emptive crisis management by actively anticipating and preparing for potential crises, highlighting a proactive stance in readiness and prevention. Furthermore, the high agreement (mean score of 4.35) on responsive crisis management underscores the institutions' effectiveness in addressing crises promptly and efficiently as they arise. The mean score of 4.50 for reactive crisis management indicates that the institutions successfully manage crises when they occur, demonstrating robust response capabilities. Lastly, the mean score of 4.42 for accommodative crisis management reflects

respondents' perception of the institutions as adaptive and flexible in adjusting strategies and actions to manage crises effectively. These findings underscore the institutions' comprehensive approach to crisis management, suggesting strengths in both proactive prevention and responsive handling of crises. Overall, the findings indicate a general agreement among respondents regarding the organization's crisis management strategies. However, there were variations in opinions based on the standard deviation, suggesting some diversity in perspectives among respondents.

Mori and Charles (2018) revealed that it is important for management to be proactive in crisis management through the identification of potential risks and take preventive measures. The practice should involve conducting risk assessments, implementing early warning systems, and developing contingency plans. Based on Weber (2017) organizations that adopt proactive crisis management strategies are better in a better position to prevent as well as mitigate crises and minimize their impact. Besides, the study was in agreement with Mitroff and Anagnos (2021) who noted that Pre-emptive crisis management's focus is on anticipating potential crises in advance and making necessary preparations for them. Organizations can therefore conduct pre-emptive crisis management through scenario planning, simulations of scenarios, and drills to build organizational resilience. Mori and Charles (2018) argued that organizations that engage in pre-emptive crisis management are more prepared to handle crises and minimize the impacts of crises when they happen. Weber (2017) also confirmed the findings that communication is crucial in enhancing responsive crisis management, which is crucial in addressing crises when they occur. Besides the scholar argued for organizations to be flexible and agile in combating crisis management during highly complex and changing circumstances.

Respondents were also asked to identify some of the best practices by their firm on crisis management.

Respondents revealed that their organizations had put in place effective mechanisms for crisis preparedness and planning through assessing potential crises, and responsible personal who would handle crises in case they happened. Besides respondents emphasized the importance of effective crisis communication to enhance transparency in communicating crisis to respective stakeholders by sharing information with customers, employees and governmental agencies about a crisis. Importantly respondents highlighted the importance of addressing the concerns of the stakeholders which was the cause of the crisis be it through clearing salaries arrears of employees, handling their working conditions, or settling customers' debt that may have resulted in the crisis. Other ways of crisis management involved organizations becoming more flexible and agile by learning from past experiences and doing better to overcome crises as well as being flexible enough to handle and accommodate crises through making critical adjustment decisions. Training was also highlighted by respondents as a way of dealing with crises where managers receive training on how to handle crises through workshops and seminars to equip them with skills.

Additionally, respondents highlighted the need for collaboration with government agencies and other partners in the industry to coordinate effective responses to crises, such mechanisms can help handle crises as a result of a lack of compliance with regulatory requirements here both parties come together to find a solution. Lastly, respondents indicated that it was important to build a resilience framework to put business back on track upon a crisis that can have a profound effect on the business.

4.3.5 Descriptive Statistics on Organizational Performance

The study further conducted a descriptive analysis of the performance of the microfinance institutions in Kitui County; the interpretation of the findings is through mean and standard

deviation. A five-point scale was used to rate responses between one and five where one strongly disagreed and five strongly agreed, findings are presented in Table 4.9.

Table 4.9:

Descriptive Statistics on Organizational Performance

Organizational Performance	SD		D		N		A		SA		M	Std. Dev
	F	%	F	%	F	%	F	%	F	%		
High profits have been attained by our organizations	0	-	3	2.8	3	2.8	58	54.7	4	39.6	4.31	0.667
Market share for our organization has increased in a great way	1	0.9	4	3.8	11	10.4	39	36.8	5	48.1	4.27	0.868
We have new business innovations	0	-	4	3.8	9	8.5	30	28.3	6	59.4	4.43	0.805
Higher attained a high sales volume	1	0.9	8	7.5	2	1.9	35	33.0	6	56.6	4.37	0.919
We have had good cash flows	7	6.6	2	1.9	7	6.6	55	51.9	3	33.0	4.03	.037
Composite mean											4.28	

Source: Primary data (2023)

Table 4.9 shows that organizations within microfinance sector within Kitui county had realized an increase in profits demonstrated by a mean score of 4.31, additionally study findings illustrated an agreement among participants that the market shares had increased within the organizations given by a mean of 4.27. Furthermore, participants agreed there were new business innovations with the microfinance institutions given by a score of 4.43, also participants agreed that high sales had been achieved by the microfinance institutions. Lastly, participants agreed that cash flows for the organizations were good which is supported on a mean of 4.03. The output of this study are supported by findings by Damanpour and Schneider (2016) who emphasized the importance of organizations registering high profits, sales, market share and cash-flows. According to the

scholars the measures are multifaceted and the higher they are the better it is for the organization. These measures are also important as they encompass both the financial and non-financial measures. Therefore, the measures were specifically important in assessing performance of the microfinance within Kitui county.

Descriptive Statistics on Performance Panel

The research aimed to analyze the performance of microfinance institutions over the span of 2017 to 2018, focusing specifically on seven microfinance institutions situated in Kitui County. To achieve this, the study utilized descriptive statistics to examine key metrics such as net profits, annual revenues, and the introduction of new products to the market during the given time frame years. The outcomes of this analysis are given in Table 4.10.

Table 4.10:

Descriptive Statistics on Performance Panel

	Net profits (KES)	Revenues (KES)	New products (KES)
N	7	7	7
Mean	423126850.8571	1269380552.5714	5.00
Std. Deviation	280542986.31629	841628958.94886	2.517
Minimum	163117998.00	489353994.00	2
Maximum	953237942.00	2859713826.00	8

Source: Secondary Data

The output shown in table 4.10 depicts that the institution with the lowest net-profit had kshs 163,117,998.00 whereas the one with the highest profits registered kshs. 953,237,942.00, on average the net profits for all the 7 institutions was kshs 423,126,850.86. Additionally, the results presented show that the lowest revenues registered by the institution was kshs 489,353,994.00 whereas the firm with the highest revenues was kshs. 2,859,713,826.00, the average revenue registered by the institution was Kshs. 1,269,380,552.5714. Lastly, the results show that on average the number of products/services introduced by the company was 5, the firm that introduced

the highest number of products had 8 products whereas the one with the least products introduced was 2 products.

4.4 Diagnostic Tests

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

4.4.1 Test for Auto-Correlation

Durbin Watson was used to detect the presence of auto-correlation, the scale runs between zero and four (4), a value of 2 indicates there is no auto-correlation, however, values that are less than 2 indicate positive autocorrelation whereas values above 2 indicate the presence of negative auto-correlation. Table 4.11 indicated a Durbin-Watson value of 2.145, which indicated no presence of auto-correlation.

Table 4.11:

Test for Auto-Correlation

Model	Durbin-Watson
1	2.145

Source: Primary data (2023)

4.4.2 Linearity Test

Several tests can be conducted to ascertain linearity including residual plot, rainbow test or the RESET (Regression Specification Error Test), non-linear transformations, and scatter plots. The study used scatter plots on residual plots. Residual plots involve plotting residuals (i.e. the difference between the observed and the predicted variables), and the predicted values, in a linear regression model the residuals should be distributed around zero without particular order or pattern, or even trend. On the other hand, the linearity test was tested through scatter plots between independent and dependent variables. If the points on the plots follow a particular line or pattern

it suggests the presence of a linear relationship however, if the points of the plots appear scattered it indicates the presence non-linear relationship.

Figure 4.1:

Residual Plots

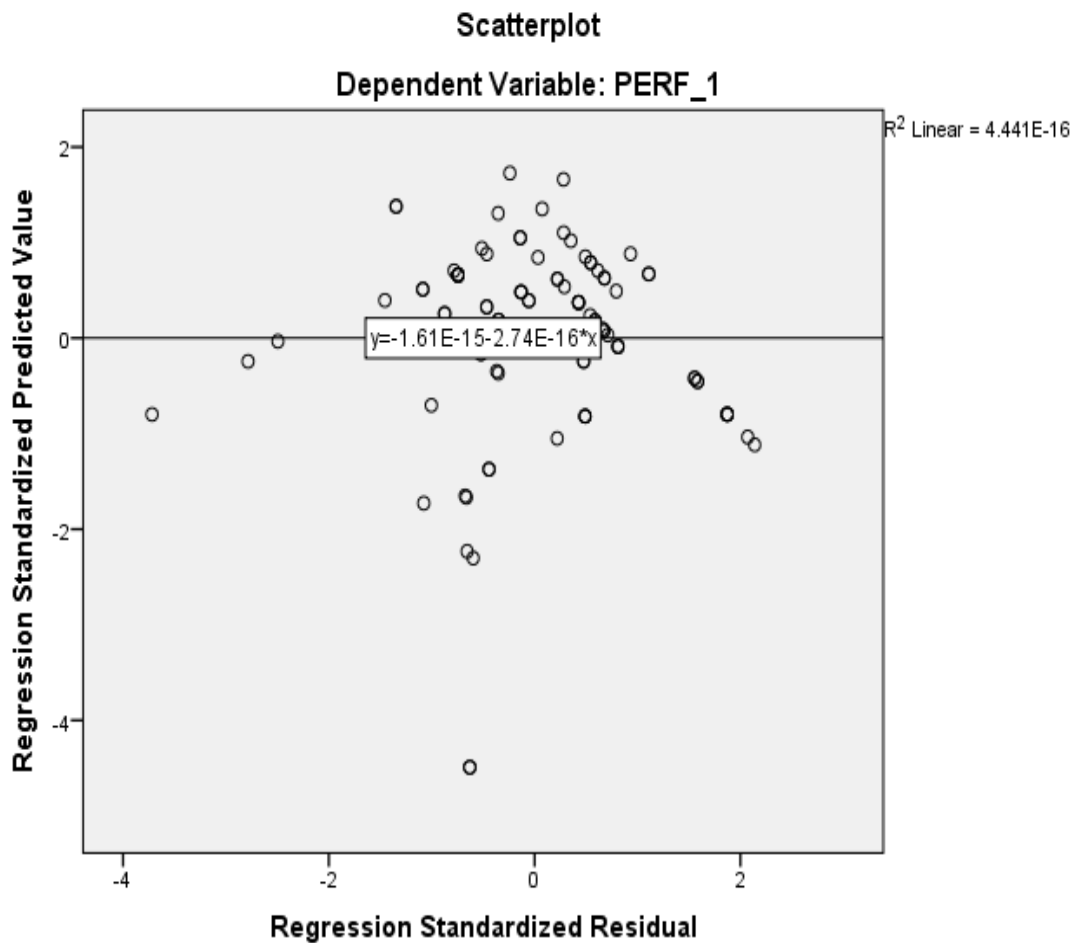
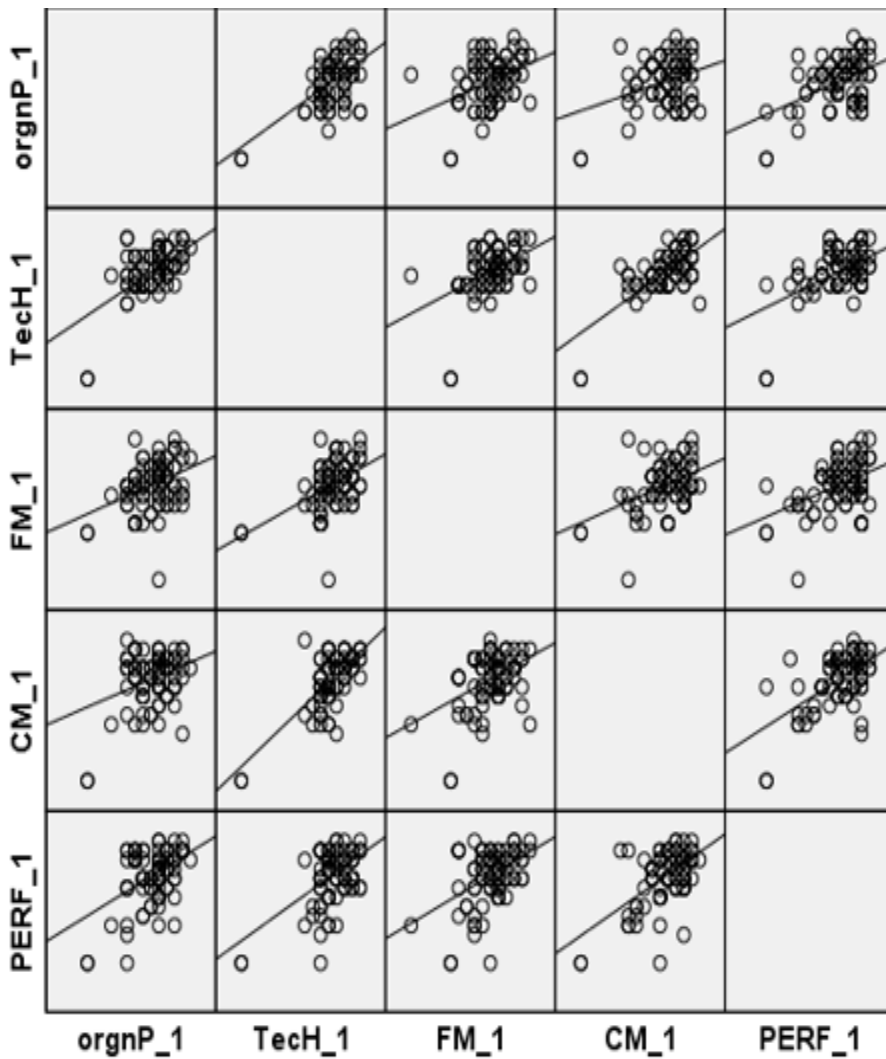


Figure 4.1 indicates that residuals are distributed around zero without a particular order pattern or even trend, therefore showing the presence of linearity. The summation of residuals as zero, which also means the mean was zero, confirms that there was linearity.

Figure 4.2:

Scatter Plot



Source: Primary data (2023)

The scatter plot revealed that the points had a pattern of the plots, which followed a particular line, which implied the presence of a linear relationship that was positive.

4.4.3 Test for Homoscedasticity

The study conducted Breusch-Pagan-Godfrey tests to determine whether the data suffered heteroscedasticity, the null hypothesis was set that, the data was not homogeneous. A calculated

p-value above 0.5 established that uniform variation of the residuals was not violated whereas a lower calculated probability score was an indication of violation of principle on homoscedasticity. The test for the study involved a regression analysis where residuals were treated as dependent variables whereas the independent variables were organizational policy, financial management, technology, and crisis management.

Table 4.12:

Test for Homoscedasticity

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.908	.384		2.365	.020
Organizational policy	.115	.087	.163	1.313	.192
Technology	.006	.120	.009	.054	.957
Crisis management	.047	.080	.067	.593	.555
Financial management	.011	.106	.015	.104	.917

a. Dependent Variable: Residual squared
Source: Primary data (2023)

The outcome shows that the calculated p-values between the residuals and all four independent variables were greater than the critical p-value of 0.05, implying that the homoscedasticity principle was not violated because the residuals did not significantly change when the residuals were changed.

4.4.4 Test for Independence

A test for independence was conducted to ascertain that there was no problem with multi-collinearity. Two tests were conducted (1) through Value inflation factor (VIF) and (2) through correlation analysis. VIF indicates whether the independent variables are highly correlated or not, the scale runs between 1 to 10. VIF values that are higher than 5 indicate there is multi-collinearity

whereas values below 5 indicate there is no problem of multi-collinearity. Findings are presented in Table 4.13.

Table 4.13:

Multi-Collinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Organizational policy	.613	1.632
Technology	.350	2.856
Crisis Management	.741	1.349
Financial management	.475	2.107

Source: Primary data (2023)

Table 4.12 shows that Organizational policy had a VIF value of $= 1.632 < 5$, Technology had a VIF $= 2.856 < 5$, Crisis management had a VIF $= 1.349 < 5$, and Financial management had a VIF $= 2.107 < 5$. The findings implied that there was no problem with multi-collinearity because all the VIF values were lower than 5.

Correlation Analysis

Correlation analysis was conducted between four variables: Organizational Policy, Technology, Crisis Management, and Financial Management. The findings are presented through Pearson correlation score and p-values/ significance level.

Table 4.14:***Correlations Analysis***

		Organizational policy	Technology	Crisis Management	Financial Management
Organizational Policy Technology	Pearson Correlation	1			
	Sig. (2- tailed)				
	N	106			
Crisis Management	Pearson Correlation	.328**	1		
	Sig. (2- tailed)	.001			
	N	106	106		
Financial Management	Pearson Correlation	.451**	.498**	1	
	Sig. (2- tailed)	.000	.000		
	N	106	106	106	
	Pearson Correlation	.472**	.470**	.392**	1
	Sig. (2- tailed)	.000	.000	.000	
	N	106	106	106	106

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

Source: Primary data (2023)

Organizational Policy

Results given in table 4.14 showed that organizational policy and technology were significantly correlated ($r=0.328^{**}$, $p < 0.01$); between organizational policy and Crisis Management was also positive and significant correlation ($r= 0.451^{**}$, $p < 0.01$); Financial Management and organizational policy were also significantly correlated ($r= 0.472^{**}$, $p < 0.01$). Additionally, results depict a positive and significant correlation of technology and crisis management ($r=0.498^{**}$, $p < 0.01$). Given results also imply a correlation that is positive and significant between technology and Financial Management (0.470^{**} , $p < 0.01$). Finally, the results given imply a correlation that is positive and significant between crisis management and financial

management ($r=0.392^{**}$, $p < 0.01$). Overall the results given show a correlation that is positive and significant between the variables, however the correlation did not violate the multi-collinearity assumption because all the person scores were below 0.7.

4.5 Hypothesis Testing

Hypothesis tests were conducted to check if there is a statistical relationship between the variables of the research.

4.5.1 Model Summary

Table 4.15 the results of regression analysis conducted. The model includes four predictors: Organizational Policy, Technology, Crisis Management, and Financial Management, and the dependent variable is Organizational Performance.

Table 4.15:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849 ^a	.721	.698	.42935

a. Predictors: (Constant), Organizational Policy, Technology, Crisis Management, Financial Management

b. Dependent Variable: Organizational Performance

Source: Primary data (2023)

The r-square represents the coefficient that shows the extent of variation of the dependent and independent variables. In this case, the R-square of 0.721 implied that the four independent variables in the study explained 72.1% of the variations of the performance of microfinance institutions in Kitui county, other variables not considered in the model explain the difference in the variation, 27.9% ($1-0.721= 0.279$).

4.5.2 Analysis of Variance

Table 4.16 presents the analysis of variance (ANOVA) results for the regression model. The model includes four predictors: Organizational Policy, Technology, Crisis Management, and Financial Management. Organizational Performance is the dependent variable.

Table 4.16:

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	13.531	4	3.383	18.351	.000 ^b
Residual	18.618	101	.184		
Total	32.149	105			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Organizational Policy, technology, crisis management, financial management

Source: Primary data (2023)

F-statistics in this analysis indicate the overall significance of the model, yielding a value of 18.351 and a corresponding p-value of 0.001, which is less than the pre-determined threshold of 0.05, it is evident that the regression model holds statistical significance. This outcome leads to the rejection of the null hypothesis that all the independent variables have no significant influence on the dependent variable supporting the model validity in the prediction of Organizational Performance. Further examination through ANOVA reveals that the predictors - Organizational Policy, Technology, Crisis Management, and Financial Management - collectively exert a significant influence on Organizational Performance, as evidenced by their notably low p-value of 0.001

4.5.3 Regression Coefficients

Table 4.17 presents the regression coefficients, on the relationship between the predictors (Organizational Policy, Technology, Crisis Management, and Financial Management) and the dependent variable (Organizational Performance).

Table 4.17:

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.067	.497		.136	.892
Organizational policy	.309	.113	.265	2.740	.007
Technology	.048	.021	.040	2.311	.023
Crisis management	.312	.103	.264	3.029	0.003
Financial management	.552	.138	.441	4.010	.000

a. Dependent Variable: Organizational Performance

Source: Primary data (2023)

The beta coefficient for the constant term is 0.067 with its associated t-value is 0.136 and yielding p-value of 0.892, which goes above the predetermined threshold of 0.05, confirming its insignificance in the prediction of the performance.

Organizational Policy and Performance of Microfinance Institutions in Kitui County.

The beta coefficient for Organizational Policy was calculated to be 0.309, with a corresponding t-value of 2.740, demonstrating statistical significance at a p-value of .007, which is less than the pre-determined threshold of 0.05. The outcome implies that influence of Organizational Policy on Organizational Performance is significant. Consequently, the hypothesis positing no significant influence of organizational policy on the selected microfinance institutions in Kitui County was refuted by the study. These findings align with those of Akinola (2018) who also explored the

relationship between organizational policy and company performance. They underscore the notion that businesses adhering to ethical practices have the potential to enhance their profitability. Moreover, the research reveals a positive correlation between the profit margin of the studied companies and each independent variable, further emphasizing the beneficial effects of ethical business conduct. Specifically, the study finds a significant and favorable association between a firm's Return on Assets (ROA) and its financial success, indicating that ethical practices contribute positively to financial performance. Another study by Ahmed, et al. (2018) was in agreement with the current study, which revealed that organizational policy had a strong and positive influence on strategic personnel improvement, competitive economic ability, and effective infrastructure investment.

Technology and Performance of Microfinance Institutions in Kitui County

A beta coefficient associated with Technology stood at 0.048, paired with a t-value of 2.311, and yielding a statistical significance at $p = 0.023$, which is less than the pre-determined threshold of 0.05. This suggests a significant influence of technology on organizational performance. Consequently, the hypothesis, which posited that Technology lacks a significant influence on the performance of chosen microfinance institutions in Kitui County, was not accepted. However, these findings diverge from those of Olomu (2019) whose research delved into the ramifications of automation on KTDA-managed factories and contrasted findings did not uncover any substantial impact on cost reduction resulting from automation.

Crisis Management and Performance of Microfinance Institutions in Kitui County

The beta coefficient for Crisis Management was 0.312, with a t-value of 3.029 which is significant at $p=0.003 < 0.05$, indicating a statistically significant influence of Crisis Management on Organizational Performance. This research rejected the null hypothesis that crisis management

does not affect microfinance performance in Kitui County. The study was in support of the findings of Pranjali and Sarkar (2020) who sought to determine the link between crisis management and organizational performance. The study found that crisis preparation had a positive and significant effect on both financial and non-financial success.

Financial Management and Performance of Microfinance Institutions in Kitui County

Beta coefficient pertaining to Financial Management was confirmed to be 0.552, with a corresponding t-value of 4.010, indicating statistical significance at a p-value of $0.001 < 0.05$. This underscores a significant influence of Financial Management on Organizational Performance. The study did not accept the null hypothesis that suggested that financial management significantly influence performance of MFIs in Kitui County.

These findings resonate with the research conducted by Nangih et al. (2020), which explored the interplay between financial management within strategic planning and the performance of large enterprises in Busia town. Their study corroborates a positive correlation between management practices and the performance outcomes of large enterprises in the aforementioned town. Similarly, Albrecht (2018) also lent support to our study's conclusions through their investigation into the influence of financial management practices on overall company performance. Their findings underscored the substantial impact of adept financial resource management on business performance.

Furthermore, Awale et al. (2018) align with our study's outcomes as they delved into the relationship between financial management strategies and organizational performance. Their research, focusing on Nepal Oil Corporation (NOC), shed light on how NOC's financial performance and budget management intricately interrelate, impacting investment strategies, fund

allocation, and expenditure decisions. Moreover, their findings highlighted the significant role of fiscal control mechanisms in enhancing NOC's profitability and overall performance.

Overall, the regression coefficients suggest that organizational policy, technology, crisis management, and financial management have a statistically significant influence on the Performance of microfinance institutions in Kitui County. Financial Management had the highest influence (because it had the highest t-statistic and lowest p-value), followed by Crisis Management, Organizational Policy, and Technology.

Among the four variables; organizational policy, technology, crisis management, and financial management, financial management exhibited the strongest relationship with the dependent variable (Organizational performance). This is indicated by its highest unstandardized coefficient (Beta) of 0.552, suggesting that changes in financial management practices have a more pronounced impact on the outcome of organizational performance of microfinance institutions in Kitui County compared to the other variables. This finding implies that effective financial management could be a critical factor influencing the overall performance or outcomes of organizational performance.

The overall model can now be written as follows:

$$Y = 0.309X_1 + 0.048X_2 + 0.312X_3 + 0.552X_4 + \varepsilon.$$

The constant was excluded from the final model because it was not statistically significant.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter four presented the key findings of the study, the conclusions drawn from the findings, and finally the recommendations given by the study from the conclusions that were drawn by the study.

5.2 Summary of the Findings

5.2.1 Organizational Policy and Performance of Micro-Finance Institutions in Kitui County

The study revealed that respondents agreed that their organizations conduct a code of conduct for the employees on ethics ($M = 3.99$). The respondents also agreed their organizations had an organizational structure for all positions in the organization ($M = 4.08$); respondents also agreed that their organizations had a decision-making structure in our organization ($M = 4.21$); respondents finally agreed that they had policies on how to share resources ($M = 3.84$). Overall, the respondents agreed with the several statements provided on the organizational policy as a practice of strategic planning in Kitui County among microfinance institutions, through a composite mean of 4.07. The beta for Organizational Policy was 0.309, with a t-value of 2.740 which is significant at $p = .007 < 0.05$, indicating a statistically significant influence of organizational policy on organizational Performance.

5.2.2 Financial management and performance of Micro-finance institutions in Kitui County

The respondents agreed that their organization carries out assessment and management of financial risk ($M = 4.24$). Respondents also agreed that they had tools for budget control ($M = 4.25$). Respondents agreed that they carry out cash flow management ($M = 4.38$) respondents agreed they have a schedule for costs against revenues ($M = 4.20$); and respondents finally agreed that they have an audit team on financial management ($M = 4.50$). Overall, the respondents agreed that there

was a use of financial management in strategic planning among microfinance institutions in Kitui County through a composite mean of 4.314. The beta coefficient for Financial management was 0.552, with a t-value of 4.010 which is significant at $p=0.001 < 0.05$, indicating a statistically significant influence of Financial Management on Organizational Performance.

5.2.3 Technology and performance of Micro-finance institutions in Kitui County

Respondents agreed that they had information security systems ($M=4.09$); respondents also agreed that they had decision support systems ($M=4.13$). Respondents also agreed they had an online feedback mechanism ($M=4.13$); the respondents also agreed that they had electronic organization operations like mailing ($M= 3.90$); finally, respondents agreed that they had come up with new products through technological innovations ($M= 3.95$). Overall, the respondents agreed that there was a use of technology in strategic planning among microfinance institutions in Kitui County through a composite mean of 4.04. The beta coefficient for technology was 0.048, with a t-value of 2.311 which, which is significant at $p = 0.023 < 0.05$, indicating a statistical influence of Technology on Organizational Performance.

5.2.4 Crisis Management and Performance of Micro-Finance Institutions in Kitui County

The study revealed that the respondents agreed that their organizations carry out pre-emptive crisis management ($M= 4.32$); the study also revealed that respondents agreed that they carry out reactive crisis management ($M= 4.50$); respondents revealed they carry out accommodative crisis management ($M= 4.42$). Overall, the respondents indicated that they agreed with the statements of the crisis management. The beta coefficient for Crisis Management was 0.312, with a t-value of 3.029 which is significant at $p=0.003 < 0.05$, indicating a statistically significant influence of Crisis Management on Organizational Performance.

5.3 Conclusions of the Study

5.3.1 Organizational Policy and Organizational Performance of Microfinance Institutions in Kitui County

The study concluded that Microfinance institutions in Kitui County have a great commitment to ethical standards. The organizations also have different organizational structures indicating well-defined reporting systems. The existence of a decision-making structure is evidence of the organizations capabilities to make decisions more effectively. Furthermore, the research findings indicated a noteworthy correlation between Organizational Policy and the performance of Microfinance institutions operating within Kitui County. Through statistical analysis, it was determined that Organizational Policy exerted a significant influence on Organizational Performance, leading to the rejection of the null hypothesis. These results align with previous research conducted by Akinola (2018) which similarly highlighted the pivotal role of organizational policies, particularly in ethical practices, in enhancing profitability and return on assets.

5.3.2 Financial Management and Organizational Performance of Microfinance Institutions in Kitui County

The study concluded that microfinance institutions in Kitui County engage in the assessment and management of financial risks. Besides, microfinance institutions use budgeting tools to ensure that variations in spending are detected early enough and corrective actions are taken. The organizations also use cash flow management in running day-to-day operations. MFIs also prepare costs versus revenues schedules as a practice of financial management and planning. The MFIs in Kitui County also have an audit team that plays the role of internal control functions to ensure accountability in financial resource usage during strategic planning. In addition, the study also

concluded that Financial Management had a statistically significant influence on the Organizational Performance of Microfinance institutions in Kitui County. The study, therefore, rejected the null hypothesis. The conclusions are supported by: Nangih, et al. (2020) and Albrecht (2018) also revealed a positive and significant link between financial management and performance.

5.3.3 Technology and Organizational Performance of Microfinance Institutions in Kitui County

The study concluded that successfully integrated technological tools and systems in strategic planning through the use of information security systems and decision support systems. MFIs in Kitui County have also engaged in new product development and innovations. Technology was confirmed as important in strategic planning which facilitated the achievement of goals. In addition, the study also concluded that Technology had a statistical influence on the Organizational Performance of Microfinance institutions in Kitui County. The study, therefore, rejected the null hypothesis. Saemundsson and Sigurjonsson (2022) who studied the effect of s of decision-support systems on the effectiveness of small-group decision-making support the conclusions of the study. The study conclusion was that the decision support system (DSS) offers valuable data for making choices and enhancing the company's current economic and financial situation. These data include effectiveness, production statistics, and details on the influence of various occurrences on the operation of different units.

5.3.4 Crisis Management and Organizational Performance of Microfinance Institutions in Kitui County

The study concluded that microfinance institutions conducted pre-emptive, reactive, and accommodative crisis management. The comprehensive approach to crisis management is more

flexible and adaptable in strategic planning. In addition, the study concluded that crisis Management had a statistically significant influence on the Organizational Performance of Microfinance institutions in Kitui County. The study, therefore, rejected the null hypothesis. Chen and Chen (2019) who concluded that crisis management capability positively influences organizational performance support the conclusions of the study. Further, the study revealed that integrating crisis management with strategic planning enhances performance even more. Another study by Zhang and Chen (2020) found that crisis management capability when aligned with strategic planning had a positive and significant influence on financial performance. Besides, Li and Chen (2019) found that strategic planning and crisis management capabilities have a positive and significant effect on the performance of financial companies.

The conclusions also support the development of the theories used in the study, for example, the agency theory advocates for financial managers to pursue the companies' interests before individual interests that have the effect of increasing the value of the shareholders. Therefore, conducting financial movement practices such as the use of cash flows and budgeting ensures that managers remain committed to using companies' resources to achieve the companies' goals such as effective strategic planning.

The technology diffusion theory was also another theory that was supported by the current study, use of technology in the organization according to the theory enhances faster decision making, accuracy in decision making, and reduces information asymmetry, therefore organizations that have a technology strategy that is aligned to the strategic planning ensures organizational performance. The study conclusions also support the stewardship theory, which argues for organizations to set communication channels and chains/levels of authority, which enhances the performance of the organization.

Finally, the study conclusions on crisis management support the planned behavior theory, which argues that the behaviors of individuals are a result of attitudes towards it and the intentions they have. Therefore, prior intentions to create a crisis management strategy has the effect of employing behaving in a certain way to prepare for crisis and mechanisms to overcome crisis adverse effect once they take place.

5.4 Recommendations of the Study

5.4.1 Organization Policy

The study recommended that institutions should reinforce and communicate ethical standards consistently to uphold organizational integrity. Additionally, the study recommended that institutions should optimize organizational structures to enhance clarity in roles and responsibilities, promoting operational efficiency. Further, the study recommended that institutions should foster a participatory decision-making culture to empower employees at all levels, thereby enhancing agility and responsiveness. Moreover, the study recommended that institutions should invest in leadership development to cultivate visionary leaders capable of steering strategic initiatives effectively. Lastly, the study recommended that institutions should improve policies for resource allocation and sharing to foster collaboration and maximize operational effectiveness.

5.4.2 Financial Management

The study recommended that institutions should enhance financial risk assessment for proactive management. Additionally, the study recommended that institutions should optimize budget control tools for transparency. Moreover, the study recommended that institutions should improve cash flow management for liquidity. Further, the study recommended that institutions should implement structured cost-revenue schedules for planning. Lastly, the study recommended that

institutions should strengthen audit team functions for governance and credibility in financial reporting to fortify operational efficiency and financial resilience across the institutions.

5.4.3 Technology

The study recommended that institutions should strengthen information security systems through regular audits and enhanced employee training. Further, the study recommended that institutions should enhance technology-based decision support systems by integrating advanced analytics and AI. Additionally, the study recommended that institutions should upgrade electronic mailing systems and provide training on efficient email management essential for reliable communication. Moreover, the study recommended fostering a culture of innovation by investing in Research and Development and leverage fin-tech solutions which will help develop new products and maintain competitiveness to maximize the benefits of technology, ensuring robust security, efficient operations, and continuous growth within microfinance institutions.

5.4.4 Crisis Management

The study recommends institutions should enhance proactive crisis preparedness through regular risk assessments and tailored preventive measures. The study also recommends refined crisis response protocols for swift and coordinated actions. Besides, the study recommends institutions should conduct ongoing training and simulations to prepare staff for diverse crisis scenarios. Additionally, the study recommends that institutions foster strong stakeholder relationships for collaborative support during crises. Lastly the study recommends implementing structured post-crisis evaluations to learn from experiences and continuously improve crisis management strategies. These actions aim to bolster institutional resilience and maintain operational integrity in challenging times.

5.5 Suggestions for Further Studies

The study recommends that a future study be conducted where more variables are included especially interacting variables (moderating and intervening variables). The current study/ strategic planning components/ independent variables (technology, organization policy, crisis management, and financial planning) were only able to explain a 72.1% variation on the dependent variable (performance of MFIs).

The study also suggests for a future study to be conducted outside Kitui County, for example in all counties in Kenya; this will help in comparing findings for purposes of generalizing the findings on the strategic planning and the performance of MFI in Kenya.

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APPENDICES

Appendix 1: Introduction Letter

My name is Nyamai Maimbu and A student at Kenya Methodist University. I am currently writing my thesis on the *influence of strategic planning on the performance of microfinance institutions in Kenya, Kitui County*. I request you participate in this study by providing data to enable me to complete my Masters program. All the information that you will provide will be treated with a lot of confidentiality, the information will solely be used to come up with the thesis. No content in your response will be divulged to a third party or such information be linked to you directly in any part of the thesis.

Thanks in advance

Regards,

Maimbu Nyamai

Tel: 0720238732

Appendix 1I: Questionnaire

Instruction: Please tick where appropriate

Section A: Demographic Information

1. Gender

Male ☐ Female ☐

2. Position in the organization

Human resources ☐ Finance ☐

ICT department ☐ Sales and Marketing ☐

Procurement ☐

3. Number of years you have worked in the organization

0-4 ☐

5-9 ☐

10-14 ☐

Above 15 years ☐

Section B: Organization Policy and Performance of Microfinance Institutions

On a scale of 1 to 5, where 1 strongly disagrees, 2 is disagree, 3 is neutral, 4 agrees and 5 is strongly agreed, please indicate the extent to which you agree that the following practices on Organization Policy are conducted in your Microfinance.

Statement on Organization Policy and Performance	SD	D	N	A	SA
We have a code of conduct for the employees on ethics					
We have an organizational structure for all positions in the organization					
We have a decision-making structure in our organization					
We have leaders who come up with the visions for the organization					

We have policies on how to share resources					
--	--	--	--	--	--

Which are some of the organizational policies that have enhanced better planning for your microfinance and general performance outcome?

.....

.....

Financial Management and Performance of Microfinance Institutions

On a scale of 1 to 5, where: 1= strongly disagrees, 2 = disagree, 3 = neutral, 4= agree and 5 = strongly agreed, please indicate the extent to which you agree that the following practices in Financial management are conducted in your Microfinance.

Statement on Financial Management and Performance	SD	D	N	A	SA
Our organization carries out the assessment and management of financial risks					
We have tools for budget control					
We carry out cash flow management					
we schedule costs against revenues					
We have an audit team for financial management					

What would you say about the existing financial management practices within your organization, please mention some of these practices as well and how effectively they are outlined”.

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Technology and Performance of Microfinance Institutions

On a scale of 1 to 5, where: 1= strongly disagrees, 2 = disagree, 3 = neutral, 4= agree and 5 = strongly agreed, please indicate the extent to which you agree that the following practices on Technology are conducted in your Microfinance.

Statement on Technology and Performance	SD	D	N	A	SA
We have information security systems					
We have decision support systems					
We have an online feedback mechanism					
We have electronic organization operations like mailing					
We have come up with new products through technological innovations					

How would you say that your organization utilizes technology?”

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Crisis Management and Performance of Microfinance Institutions

On a scale of 1 to 5, where: 1= strongly disagrees, 2 = disagree, 3 = neutral, 4= agree and 5 = strongly agreed, please indicate the extent to which you agree that the following practices on Crisis Management are conducted in your Microfinance.

Statement on Crisis Management and Performance	SD	D	N	A	SA
We carry out proactive crisis management					
We carry out pre-emptive crisis management					
We carry out responsive crisis management					
We carry out reactive crisis management					
We carry out accommodative crisis management					

Identify some of the best practices by your firm on crisis management?

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Performance of MFIs

On a scale of 1 to 5, where: 1= strongly disagrees, 2 = disagree, 3 = neutral, 4= agree and 5 = strongly agreed, please indicate the extent to which you agree whether the following performance measures have been achieved.

Statement Performance of MFIs	SD	D	N	A	SA
We have achieved high profits					
We have achieved an improved market share					
We have new business innovations					
Higher attained a high sales volume					
We have had good cashflows					

Performance schedule

Measure and Year	2017	2018	2019	2020	2021	2022
Profits KES						
Revenues KES						
New products (N)						
Market share (%)						

Appendix III: List of Microfinance Institutions in Kitui and the Number of Middle Level Managers per MFI

S/N	List of MFIs	Number of Middle-Level Managers
1	Faulu Kenya Microfinance Ltd	35
2	SMEP Microfinance Bank Ltd	29
3	CHOICE Microfinance Bank Ltd	12
4	KWFT Microfinance Bank Ltd	47
5	Juhudi Kilimo Microfinance Ltd	17
6	Bimas Microfinance Bank Ltd	14
7	ASA Microfinance Bank Ltd	21
Total		175

Appendix IV: NACOSTI Introduction Letter



KENYA METHODIST UNIVERSITY

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DIRECTORATE OF POSTGRADUATE STUDIES

May 26, 2023

Commission Secretary
National Commission for Science, Technology and Innovations
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: MAIMBU NYAMAI (REG. NO. BU5-3-2256-2/2021)

This is to confirm that the above named is a bona fide student of Kenya Methodist University, in the Department of Business Administration, undertaking a Master's Degree in Business Administration. He is conducting research on: "The Influence of Strategic Planning on the Performance of Microfinance Institutions in Kenya. A Survey of Selected Microfinance Institutions in Kitui County".

We confirm that his research proposal has been defended and approved by the University.

In this regard, we are requesting your office to issue a research license to enable him collect data.

Any assistance accorded to him will be highly appreciated.



Yours sincerely,
Dr. John M. Muchiri (PhD)
Director, Postgraduate Studies

Cc: Dean SBUE
CoD, Business Administration
Postgraduate Coordinator
Supervisors

Appendix IV: NACOSTI License

 Ministry of Science, Technology and Innovation National Commission for Science, Technology and Innovation Ref No: 292827	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION Date of Issue: 05/June/2023
RESEARCH LICENSE	
	
This is to Certify that Mr. Masimba Nyamai 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 Kind on the topic: THE INFLUENCE OF STRATEGIC PLANNING ON THE PERFORMANCE OF MICROFINANCE INSTITUTIONS IN KITUU COUNTY for the period ending : 05/June/2024.	
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 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION	
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