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**INFLUENCE OF INTERNAL ORGANIZATIONAL FACTORS ON THE  
PERFORMANCE OF MICROFINANCE BANKS IN NAIROBI, KENYA**

**PHYLIS MUTHONI MWITI**

**ADMISSION NO. 042416**



**DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENT FOR THE AWARD OF MASTER OF COMMERCE -  
STRATEGIC MANAGEMENT OPTION AT STRATHMORE**

**UNIVERSITY**

**SEPTEMBER 2022**

## **DECLARATION**

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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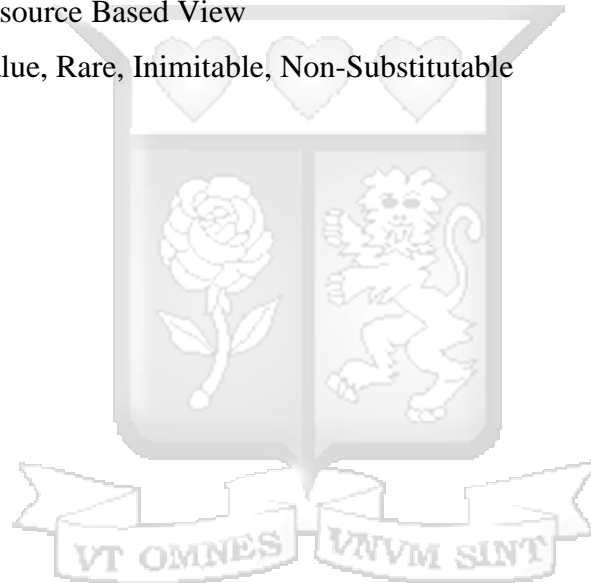
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## ABBREVIATION AND ACCRONYMS

CBK	Central Bank of Kenya
DTM	Deposit Taking Microfinance
HRM	Human Resource Management
IT	Information Technology
KPI	Key Performance Indicators
MFB	Microfinance Bank
MFI	Microfinance Institutions
N	Sample Population
RBV	Resource Based View
VRIN	Value, Rare, Inimitable, Non-Substitutable



## **ABSTRACT**

The business environment today is highly volatile due to the constant changes in technology and intensive competition. Consequently, it has become highly difficult to align entities to rigid forms of optimizing performance. Today, businesses need to innovate with the internal factors constantly to maintain the required level of performance. The aim of this study was to determine the influence of the internal organizational factors to the performance of microfinance banks in Kenya. The study entailed a theoretical review of literature, which help in discussing the primary models and frameworks supporting the research. The study used a descriptive design to collect data. The study censured all the 15 MFBs in Kenya and through judgmental sampling design selected eight employees from each of the departments that were deemed to have the relevant information for the research. A structured questionnaire was used to obtain data from the respondents. Data was analyzed through descriptive and inferential statistical analysis method that involved the use of the statistical package for social sciences (SPSS) and Excel data sheets. Data was presented using tables, charts and bar graphs. The study established that all the internal organization factors; human resource, organization culture, organization structure and organization policy have a significant effect on the Microfinance Banks in Nairobi. The study recommended that the Microfinance Banks should develop strategies that can help them in adapting to the changing business environment and ensure that they remain as competitive as ever. While the individual MFB branch offices have the autonomy to make decisions, there is need for effective monitoring structures that can ensure that the decisions made at branch levels do not affect the overall goal and the image of the MFBs in the country; there is need for the Microfinance Banks to develop effective orientation program especially for the new employees that join the MFBs across the country; the policy developed by MFBs should provide a clear guideline on what need to be covered during the orientation programs; there is need for regular review of organizational polices in the MFBs in order to ensure that operational policies at different departments are aligned to the organization goals and objectives; and that the organization does not hold on to old policies that do not respond to the ever-changing business environment both locally and internationally.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

In business, the common assumption is that well-defined and structured organizational factors are a precursor to success (Bright, Cortes and Hartmann, 2019). The postulation has informed the simulation of internal factor structures of successful organizations by aspiring entities (Unterman and Davis, 2014). Conversely, there is a rapid change in technology, competition rules and markets in the current business environment (Lekara, 2019). The approach of organizations should be shifting continually to align with the changes. Shrouf *et al.* (2020) highlighted that organizations operate in very competitive and uncertain business environment. At the same time, Ormanidhi and Stringa (2008) inform that the modern and most responsive approach to optimizing performance in business is contingent on unique activities. They continue to argue that, in order to accrue competitive advantage, businesses should focus on practices that provide them with unique value.

The effects of developments in information technology, globalization and an increase in the variety of offerings in the market are a key dynamic factor in the current economy (Alshubiri, Jamil and Elheddad, 2019). According to Lu and Ramamurthy (2011), organizations that have adopted IT capabilities have better decision-making capabilities and they adopt swiftly to changes in the market. Therefore, the adoption of information technology improves the performance of organizations.

The need for organizations to improve performance continually should inform the re-evaluation and re-organization of internal organizational factors. Distinct organizations have unique internal environmental factors and they play a critical role in organizational performance (Galbraith, 2002). For instance, the ability to transfer new knowledge effectively within the organization depends on the organizational structure. A less bureaucratic, flat structure builds trust and transparent relationships. A learning strategy within the organization facilitates efficient and effective knowledge transfer. Additionally, it is important to integrate analysis through a knowledge management process framework (Bukowitz and Williams, 1999).

Each entity has to improve on its internal factors whether implicitly or explicitly to gain a competitive edge in the harsh environment. In the scuffle, some firms are indeed successful and they gain a considerable competitive advantage while others fail (Walker, 2008). Superior organizational performance in comparison to rivals is the main reflection of a competitive advantage. To that extent, it is imperative to gain an understanding on the combination of internal factors that is able to bring about strategic resources that can then provide an organization with the ability to develop a competitive advantage and thereby improving performance.

### **1.1.1 Internal Organizational Factors**

Internal organizational factors are those resources and capabilities within the organization or at the organization disposal that can be utilized for its operations (Mwangi and Nzulwa, 2019). An organization needs to scan and analyze beyond its external environment to optimize performance. Entities look within to identify internal organizational factor changes that are imperative in gaining a competitive advantage (Tolbert and Hall, 2015). The ability to understand the factors that influence the organization is critical. The internal factors are variables that have a direct impact on the operational approach (Shatilo, 2020). Therefore, they also determine the success of an entity extensively. More importantly, the internal environment of a business sets the foundation for the ability of an organization to formulate policies, set a viable plan and introduce an implementation model to achieve specified results (Amaoko-Gyampah, 2003). To that extent, organizations need to develop an environment that is conducive enough to optimize the performance of all the stakeholders.

The internal environment is controllable and manageable through planning. It consists of factors such as current human resources, management systems and organizational culture (Kibera, Munyoki and Njuguna, 2014). Wheelen and Hunger (2015) identified internal environment of an organization as variables that are within the organization itself and not within the short-run control of top management such as organizational structure, organizational culture, financial, physical and human resources. One of the most important organization's resources is human resources and therefore the organization should select a combination of an organizational structure and control systems that allow it to pursue its objectives effectively (Al-Qudah *et al.*,

2020). The current study will focus on human resource, organizational culture, organizational structure and organizational policy given that these factors are critical to an organization's operations and ultimately its performance.

Human resource is an imperative internal factor. Individuals have unique sets of values that they bring to the entity. Organizations cannot have full control over the actions of each team member. When the employees are talented and motivated they are highly effective (Shrouf *et al.*, 2020). In high performance organizations, the workers might not have the best talent but they work better together. Therefore, the performance of employees in an organization depends significantly on processes and management strategies. In a volatile and intensely competitive environment, the employees' contribution is a critical determinant of success (Mutunga, 2009). The members of staff strive to meet both their personal and organizational goals as they execute their duties (Robinson *et al.*, 2015). Therefore, the contribution of each employee is valuable and unique to the organization. Nevertheless, the employee contributions also need to respond regularly to changes in the market. The assessment constructs of human resources are mainly teamwork and productivity (Shrouf *et al.*, 2020). Developments in the external environment inform strategic solutions, which then guide the continuous evaluation and perception of internal organizational factors. The approach provides the organization with a general pattern of behavior (Pallathadka, 2020). On the other hand, organizational culture builds the feeling of identity among members of the organization and helps in assimilation of new members of staff to the organization, which creates competitive advantage (Cameron and Quinn, 2018). Adaptive cultures energize and align employees towards the adoption of practices that fit environmental conditions. Structures also build a capacity to absorb and inspire change in organizations (Daft, 2014).

Organizational structure is the mode of dividing and coordinating activities within the organization. Another definition states that an organizational structure provides a system that outlines the direction of activities with the aim of achieving organizational goals (Mailu *et al.*, 2018). The organizational structure informs the departmental layouts and the employee roles that then determine the forms of knowledge transfer and communication. In a top down structure, each position reports to that above it (Dubey *et al.*, 2017). In such a structure, performance

measurement depends on the relationship of the supervisors and subordinates. In a decentralized structure with a flat hierarchy, the employees can set and regulate their own performance.

Organizational policy is the procedure used by entities to outline the rules and action plans to deal with distinct situations. The policy sets the vision that then defines performance expectations for the employees. The policies include directions on attendance, leave days, education and training (Liang and Ma, 2020). The organizational policies can be both disciplinary and visionary. Procedures are imperative for organizations because they instill some form of consistency in the day-to-day operations and they establish interdependence among the various departments (Liang and Ma, 2020). Policies also clarify different circumstances. Internal organization factors assist in dealing with accountability activities and issues that are important for the organization (Bright *et al.*, 2019). Effective internal analysis helps an organization to assess its internal environment in order to assess its resources, competencies, and competitive advantages while also allowing an organization to identify its strengths and weaknesses in order to improve on its performance (Saxena, 2014).

If a business wants to be successful in the market place, it is necessary for them to fully understand what factors exert impact on the performance of their company. Once they know about both positive and negative effects within and outside the company, they can produce suitable strategies to handle any predicted situation (Vanessa, 2022). Therefore, examining internal factors is considered as one of the most important task for an enterprise before launching any strategic performance plan. While there are other internal factors such as innovation, infrastructure, operations that can affect the performance of an organization, this study focused on human resources, organizational culture, organizational structure and organizational policy.

### **1.1.2 Organizational Performance**

Organizational performance is an assessment of how effective the organization is in meeting its objectives, mission and vision. An assessment of the performance is a critical aspect of strategic management (Ghasemaghaei *et al.*, 2018). The leaders in the organization must understand how well the organization is performing to effect necessary strategic adjustments. Conceptualizing and making organization performance operational is complicated and it follows two main

considerations (de Oliveira *et al.*, 2019). The main consideration is performance measures and the other one is performance referent. The conventional forms of performance assessment relied in financial outcome and tangible utilities such as sales volume and profits. Today, non-financial measures such as the rate of customer satisfaction and productivity are the most effective performance indicators (Abdel-Maksoud *et al.*, 2015). According to Chow and Van Der Stede (2006), non-financial measures provide the entity with an opportunity of assessing critical factors that are not apparent through financial factors.

Customer satisfaction is the sum total of the interactions and the perceptions of customers from their interactions with the organization (Lee *et al.*, 2016). When the levels of customer satisfaction are high, the organization is performing optimally. Some of the metrics of measuring customer satisfaction include overall satisfaction level measures, loyalty measurements and attributive satisfaction measures (Backhaus and Bauer, 2001). Productivity allows the organization to assess the efficiency and the effectiveness of the workforce (Saxena, 2014). The productivity measure is critical because it enables managers to make changes to improve and enhance operations in the organization.

In most instances, the evaluation assesses three main conclusions. First, there is an assessment of the shareholders' value performance. Secondly, it looks into the financial performance of the organization (George *et al.*, 2019). Finally, it assesses the market performance of the entity. It is possible to measure the performance at distinct hierarchical points of the organization. Performance assessment can be for specific departments, groups or the entire entity. Professionals need to assess the performance of organizations because it justifies investments and guides decision making in entities. The reliance on organizational performance to maintain a competitive advantage is critical for all organizations (Majeed, 2011). Nevertheless, there are different forms of assessing organizational performance.

The Burke-Litwin change model posits that internal and external environmental factors have a significant effect on the performance of an organization (Olivier, 2018). The model though not specific to particular internal organization factors, it highlights how internal factors can significantly affect the performance of an organization. Another perspective states that

organizations that are able to strike the right balance of their internal factor capabilities and the demands of the external environments perform optimally inevitably (Abubakar *et al.*, 2019).

Jenatabadi (2015) provides a distinct perspective because he states that modern organizations do not focus on fulfilling the demands of its employers and investors exclusively. Instead, the modern entities have an obligation to meet expectations of all stakeholders including customers. To that extent, the development redefines organizational performance. The refined definition combines constructs of relevancy, effectiveness and efficiency. The study further argues that an organization with a good performance is one that is able to achieve its objectives with an optimal use of resources to fulfill the demands of the relevant stakeholders. All business entities need to have an extensive pool of information. The knowledge can be about understanding the needs of the customers, the business environment or even staff member relationships. In that regard, the mode of gathering, sharing and exploiting knowledge is critical to the ability of the entity to develop to its maximum potential.

Factors that measure performance are divided between financial and non-financial indicators that include customer satisfaction, on-time delivery, customer retention, new customer development, internal process productivity, product or service quality, new product and process development among others. According to Abdel-Maksoud *et al.*, (2015), indicators such as customer satisfaction, productivity, efficiency and effectiveness measure organizational performance. This study focused on four non-financial performance indicators which includes customer satisfaction, organization efficiency and effectiveness.

### **1.1.3 Microfinance Banks in Kenya**

By definition, microfinance is a financial service for mainly the poor and low-income clients offered by different types of service providers (Matin *et al.*, 2002). The service methodologies include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly (Gregory, 2014). The main intention of microfinance institutions in the developing countries is to transform the lives of the majority poor by providing them with loans (Matin *et al.*, 2002). From a global perspective, microfinance organizations envision a world in which low-

income households can access a range of high quality and affordable financial services offered by a range of retail providers to finance income-producing activities, build assets, stabilize consumption and, protect against risks (Uganda Banking Association, 2016).

There are 15 Microfinance Banks (MFBs) in Kenya that are regulated by the Central Bank of Kenya (CBK, 2022). The registration of microfinance banks and other micro lending institutions in Kenya is covered in eight distinct Act of Parliament that includes; The Non-Governmental Organizations Co-ordination Act; The Building Societies Act; The Trustee Act; The Societies Act; The Co-operative Societies Act; The Companies Act; The Banking Act; and The Kenya Post Office Savings Bank (KPOSB) Act (Omino ,2005). The microfinance sector lacked a specific set of regulations and legislation to guide the operations of these institutions (Rukaria, 2016). The enactment of the Microfinance Act of 2006 provided a supervision and regulatory framework. After the Operationalization of the law in May 2008, the Central Bank of Kenya took on the responsibility of supervising the deposit taking microfinance institutions (DTM) (Gatimu, 2014). While still under the CBK microfinance Act of 2006 regulation, the DTMs have evolved into fully fledged microfinance banks and thus the current 15 MFBs.

According to Karugu *et al.*, (2021), the Microfinance Banks have been reporting low profits depicting a declining performance. The study focused on how internal organizational factors of human resources, organizational culture, organizational structure and organizational policy influence the Performance of Microfinance Banks in Kenya.

## **1.2 Problem Statement**

The changing fortunes in business are affecting the performance of Microfinance entities in the country. To maintain a competitive advantage, the businesses should capitalize on flexibility (Hitt *et al.*, 1998). The effects of volatility are distinct and organizations adopt different strategies to cope. The management should react quickly to market impulses and the organization as a whole should respond flexibly (Rzepka and Olak, 2018). Entity managers cannot control or predict the external environment with certainty. The choice of the Microfinance Banks (MFBs) as study area and variable scope is embedded on the ideals of fair inclusion and geographical

representativeness, which are key ingredients towards universal theory formation (Mercy and Gichure, 2019).

In the global context, due to the urgency of changes in business, various studies indicate all approaches need to be non-assumptive and continuously evolving because of a deepened understating (Molina and Callahan, 2009). In India, Kumudha and Abraham (2018) revealed that staff members (not considering the type of their industry), have satisfaction in their career because of the effort put in place by their company in managing their career for instance through programs that are associated with development of one self, information regarding job opportunities, chances to learn new skills or programs for retirement planning and self-development. These programs are believed to have short and long-term benefits; hence organizations devised strategies to involve employees in self-development so that they take the responsibility for their career growth. In Pakistan, Hassan (2016) revealed the association between Human Resource Management (HRM) practices and employee performance was significant. Employee performance can be improved by aligning the HRM practices with the organization goals and objectives (Anwar and Abdullah, 2021). The flexibility of an organization's culture has a resultant effect on product development where there is collaboration of different departments (Carmeli and Tishler, 2004). However, to achieve the flexibility the managers need to manipulate the internal environmental structures to achieve optimal performance (Viselev *et al.*, 2017). The results from the literature reveal that the uncertainties and complexities that businesses face, force them to improve on decision making constantly. According to Nguyen (2021), some internal factors such as short-term debt to total liabilities ration have a negative effect on the organizational performance. The debt ratio enhances the profitability of organizations because it facilitates a tax shield. However, it also pushes the organization towards bankruptcy.

Researchers in Kenya reveal that the effect of internal factors in the organization should create a dynamic internal environment that responds to change rapidly (Kawiti, 2009). For an entity to perform optimally, the management should create an organizational culture of studying the external environment consistently and adapting the internal factors to the changes. Managers need to adopt flexibility to resolve challenges regarding organizational performance (Kivuyo, 2020). Cognitive flexibility is a critical quality as an organizational culture and personality trait

for leaders. Makau and Muna (2020) established that commercial banks promoted performing employees and motivated employees to achieve better performance. Olick (2015) on the other hand noted that there are internal factor challenges facing companies in the management of organizational culture, human resources, organizational structure and organizational policy. The findings from the studies indicate that internal factors have a direct influence on the organizational performance. However, the studies fail to capture the microfinance sector.

Analysis of the past studies shows that more research is required on the effects of internal factors on organizational performance and this study focused comprehensively on microfinance banks in Kenya. The strategic integration of knowledge gathered through various sources of insight informs flexibility. Innovation and flexibility has an effect on organizational performance in many ways (Do *et al.*, 2016). For instance, the flexibility or organizational employee contracts has an impact on their level of commitment and their discretionary efforts to the organization. A flexible organization structure is able to develop products faster than the competition (Srinivasan and Swink, 2018). On the other hand, Gomes and Mendes (2022) established contrary findings and pointed out that internal management practices would have a positive effect on the organization performance only when they are aligned to other external organizational factors that affect the overall organizational performance. Sweeney (2016) warned that although some cultures may be preferred by the management, some of these cultures may lead to high employee turnover and unmotivated employee while another study by Kampini (2018) established both negative and positive effect of organization structure on the overall organization performance of an organization. Notably, the above studies were not specific on the measures of organization performance such as customer satisfaction, productivity, efficiency and effectiveness as measures of organizational performance as highlighted by Abdel-Maksoud *et al.*, (2015). The study was not also underpinned on resource based theory that defines the several measures that an organization can adopt to achieve a competitive advantage (Delery and Roumpi, 2017) and systems theory that provides a perspective view of organizational structures as a system of independent parts that are interrelated in order to help the organization achieve its desired performance.

This inconsistency and uncurtaining of the effect of some or specific internal factors on the performance of organization, stresses the need for further investigation. Besides, there seems to be a few studies that show the relationship between internal organizational factors and organizational performance of the microfinance banks in Kenya. Therefore, this study sought to establish the influence of the internal organizational factors on organizational performance of the microfinance banks in Kenya.

### **1.3. Research Objectives**

The main objective of this study was to determine the effects of internal organizational factors on the performance of Microfinance Banks in Kenya.

The specific objectives are:

- i. To establish the influence of human resources on the performance of microfinance banks in Kenya.
- ii. To determine the effect of organizational culture on the performance of microfinance banks in Kenya.
- iii. To establish the influence of organizational structure on the performance of microfinance banks in Kenya.
- iv. To determine the effect of organizational policy on the performance of microfinance banks in Kenya.

### **1.4 Research Questions**

- i. What is the influence of human resources on the performance of microfinance banks in Kenya?
- ii. What is the effect of organizational culture on the performance of microfinance banks in Kenya?
- iii. What is the influence of organizational structure on the performance of microfinance banks in Kenya?
- iv. What is the effect of organizational policy on the performance of microfinance banks in Kenya?

### **1.5 Scope of the Study**

The study focused on determining the influence of internal organizational factors on the performance of microfinance banks based in Nairobi County, Kenya. The internal organizational factors considered for this study were human resources, organizational culture, organizational structure and organizational policy. Each of the factors play a critical role in the performance of an organization. The study examined each of the factors comprehensively to determine their individual and collective effect on the performance of microfinance banks in Nairobi, Kenya.

### **1.6 Significance of the Study**

To the management of the microfinance banks, the findings and recommendations of the study may provide insights that might help the management to understand how to strategically position the internal organizational factors in order to achieve good performance of the organization.

To the policy makers, the findings and recommendations of the study can be used to formulate policies that aid internal factors to create good performance of the microfinance banks. Further, the findings can enable policy makers to develop policies that are friendly to the internal organizational factors in increasing the performance of the microfinance banks and other similar organizations in the financial sector.

To the future researchers, the findings can form a platform upon which further research on issues affecting the performance of the microfinance banks and other financial institutions can be undertaken. This study calls for continuous research to ascertain the actual situations rather than living on assumptions. It is highly anticipated that this study will encourage a renewed debate and further researches on the effect of an internal organizational factors on the performance of the financial sector.

### **1.7 Chapter Summary**

This chapter includes the introduction to the study, the statement of the problem, research objectives and questions and the scope covered by the study. The chapter also included the Significance of the Study to various parties

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter, the researcher considered review of some theories that would explain the impact of internal factors on organizational performance. Additionally, it also considered an empirical review on literature done by the past researchers to shed more light on the extent to which internal factors affect the performance of the microfinance banks in Kenya.

#### **2.2 Theoretical Foundation**

According to Osanloo and Grant, (2016), the theoretical framework is the structure that supports the basis of the study. Therefore, it makes the research work strong and methodical. It is the rationale of the study. The theoretical framework guides the philosophy, the methodology and the epistemology of the study (Osanloo and Grant, 2016). The theories relied on in the research are the systems approach and the resource based theory as the two theories help explain how internal factors (human resource, organizational structure, organizational culture and organizational policy) covered by the study relate to the performance of an organization.

##### **2.2.1 The Systems Approach**

The systems approach theory, is one of the main theories in organizational development. The Systems Approach is defined as the interlink between various organization components. It further explains that a system as a whole is affected by internal elements (aspects of the sub-units) and external elements (Gordon, 2022). It is responsive to forces from the external environment. The perspective views organizational structures as a system of independent parts that are interrelated. According to the approach, the organization is a system made up of distinct interacting variables. Basically, the organization is a unified singular system of the different subsystems. To that extent, the systems approach informs that dealing with challenges in the organization structure requires a consideration of the interaction of the distinct subsystems (Tempel and Walgenbach, 2007). The internal and the external factors that affect businesses form the respective sub-units. The word system insinuates a regular interaction of the independent variables to form a unified structure.

Therefore, the systems approach focuses on the interaction of the distinct aspects of the organization such as people, technology, physical environment and formal structures. According to Morecroft (2015), an assessment of critical challenges facing the organization through the systems approach requires an examination in the interaction of the distinct variables with each other. The approach informs that the evaluation of the effectiveness of a singular subsystem should not occur without a closer look at the consequences of its interactions. In that regard, the systems approach perspective informs that the organization is not static because it requires the identification of decision areas that guide the achievement of specific goals.

Veblen and Dowd (2017) stated that for an organization to thrive, the management should adjust the distinct variables to enable them to function collaboratively and effectively to achieve organizational integrity. The organizational system should be open to changes within the external environment. Such changes should thus inform the variation of the distinct subsystems. However, the organization should still maintain an equilibrium of the subset collaborations even after the variations (Kettinger and Grover, 1995). Business entities exist within a wider system of the community, country and government. Each of the environmental contexts has a significant influence on the organization.

Therefore, the distinct organizational subsets should realign accordingly. The theory states that numerous external and internal factors have an influence on organizational efficiency (Kettinger and Grover, 1995). The factors include technology and the size of the organization. Different interactions of the variables have distinct results. From the systems approach theory perspective, even the top performing organizations have situations that challenge them significantly (Reveliotis, 2006). However, their rate and level of response is what maintains their spot at the top. Success in the modern business environment is dependent on some unexpected circumstances. The internal factors need to adapt to the current situations. Organizations are made up of individual components that make up the whole system as illustrated in the conceptual framework that if properly managed, then the organization is able to enhance its performance.

### **2.2.2 Resource Based View Theory (RBV)**

Resource Based View Theory (RBV) can be defined as the approach that helps in the analysis and interpretation of resources of the organizations to understand how these resources can be organized in order to achieve sustainable competitive advantage (Madhani, 2010). The RBV focuses on the concept of difficult-to-imitate attributes of the firm as sources of superior performance and competitive advantage. According to Alexy *et al.* 2018, the resource based view theory continues to evolve in the current business environment with an aim of maximizing on the use of strategic resources in a bid to optimize performance. The primary focus of the theory is in the achievement of a competitive advantage (Campbell and Park, 2017). To do so, the organization has to exploit its internal capabilities fully. The internal resources of the organization are immobile and homogeneous. The internal resources must have certain attributes that make it possible to achieve the competitive advantage. According to Popli *et al.* (2017), the attributes are valuable, rare, inimitable and Non-Substitutable (VRIN). A resource is valuable if it assists the organization to achieve product differentiation or if it can reduce the costs of production. The resources are rare if they are not easily accessible to the competitors. Therefore, it is possible to achieve a competitive advantage. The resource is Non-Substitutable if it is impossible to find its replacement. A competitive advantage occurs when the organization adopts a strategy that is unique to them (Ahmad and Mohamed, 2018). Therefore, they are able to achieve a performance that is superior to that of their competitors.

The resource-based theory informs that the greatest potential for an organization to transform its performance comes from its internal factors. The theory goes ahead to state that for an organization to have a competitive edge and optimal performance, it should look for potential within its internal resource pool and not in the external environment. The theory posits that organizations should understand internal elements to achieve competitive advantage in the short term and the long term. Resource based theory defines several measures that an organization can adopt to achieve a competitive advantage (Delery and Roumpi, 2017).

The measures are through resource analysis, allocation and usage. An organization achieves optimum potential when it innovates better than other players do. A strategy informed by the resource-based theory enables the organization to achieve visibility for an efficient practice of

resource allocation. When managers of the organization have a comprehensive view of all resources available, they gain better insight on the competencies and skills at their disposal. With the right information, the managers are then able to allocate adequate resources as demanded for each of the project. Adequate information also enables the organization to come up with data-driven solutions that facilitate maximization of profitability and the potential of the organization.

According to Nason and Wiklund (2018), due to the volatility in the market, organizations have to rely on ad hoc decisions on many occasions. The decisions are a critical element on the success and company growth. The resource-based theory asserts that managers need to rely on the workforce skills at their disposal to deal with emerging challenges. The resource-based theory also holds the perspective that an effective business model should have wholesome enterprise visibility. Therefore, the allocation of resources should be appropriate and sufficient across the organization. Anwar (2018) posits that each resource that is available to the organization is valuable because it provides the entity with an opportunity to formulate strategies that can capitalize on prospects. A resource is Non-Substitutable when the competing entities cannot replicate it. Internal environment factors such as human resources, organizational culture, organizational structure and organization polices provide an entity with a unique set of resources. The management should understand the resource and they should apply them effectively to achieve optimum organizational growth. The management should come up with a strategy that maximizes the exploitation of internal environment resources. As illustrated in the conceptual framework, if the organization can effectively manage its human resources, organizational culture, organizational structure and organization polices then it is able to improve its performance.

### **2.3 Empirical Literature Review**

This section presents literature on the relationship between internal organizational factors (human resource; organizational culture; organizational structure; and organization polices) and organizational performance.

### 2.3.1 Human Resources and Organizational Performance

Human resource is an imperative internal factor. Individuals have unique sets of values that they bring to the entity. However, organizations cannot have full control over the actions of each team member. Shrouf *et al.* (2020) investigated the mediating role of the productivity of the banking sector in Jordan based on the relationship between human resources and strategic performance from the point of view of the senior management managers and functional unit managers (human resources, marketing, finance and accounting). The study population represented all the 26 commercial banks in Jordan, the total number of which is 26. The study through a survey questionnaire that collected data from 371 respondents from the targeted banks established that the employees are talented, motivated and were highly effective. The study also established a significance relationship between human resource management and strategic performance.

In high performance organizations, the workers might not have the best talent but they work collaboratively. Organizations control the people that they are hiring. A study by Al-Qudah *et al.*, (2020) analyzed the impact of strategic human resources planning on the organizational performance of Jordanian public shareholding companies for senior management and functional unit managers. The survey targeted 52 public shareholding companies registered with the Jordan Securities Commission (JSC) in 2019. The study through semi-structured questionnaire collected data from 203 respondents. The multiple regression analysis established a statistical significant impact of the strategic human resources planning on organizational performance. The results also established that bad hires have negative impact on the organization and that a well-developed hiring process focuses on making prudent hiring decisions. The results also indicated that the organizations hired members that embody the mission and the vision of the organization and highlighted that the mode of hiring is critical in promoting and maintaining the organizational culture.

Triatmanto *et al.*, (2019) carried out a study on the job placement, leadership style, work rotation, and employee performance in the facility of PT, Kereta Api Indonesia (Persero) located in Malang. Through a multi-linear regression analysis, the study established that organizational performance aligns with human resources in a continuous process of clarifying responsibilities, priorities, and expectations. The study further established that the organization also align the

performance of individuals with the strategic goals of the organization and that effective forms of performance management go beyond creating an enabling work environment. The study identified interpersonal relationships while creating room for constructive feedback to inspire organizational performance, given that the main challenge for HR is motivation. The study advised that the management should be flexible to make changes in their approach if they feel the performance is not optimal.

Mitchell (2002) while conducting a study on the performance influencing factors in Nepal Airlines Corporation (NAC), used mixed research method that included qualitative and quantitative analysis methods. The primary data used in the study were obtained from in-depth interview with fifteen government and NAC executives. Additionally, the Secondary data were collected from Nepal Government and NAC publications. The results highlighted that the practice of human resource management in organizations involves planning, recruitment and selection, training and continuous development and that in totality, such practices should be geared towards optimizing the performance of the organization. In that regard, the study emphasized that human resource practices become part of the overall strategy of the organization. The study further advised that while employing systems approach theory, the human resource of an organization should interact and collaborate other internal factors.

Çalışkan (2010) evaluated the impact of strategic human resource management on organizational performance. The study through empirical evidence established that the way an organization manages its human resources has a significant relationship with the organization's performance. The study further established that due to the volatility of the market today, the team members should adapt immediately to instructional changes from the management. The study advised that the team members should be in a position to make impromptu decisions that influence the organization positively.

There are some HRM practice that have negative impact on the organization performance. Minbaeva (2005) evaluated the impact of HRM complementarity on knowledge transfer in MNCs. The study used a data set of 92 subsidiaries of Danish MNCs located in 11 countries that included the headquarters in Denmark and from the foreign commercial sections of the Danish

Embassies in Germany, Sweden, USA, China, and Russia. The findings of the study established that if those HRM practices are applied in a complementary way, their impact on knowledge-related outcomes will result in crowding effect of extrinsic and intrinsic motivation negatively.

### **2.3.2 Organizational Culture and Organizational Performance**

According to Deal and Kennedy (2000), an organizational culture is simply the way of doing things within the organization. Another definition posits that organizational culture is the values, visions, symbols, assumptions and beliefs of the organization (Needle, 2004). Organizational culture determines how employees' complete tasks within the organization. The cultural context in organizations includes rituals, symbols, beliefs and values that encompass the mode of operations in the entity. The organizational culture is a factor that binds the team members together. Additionally, it provides the organization with a template of the expected conduct and levels of performance. When organizations are in transition, one of the biggest challenges is changing the organization culture because the employees already prefer doing things in a certain way.

A study by Selvalakshmi and Guru (2017) evaluated the relation between two variables organization's culture and its impact on the organizational performance. The study through a detailed literature review established that organizational culture has greater impact on the variety of organizational process, employees and its performance. The study further established that if the organizations maintain the same norms and organizational values and if the employees are committed, then this helps in increasing the performance and achievement of the overall organization goals.

There are distinct types of organizational culture. Some organizations prefer well-structured and highly bureaucratic cultures. Such cultures have extensive controls over the employees in an organization. García-Fernández *et al* (2018) analyzed the impact and predictive capacity of organizational culture on both customer loyalty and organizational performance in health clubs using data from managers and customers of health clubs in Spain. The data collected was tested and their predictability assessed through PLS-SEM. A composite concept was adopted to analyze the relationships between the different constructs and their indicators from a total of 2,931

customers. The results indicated that the team members have to adhere to strict procedures and well-defined duties. Additionally, the results highlighted the importance of creating a strong organizational culture in health clubs, as it enhances and predicts customer loyalty and organizational performance

On the other hand, some organizations prefer a collaborative culture. Such a system has integrated units that work together within a decentralized system. Franklin and Pagan (2006) through a literature review of related articles established that the organization culture defines the behavior of team members within the organization. The study further elaborated that for instance in sales environment, the organization might prefer a culture that enhances the performance of all the members and stresses that in such a situation, the organization may prefer a competitive culture where only external relationships are more important than internal relationships. The study noticed that where team members are in direct competition with one another, performance is enhanced.

Molina and Callahan (2009) explored the connections between individual learning culture and organization performance. The study through a conceptualized model of entrepreneurial learning and performance sought to establish how the constructs of environment, individual learning, entrepreneurship, and organizational learning influence organizational performance. The study established that the ultimate aim is to optimize individual performance and it leads to collective growth in the entity. The study further established that an organization may choose to adopt a learning culture even when important and useful information already exists in businesses.

Abubakar *et al.* (2019) in a study on the influence of knowledge management practices on entrepreneurial and organizational performance, gathered primary data from 486 senior management staff in leading SME's in Pakistan. Through a structural equation model to test the hypotheses established that knowledge management practices have a positive and significant influence on dynamic capabilities, as well a significant impact on entrepreneurial and organizational performance. The study also established that, consistent with the resource based theory, availability of knowledge from within an organization influences its performance. The researcher further observed that most organizations face challenges when it comes to harnessing

the knowledge in a mode that is intelligible and productive and therefore, leading to variations in the organizational culture and thus distinct results to the organizations.

Sweeney (2016) evaluated the negative effects of organization culture. The study targeted 3 newspaper delivery contractors who described their downsizing experiences in Southeastern, United States. The study used purposeful sampling approach and methodological triangulation of sources, Organizational Culture Assessment Instrument (OCAI) and a qualitative questionnaire were administered to the respondents. The findings of the study established that although some cultures may be preferred by the management, some of these cultures may lead to high employee turnover and demotivated employees. The study also established that corporate output would be affected in quality and quantity if the organization adapted bad cultures.

### **2.3.3 Organizational structure and Organizational Performance**

Organizational structure is the mode of dividing and coordinating activities within the organization. Another definition states that an organizational structure provides a system that outlines the direction of activities with the aim of achieving organizational goals (Mailu, *et al.*, 2018). The activities include responsibilities, roles and rules. The structure is also the determinant of how information flows in the entity. For instance, in centralized structures, the flow of information is top-down. On the other hand, in a decentralized structure, there is an even distribution of information in distinct levels of the organization. Effective structures ensure efficiency and focus in organizational operations.

Dubey *et al.* (2017) examined the effect of external pressures and organizational culture on shaping performance measurement systems (PMS) for sustainability benchmarking. The systematic review study that included 63 articles established that, the organizational structure informs the departmental layouts and the employee roles. In a top down structure, each position reports to the position above it. The study further highlighted that performance in most of the organization depends on the culture adapted by the organization in addition to the supervisors and subordinates.

In a decentralized structure with a flat hierarchy, the employees can set and regulate their own performance. Mailu, *et al.* (2018) evaluated the strategy implementation and organizational performance in the pharmaceutical industry in Kenya. The descriptive survey research targeted a total of all the 64 pharmaceutical companies in Nairobi Kenya. Through descriptive statistical analysis, it was established that the members of the team had open discussions with their supervisors on how they can enhance the performance of the entity. The study further emphasized that organizational structure determines the level of engagement in the entity and that that engagement should determine the organizational performance.

Shanker et al. (2017) evaluated the organization leadership structure and its impact of inclusive leadership behaviors on innovative workplace behavior with an emphasis on the mediating role of work engagement. The study collected data from 150 respondents working in mobile phone companies in Southern and Central Iraq. The findings revealed that organization structure relates and aligns different aspects of the organization to achieve maximum performance. The results emphasized that the organization structure has a significant effect on the objectives and the overall strategy of the organization. It further shows that the management should have a good understanding on the strengths and limitations of organizational structures in order to facilitate strategic alignments.

Another study by Nikpour (2017) investigated the mediating role of employee's organizational commitment on the relationship between organizational culture and organizational performance. The study population consisted of all the 190 employees in education office of Kerman province. The descriptive and inferential statistical analysis established that organizational structure exerted indirect influence on organizational performance through the mediation of employee's organizational commitment at all levels of management. The study identified that the main challenge of organizational structure is sustaining organizational capacity and achieving alignment at the same time.

While various studies established a positive effect of organization structure on organization performance, a study by Kampini (2018) on the Impact of organization structure on employee performance focused on a Case of New Era secondary schools. The research employed a survey

research design and targeted the whole population of 25 staff of New Era secondary school. The study also used a semi-structured questionnaire to collect data. Both qualitative and quantitative data was analyzed using excel. The findings of the study established that organization structure affected employees and overall organization performance both negatively and positively.

### **2.3.4 Organizational Policy and Organizational Performance**

The organizational policies can be both disciplinary and visionary. Procedures are imperative for organizations because they instill some form of consistency in the day-to-day operations. Policies also clarify different circumstances. Therefore, they assist in dealing with accountability activities and issues that are important for the organization. Liang and Ma (2020) conceptualized the role of organizations policy and administration on the organization performance of state-owned enterprises (SOEs) in China. The study targeted all the state-owned enterprises (SOEs). The study established that organizational policy is the procedure used by entities to outline the rules and action plans to deal with distinct situations and that the policy sets the performance expectations for the employees. The study further identified that the policies included directions on attendance, leave days, education and training

Andersen and Mortensen (2010) conducted a study on policy stability and change in public resource allocation in Czech Republic. The study through series data established that organizational policies enhance the performance of the entity in a number of ways. According to the study, the policies enable employees to comprehend the constraints of their roles without trial and error; the policies also provide the management of the organization with a leeway to exercise control; the policies also enhance the legal protection of entities and ensures continuity in resources allocation even where there is change in management ; and that for the effectiveness in policy implementation, it is important for organizations to involve the team members in developing the policies and thus making policies are an imperative part of the organization.

The studies reveal that policies provide a road map for the day-to-day operations and that the policies ensure compliance with the regulation and laws. It also provides guidance to decision making and streamlining of the internal processes. By keeping the operations flowing, policies prevent chaos in the organization. Wickford (2019) cited a study by American Psychological

Association (2017) on the negative impact of organizational change on employees' performance. The study used primary data of respondents from a number of sectors in America. The findings of the study were a conclusion drawn from 55 percent of the respondents that reported work related chronic stress when changes in organization policies are effected, compared to 22 percent of the staff that were not experiencing any effects on change of the organizational policies. Additionally, Gomes and Mendes (2022) also established contrary findings and pointed out that internal management practices would have a positive effect on the organization performance only when aligned to other external organizational factors that affect the overall organizational performance.

## **2.4 Research Gap**

Shrouf *et al.* (2020) investigated the mediating role of the productivity of the banking sector in Jordan based on the relationship between human resources and strategic performance, from the point of view of the senior management managers and functional unit manager. However, the study did not cover the performance indicators of customer satisfaction, effectiveness and efficiency that have been considered in this study. On the other hand, Selvalakshmi and Guru (2017) only evaluated the relation between organization's culture and the organizational performance and did not cover the other internal organizational factors such as human resource management, organizational structure and organizational policy.

A study by Dubey *et al.* (2017), although it examined the effect of organizational culture on shaping performance measurement systems (PMS) for sustainability benchmarking, the researcher used empirical findings through a systematic review and not primary data that would reveal actual findings at a given time. While Kampini (2018) on the impact of organizational structure on employee performance focused on secondary schools and not the MFBs. In another study by Andersen and Mortensen (2010) used series data and not primary data and therefore the findings cannot be consistent with the study findings. On the other hand a study by Gomes and Mendes (2022) revealed contrary findings and pointed out that internal management practices would only have positive effects on the organization performance if aligned to other external organizational factors that affect the overall organizational performance. While Sweeney (2016) established a negative effect of organizational culture on organizational performance, pointing

out that corporate output would be affected in quality and quantity if the organization adapts a bad culture. Therefore the findings of the studies does not only present mixed findings, but also both methodological and contextual gap that emphasized the need for this study. Additionally, the findings of the studies did not cover the specific sub variables as indicated in the study conceptual framework. Unlike the other studies, under human resource as an internal organizational factor, the study covered productivity and teamwork; norms and commitment to goals as a measurement of the organizational culture; effective coordination and efficient communications as a measure to the influence of the organizational structure; while influence of the organizational policy was based on commitment and interdependence.



**Table 2.1 Research Gap**

Author	Title	Findings	Research Gap
Shrouf <i>et al.</i> (2020)	The mediating role of the productivity of the banks sector in Jordan	There was a significance relationship between resources management and strategic performance ; HRM employees are talented, motivated and were highly effective	The study did not focus effectively on the effect of other internal environmental factors on organizational performance; The study was carried out in Jordan and could not be generalized to Kenya
Selvalakshmi and Guru (2017)	The relation between organization's culture and the organizational performance	The study established that if the organization maintain the same norms and organizational values and if the employees are committed, then this helps in increasing the performance and achievement of the overall organization goals	The study only covered relation between organization's culture and the organizational performance and did not cover the other internal organization factor of human resource management, organization structure and organization policy.
Dubey <i>et al.</i> (2017)	The effect of organizational culture on shaping performance measurement systems (PMS) for sustainability benchmarking	The findings show that performance in most of the organization depends on the relationship of the relationship culture adapted by the organization in addition to the supervisors and subordinates.	The study used empirical findings through a systematic review and not primary data that would reveal actual findings at a given time.
Andersen and Mortensen (2010)	The policy stability and change in public resource allocation in Czech Republic.	The results indicated that organization performance in most of the organization depends on the relationship of the relationship culture adapted by the organization in addition to the supervisors and subordinates.	The study used series data and not primary data and therefore the findings cannot be consistent with the study findings due to methodology application.
Caliskan (2010)	The impact of strategic human resource management on organizational performance	The article informs that the management of human resources should be aligned with the performance demands of the organization.	The study only covered one internal factors and not all the four covered by the study.; the study is not based on Micro Finance banks and therefore the findings cannot be generalized
Franklin and Pagan, J. F. (2006)	Organization culture as an explanation for employee discipline practices	The article informs that organization culture should guide the conduct of the employees and the management in the organization.	The study is not based on Micro Finance banks and therefore the findings cannot be generalized; The study is not also based on the local context
Shanker <i>et al.</i> (2017)	Organizational climate for innovation and organizational performance: The mediating effect of innovative work behavior.	The article informs that organizational policy provides an entity with stability because it ensures consistent conduct. Even when the market is volatile, the organization can maintain a specified standard of conduct that guarantees optimal performance.	The article does not cover how internal factors can be combined to achieve optimum organizational performance.

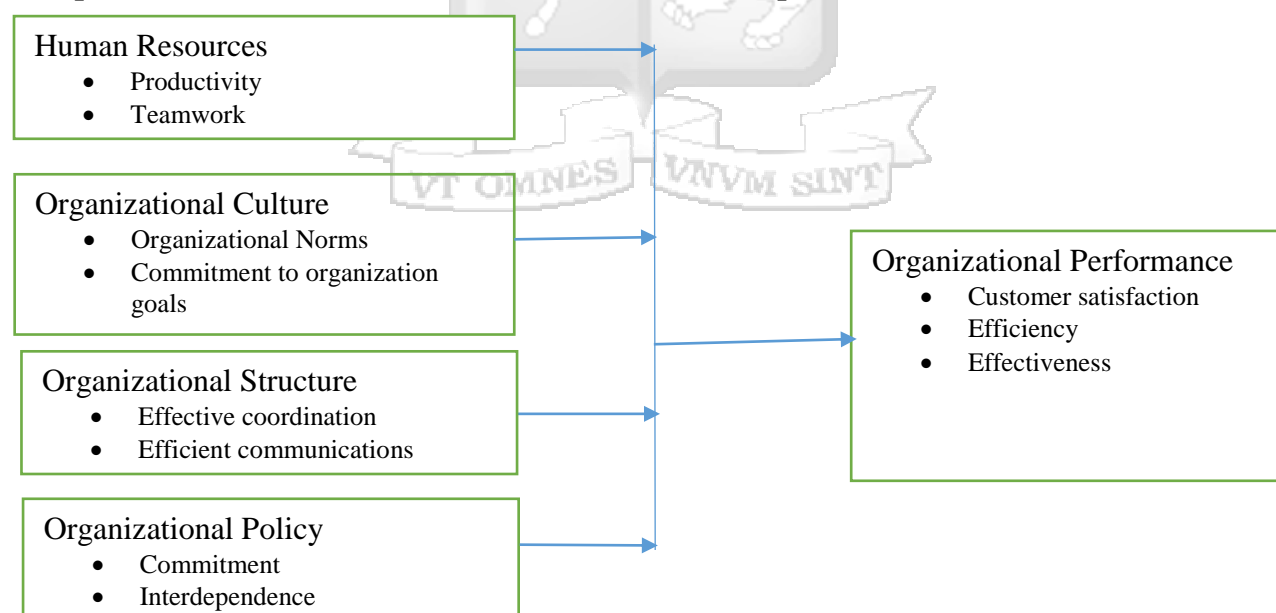
## 2.5 Conceptual Framework

To understand the relationship between the effect of internal organizational factors and organizational performance of microfinance banks in Kenya, the conceptual framework was developed to assist in developing an applicable interaction of the variables. The independent variables are human resources, organizational culture, organizational structure and organizational policy. The dependent variable is organizational performance within microfinance organizations in Kenya.

The selection of the internal organization variable follows the findings by Wheelen and Hunger (2015) that identified human resources, organizational structure and organizational culture as important internal factors that would influence the performance of an organization. On the other hand, the organization performance factors follow the findings of a study by Abdel-Maksoud *et al.*, (2015) that highlighted customer satisfaction, productivity, efficiency and effectiveness as measures of organizational performance.

**Figure 2.1 Conceptual framework**

### Independent Variable



**Source: Author (2022)**

## 2.6 Operationalization of Study Variables

**Table 2.2 Operationalization of Study Variables**

Variable	Indicators	Data Collection Tool	Data Analysis	Source
Human Resources	<ul style="list-style-type: none"> <li>Productivity</li> <li>Teamwork</li> </ul>	Questionnaire: 5 point liker scale and open ended questionnaire	Statistical package for social sciences	According to Bahadori (2010), productivity is the main indicator in Human Resources.
Organizational Culture	<ul style="list-style-type: none"> <li>Organizational Identity</li> <li>Adaptive culture</li> </ul>	Questionnaire: 5-point liker scale and open ended questionnaire	Statistical package for social sciences	Denison and Mishra, (1995), indicates that organizational culture indicators are openness, consistency, responsiveness and employee satisfaction.
Organizational Structure	<ul style="list-style-type: none"> <li>Knowledge Transfer</li> <li>Efficient communication</li> </ul>	Questionnaire: 5-point liker scale and open ended questionnaire	Statistical package for social sciences	Awino (2015) informs that the key indicators for organizational structure are information sharing, decentralization, organizational flexibility and adaptability.
Organizational Policy	<ul style="list-style-type: none"> <li>Vvision</li> <li>Interdependence</li> </ul>	Questionnaire: 5 point liker scale and open ended questionnaire	Statistical package for social sciences	According to Zehrer and Hallmann (2015), organizational policy indicators are vision, development, monitoring and interdependence.
Organizational Performance	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Efficiency</li> <li>Effectiveness</li> </ul>	Questionnaire: 5 point liker scale and open ended questionnaire	Statistical package for social sciences	Bhatti et al., (2014), indicates that performance indicators are customer satisfaction, employee satisfaction, profitability and delivery reliability.

## 2.7 Chapter Summary

The chapter includes the theoretical framework, the empirical review and the study gap. It also include conceptual framework and the Operationalization of Study Variables.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter gives a description of how the target population was identified, the sampling techniques used, data collection procedures, data analysis and presentation. The chapter is subdivided into research design, target population, sample size and sampling procedures, data collection and data analysis.

#### 3.2 Research Philosophy

A philosophical approach guides the researcher in deciding why and how to approach the inquiry. The philosophy influences the framing of questions, the design of the study and the title selection. Largely, the research philosophy sets the values that inform the decision-making in the research process on the phenomenon under study. Additionally, the main assumption in the choice of the research philosophy is indicative of the perception of the researcher about the world (Bleiker *et al.*, 2019). The preferred research philosophy for this study was positivist. The positivist research philosophy asserts that factual knowledge insight is only through observation and measurement (Park *et al.*, 2020). The main ideal of the positivist research philosophy is to make the research representative, valid and reliable. The positivist research philosophy has several limitations. First, it uses inductive statistical methods that generalize on truths gathered through observation methods. The induction approach might provide the wrong results because the observations can be speculative or subjective (Park *et al.*, 2020). Observations are also prone to measurement inaccuracies.

#### 3.3 Research Design

The research study used a descriptive or survey design as it best attempts to describe conditions of the present scenario by using different subjects to fully describe the phenomena (Westfall and Stasch, 1990). Descriptive research is a method that defines the characteristics of the phenomenon or population under study. The descriptive design can answer what, where, when and how questions, but not why questions. The study also adopted a cross-sectional design which considers collection of data for the whole study only once. Further, the information was obtained

without any manipulation or change in the environment. The descriptive research design was used to obtain information concerning current performance status and to describe to what extent each of the internal organizational factors affected the performance of the Microfinance Banks (MFBs) based in Nairobi, County.

### **3.4 Population of the Study**

The target population for this study comprised of all the fifteen (15) microfinance banks as listed in the Central Bank of Kenya directory of licensed microfinance banks (Central Bank of Kenya, 2022). The target population was a representative of the entire population that the study sought to understand and therefore the study population made it possible to generalize on the findings.

### **3.5 Sampling design**

Census sampling method was employed by the study to cover all the 15 MFBs registered in Kenya. The census sampling method involved the observation or an evaluation of the whole population or universe and is therefore a complete enumeration of a population or groups on certain characteristics (Nardi,2018). Additionally, through judgmental sampling design selected eight employees from each of the 8 departments that were deemed to have the relevant information for the research. Therefore, the study sample included eight (8) respondents which included: The Chief Executive Officer; the Human Resource Manager; the Head of Business Development (also commonly referred to as the Operations Managers); the Chief Investment Officer; the Finance Manager; the Marketing manager; the Head-office Receptionist; the Information and Communication Technology Manager from each of the 15 microfinance banks in Kenya. These departments were found to exist in each of the MFB covered in the study. The sample size was thus 120 (15\*8) respondents. Appendix III provides a summarized list of all the MFBs that the respondents were drawn from.

### **3.6 Data Collection**

There are numerous methods of data collection (Palinkas, 2015). The technique employed depended on the research topic, purpose of study and the expected results. This study focused on primary data gathered using structured questionnaires with closed ended questions to enhance uniformity required in obtaining of quantitative data. Questionnaires provide an efficient and a

quick way of gathering large amounts of data from a large sample. The questionnaire was developed from the study objective and research questions were derived from the study sub-variables. The questionnaire was divided into three parts. Section A captured the general background information of the respondents. Whereas section B covered the influence of the internal organizational factors on the performance of the MFB and section C covered the performance of the particular MFB.

The administration of the questionnaires was done through drop-off survey method. The researcher visited the headquarters of each of the fifteen microfinance banks to deliver the questionnaires. The researcher then made a second visit to collect the filled questionnaires. A letter of introduction and assurance of confidentiality was prepared to enable the researcher get cooperation from the respondents.

### **3.7 Data Analysis and Presentation**

According to Fourches et al. (2010), data verification is a mandatory step in data analysis. To ensure that the data collected was complete and accurate, the researcher checked on the errors and verified the data by editing, coding and keyboarding. Questionnaires with data errors were eliminated. SPSS and excel data sheets was used for data entry. The results of the analysis were presented in charts and tables. Interpretations were based on the objectives of the study. Inferential and descriptive statistics was used to analyze the results and draw conclusions. The descriptive statistical methods included techniques such as standard deviation, variance and mean (Abu-Bader, 2021). On the other hand, the inferential statistical method included techniques such as Pearson Correlation and multiple regression analysis, which are highly effective in such a study (Abu-Bader, 2021).

Multiple regressions make it possible to use other variables to predict one variable (Oludhe, 2011). It helped in evaluating the impact of management on organizational performance. As conceptualized in the conceptual framework, changes in independent variable would influence changes in dependent variable. Therefore the researcher used the regression model to analyze the relationship between the internal organizational factors and the performance of the microfinance banks. The regression model is represented as below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y= MFB Performance

$\beta_0$  = Constant term

$\beta_1 - \beta_4$  = Beta coefficients of determination

X1= Human Resource

X2= Organizational culture

X3= Organizational structure

X4=Organizational Policy

$\varepsilon$ = Error term which captures the unexplained variations in the model

Subsequently, a Pearson correlation coefficient was used to measure the strength of the relationship between the internal organizational factors and the performance of the microfinance bank. The formula for the correlation coefficient is as shown below:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Where:

r= Correlation coefficient

N= Sample size

x= Value of the x-variable (independent) in the sample

y= Value of the y-variable (dependent) in the sample

A correlation coefficient above 0 indicates a positive linear relationship between variables. A correlation value between 0.3 and 0.5 indicates that the variables in a study have a weak positive association. A correlation coefficient between 0.5 and 0.7 indicates a moderate positive relationship between variables. A correlation value between 0.7 and 1 indicates a strong positive relationship between variables.

### 3.8. Research Quality

This section examined research quality in terms of Validity and reliability of the research instruments.

### 3.8.1 Validity of the Research Instruments

Mugenda and Mugenda, (2003) defines validity as the degree to which an instrument measures what it purports to measure. It can also be defined as the accuracy and meaningfulness of inferences, which are based on the research results. External validity refers to the degree to which research findings can be used to generate conclusions relevant to similar relevant contexts (Saunders et al., 2012). Experts' opinion was used to determine the validity of the instrument, where the data obtained was checked against the objective of the study. The research ensured the validity and reliability of the research instrument.

### 3.8.2 Reliability of the Research Instruments

Reliability of the study instrument was tested to establish if the tool was appropriate for the study. Cronbach's alpha was used to assess the reliability of the questionnaire that was made up of multiple Likert-type scales and items. A Cronbach alpha score of above 0.7 was considered adequate for the study (Vaske, 2017). The results from the pretesting of the study instruments established a Cronbach's alpha of .743 which was considered appropriate for the main study. The distribution of the variables was as follow:

**Table 3.1 Cronbach's Alpha**

Variable	Cronbach's Alpha	No. of Items
<b>Internal Institutional Factors</b>		
Human Resources	0.748	5
Organizational Culture	0.741	5
Organizational Structure	0.739	5
Organizational Policy	0.751	5
<b>Performance of Microfinance Firms</b>		
Performance of Microfinance Firm	0.738	5

### 3.9 Ethical considerations

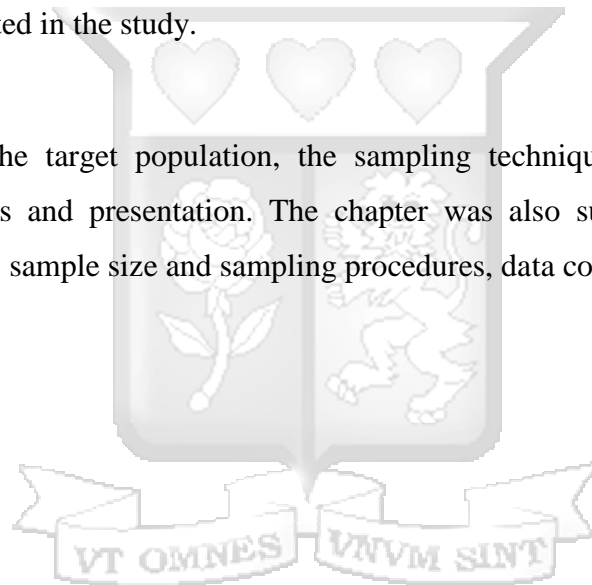
The researcher gave the respondents an assurance that the data was confidential and was to be used for academic purposes only and there would be no disclosure of the names of the respondents. In addition, the study participation was voluntary and no respondent was compelled to participate in the research without their consent. Ethical clearance was also obtained from Strathmore University's Internal Review Board before commencement of data collection.

According to Bloomberg *et al.* (2014), it is imperative to obtain ethical clearances for all studies that concern human subjects. In addition to this, the research also obtained a permit for NACOSTI before carrying out the study.

Voluntary participation in the research is critical because it reduces the possibility of biases that alter the outcomes of the research (Black, 2019). Consent also ascertains the commitment of the participants in the study. The researcher also offered the respondents a guarantee of privacy and confidentiality. The researcher did not divulge information from the respondents to third parties. The information obtained was only useful for the purposes of informing the objectives from the cross sectional survey (Saunders *et al.*, 2016). The researcher also acknowledged the source of all academic works adopted in the study.

### **3.10 Chapter Summery**

This chapter included the target population, the sampling techniques used, data collection procedures, data analysis and presentation. The chapter was also sub-divided into; research design, target population, sample size and sampling procedures, data collection and data analysis.



## CHAPTER FOUR

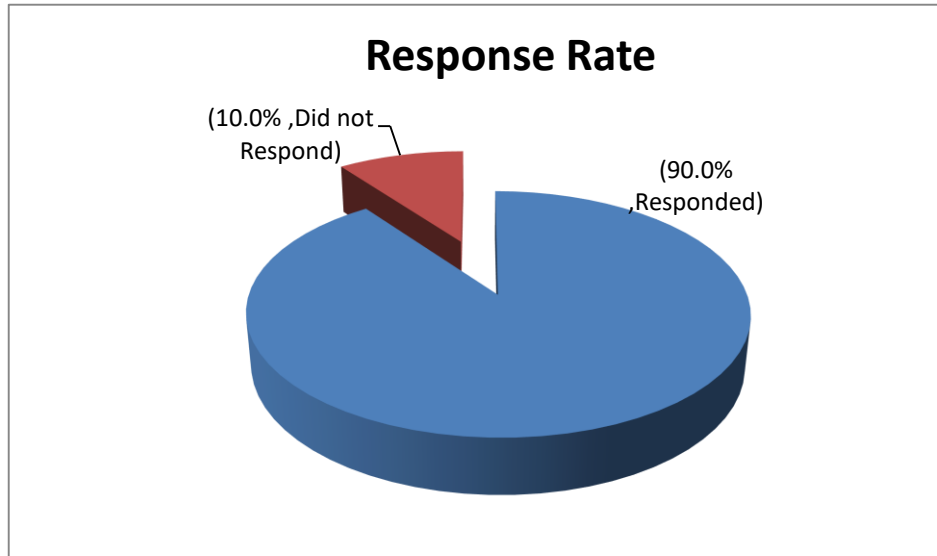
### DATA ANALYSIS, FINDINGS AND INTERPRETATION

#### 4.1 Introduction

The purpose of this study was to find out the influence of internal organizational factors on the Performance of Microfinance Banks in Nairobi, Kenya. This chapter therefore presents results and discussions of the study from the data collected through the questionnaires in which the researcher sorted views and opinions on the effects of internal organizational factors on the Performance of Microfinance Banks in Nairobi, Kenya. The chapter is divided into five sections that include the response rate, the general information of the respondents; the descriptive statistics of the variables under investigation; and the diagnostic analysis. The chapter also includes the inferential statistical analysis of the data collected.

#### 4.2 Response Rate

The study targeted 15 Microfinance Banks (MFBs) with their head offices in Nairobi. The study selected 8 respondents from each Microfinance Banks covered in the study and therefore 120 questionnaires were issued but only 108 questionnaires were correctly and fully filled by the respondents. The researcher then collected questionnaires to enable data analysis. The researcher used the drop and pick method to administer the questionnaires to the sampled respondents. The response rate was 90% and that was considered very adequate. Arora, (2003), stated that a questionnaire based study that targets a large sample and produces above 65% response, is rated as a well participated study.



**Figure 4.1: Response Rate**

### **4.3 General Information of the Respondents**

The study had sought to establish the demographic information of the respondents. Demographic information provides data regarding research participants and is necessary for the determination of whether the individuals in a particular study are a representative sample of the target population for generalization purposes. The general information was crucial in ensuring that the study included all the departments intended for the study; whether the respondents had worked in their organization long enough and therefore understood the influence of internal organizational factors on the Performance of the Microfinance Banks that they worked for and whether all the Microfinance Banks targeted were well represented in the study. The response is shown in table 4.1, 4.2 and 4.3.

#### **4.3.1 Microfinance Bank (MFB)**

The study sought to establish the Microfinance Banks that the respondents worked for and the response was as follows:

**Table 4.1 Microfinance Banks (MFBs)**

<b>Microfinance Bank</b>	<b>Frequency (N)</b>	<b>Percentage (%)</b>
Faulu Microfinance bank	8	7.4
Kenya Women Microfinance bank	7	6.5
SMEP Microfinance bank	7	6.5
Remu Microfinance bank	8	7.4
Rafiki Microfinance bank	6	5.6
Century Microfinance bank	8	7.4
Sumac Microfinance bank	7	6.5
Choice Microfinance bank	7	6.5
Maisha Microfinance bank	8	7.4
UandI Microfinance bank	7	6.5
Daraja Microfinance bank	8	7.4
CARITAS Microfinance bank	7	6.5
Key Microfinance bank	7	6.5
Salaam Microfinance bank	8	7.4
Muongano Microfinance bank	5	4.6
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Survey Data, 2022**

The findings of the study indicated that 7.4% of the respondents were from Salaam, Microfinance bank, Remu Microfinance bank, Century Microfinance bank, Maisha Microfinance bank, Daraja Microfinance bank and Faulu Microfinance bank; 6.5% were from Kenya Women Microfinance bank, SMEP Microfinance bank, Choice Microfinance bank, Sumac Microfinance bank, UandI Microfinance bank, CARITAS Microfinance bank and Key Microfinance bank while another 5.6% were from Rafiki Microfinance bank. The findings of the study also indicated that 4.6% were from Muungano Microfinance bank. This shows that all the Microfinance Banks targeted were well represented in the study.

#### 4.3.2 Duration worked at the Microfinance bank

The study also investigated the length of service of the respondents in the Microfinance Banks that they worked for and responses were as shown below:

**Table 4.2 Duration worked at the Microfinance bank**

<b>Duration Worked at the Microfinance bank</b>	<b>Frequency (N)</b>	<b>Percentage (%)</b>
Less than 5 years	22	20.4
5-10 Years	42	38.9
11-15 Years	44	40.7
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Survey Data, 2022**

The findings of the study established that 20.4% had served in their respective Microfinance banks for less than 5 years, 38.9% had served for 5-10 years, and 40.7% had worked in their Microfinance bank for 11-15 years, while none of the respondents had served in their respective MFBs for more 15 years. The findings showed that the respondents have worked in their organization long enough and therefore understood the influence of internal organizational factors on the Performance of the Microfinance Banks that they worked for.

#### 4.3.3 Department and Designation of the Respondents

The study sought to establish the respondents' department and the designation in the MFBs they worked for. The following were the responses:

**Table 4.3 Department and Designation of the Respondents**

<b>Department</b>	<b>N</b>	<b>(%)</b>	<b>Designation</b>	<b>N</b>	<b>(%)</b>
Top Management	9	8.3	Chief Executive Officer	9	8.3
HR Department	15	13.9	HR Officer	15	13.9
Head Of Business Development / Operations	14	13.0	Head of Business Development / Operations	14	13.0
Investment Department	13	12.0	Chief Investment Officer	13	12.0
Finance Department	14	13.0	Finance Manager	14	13.0
Marketing Department	14	13.0	Marketing Manager	14	13.0
Customer Care	14	13.0	Head Office Receptionist	14	13.0
Information Technology Department	15	13.9	Information Technology Manager	15	13.9
<b>Total</b>	<b>108</b>	<b>100.0</b>		<b>108</b>	<b>100.0</b>

**Source: Survey Data, 2022**

The results of the study also indicated that 13.9% of the respondents were from HR and Information Technology Departments; 13.0% were from Customer Care, Marketing Department, Finance Department and Business Development or Operations department in the Microfinance Banks that they worked for. The findings of the study also indicated that 8.3% were from Top Management while another 12.0% were from the Investment Departments of the Microfinance Banks that they worked for. This indicated that the departments that are directly involved in internal organization of their institutions were well represented in the study.

#### **4.4 Descriptive Statistics Analysis**

Descriptive statistics is a summary statistic that quantitatively describes or summarizes features of a collection of information (Mann, 1995). Descriptive statistics is distinguished from inferential statistics or inductive statistics, in that descriptive statistics aims to summarize a sample, rather than use the data to learn about the population that the sample of data is thought to represent. This generally means that descriptive statistics, unlike inferential statistics, is not developed on the basis of probability theory, and are frequently nonparametric statistics (Trochim, 2006).

This study utilized a 5-point likert scale (where 1= Strongly Disagree and 5= Strongly Agree) to analyze the data collected. The data analysis generated means and standard deviations from data collected from the respondents. The interpretation of the mean was that 1-1.8 represents strongly disagree, 1.9-2.6 represents disagree, 2.7-3.4 was interpreted as somehow agree, 3.5-4.2 was agree and finally 4.3-5 was strongly agree (Wandili, 2022).

#### 4.4.1 Human Resource and the performance of Microfinance Banks

The first objective of the study sought to determine the effect of effects of Human Resource on the performance of Microfinance Banks in Nairobi. This section provided the respondents with 6 statements on the effect of the Human Resource in the performance of the Microfinance Banks. The means and standard deviations of the responses are presented in the table below.

**Table 4.4 Effect of Human Resource on the performance of Microfinance Banks**

<b>Human Resource Factors</b>	<b>Mean</b>	<b>STDV</b>
Our organization encourages employee innovation	3.50	1.132
Our organization ensures that the tasks are attained in an effective manner	3.34	1.217
Our organization gives priority to an employee's well-being	3.09	1.064
Our organization ensures that employees are well trained on the technical skills required to perform their duties efficiently	3.31	1.212
Our organization often facilitates team building activities	3.16	1.224
Our organization carries out training to improve the effectiveness and efficiency of the human resource	3.25	1.161
The selection and recruitment is done with KPIs in mind	3.15	1.159

**Source: Survey Data, 2022**

The results indicated that most Microfinance Banks encourage employee innovation based on the mean of 3.50 and standard deviation of 1.132. The results shows that organization ensures that the tasks are attained in an effective manner (Mean= 3.34, Standard Deviation= 1.217).The findings show that there is some sought of agreement that MFBs give priority to an employee's well-being (Mean=3.09, Standard Deviation= 1.064). The findings also indicate some agreement that the MFBs ensures that employees are well trained on the technical skills required to perform their duties efficiently (Mean= 3.31, Standard Deviation= 1.212). Results also indicated that

some agreement that MFBs often facilitate team building activities (Mean= 3.16, Standard Deviation= 1.212) while there was also some agreements that MFBs carried out training to improve the effectiveness and efficiency of the human resource (Mean= 3.25, Standard Deviation= 1.161). Finally, the respondents somehow agree that the selection and recruitment is done with KPIs in mind (Mean= 3.15, Standard Deviation= 1.159).

The findings indicated that crucial areas of HMR managements such as recruitment are properly addressed and that MFBs give priority to an employee’s well-being which is crucial in motivating the staff to perform better and help in meeting the organization goals and objective. Additionally, the MFBs take seriously an employee training that is necessary in equipping the staff with the necessary skills. This shows that MFBs are critical in handling human resource issues in their organization as this affects the overall performance of these microfinance banks.

#### **4.4.2 Organizational Culture and performance of Microfinance Banks**

The second objective of the study sought to determine the effect of organizational culture on the performance of Microfinance Banks in Nairobi. This section provided the respondents with 6 statements on organizational culture in Microfinance Banks. The means and standard deviations of the responses are presented in the table below.

**Table 4.5 Effect of Organizational Culture on the performance of Microfinance Banks**

<b>Organizational Culture Factors</b>	<b>Mean</b>	<b>STDV</b>
Our organization has a clear new employee orientation program	2.88	.974
The organization identity is clear to employees and outsiders	3.15	1.190
Our organization is highly adaptive to the changing business environment	3.32	1.214
The organization encourages personal development	3.27	1.197
Top performers are recognized and rewarded	2.78	1.079
Our existing culture is aligned to the KPIs	2.71	1.059

**Source: Survey Data, 2022**

The results indicated that most Microfinance Banks have a clear new employee orientation program based on the mean of 2.88 and standard deviation of .974. The findings show that there

is some sought of agreement that organization identity is clear to the employees and outsiders (Mean=3.15, Standard Deviation= 1.190). The findings also indicate some agreement that the MFBs are highly adaptive to the changing business environment (Mean= 3.32, Standard Deviation= 1.214). The results also indicated some agreement that MFBs organizations encourages personal development (Mean= 3.27, Standard Deviation= 1.197) while there was also some agreements that the MFBs top performers are recognized and rewarded (Mean= 2.78, Standard Deviation= 1.079). Finally, the respondents somehow agree that existing culture is aligned to the KPIs (Mean= 2.71, Standard Deviation= 1.059).

The results indicated that there is proper new employee orientation program and that the MFBs have a culture that encourages employees' development. Additionally, the existing cultures in most of the MFBs are aligned to the KPI which is crucial in meeting the organization performance goals. This shows that MFBs can improve their organization performance if they are able to adapt good cultures that are crucial in achieving the desired performance.

#### **4.4.3 Organizational Structure and performance of Microfinance Banks**

The third objective of the study sought to determine the effect of organizational structure on the performance of Microfinance Banks in Nairobi. This section provided the respondents with 6 statements on organizational structure of the Microfinance Banks. The means and standard deviations of the responses are presented in the table below.

**Table 4.6 Effect of Organizational Structure on the performance of Microfinance Banks**

<b>Organizational Structure Factors</b>	<b>Mean</b>	<b>STDV</b>
Knowledge is well nurtured and every staff has access to the organization's knowledge bank	3.14	1.106
The branch offices have the autonomy to make decisions	2.82	1.109
The Organizational structure allows for quick decision making in each department	2.79	1.077
Our organization has allowed an open flow of knowledge and information to encourage learning and quick reactions	3.13	1.216
In our organization, the management style adjusts to the changing situations	2.85	1.040
Existing structure is aligned to the KPIs	2.66	1.069

**Source: Survey Data, 2022**

The results indicated that in most Microfinance Banks, knowledge is well nurtured and every staff has access to the organization's knowledge bank based on the mean of 3.14 and standard deviation of 1.106. The findings show that there is some sought of agreement that the branch offices have the autonomy to make decisions (Mean=2.82, Standard Deviation= 1.109). The findings also indicate some agreement that in most MFBs the organizational structure allows for quick decision making in each department (Mean= 2.79, Standard Deviation= 1.077). Results also indicated some agreement that most MFBs have allowed an open flow of knowledge and information to encourage learning and quick reactions (Mean= 3.13, Standard Deviation= 1.216) while there was also some agreement that in the MFBs, the management style adjusts to the changing situations (Mean= 2.85, Standard Deviation= 1.040). Finally, the respondents somehow agree that existing structure is aligned to the KPIs (Mean= 2.66, Standard Deviation= 1.069).

The results indicated that the branch offices have the autonomy to make decisions. This is crucial in helping individual branches to make decisions that can enhance their performance as they may face peculiar and unique circumstance that are not uniform and require independent decisions. This also refers to the ability of individual departments to operate autonomously for better performance. This shows that MFBs can improve their organization performance by designing their structures to support their operation and help them in achieving the desired performance.

#### **4.4.4 Organizational Policy and performance of Microfinance Banks**

The fourth and final objective sought to establish the effect of organizational policy on Microfinance Banks in Nairobi. This section provided the respondents with 6 statements on organizational policy of the Microfinance Banks. The means and standard deviations of the responses are presented in the table below.

**Table 4.7 Effect of Organizational Policy on the performance of Microfinance Banks**

<b>Organizational Policy Factors</b>	<b>Mean</b>	<b>STDV</b>
Our organizational procedures reflect on the company vision	3.37	.972
Departments in the organization collaborate efficiently	3.20	.964
The management ensures compliance with organizational policies	4.24	.888
Employees understand the organizational policies	2.85	.965
There is a regular review of organizational polices	3.08	.855
The organizational policies are easy to implement	3.71	1.059

**Source: Survey Data, 2022**

The results indicated that in most Microfinance Banks procedures reflect on the company vision based on the mean of 3.37 and standard deviation of .972. The findings show that departments in the organization collaborate efficiently (Mean=3.20, Standard Deviation= .964). The findings also indicate strong agreement that most of the MFBs management ensure compliance with organizational policies (Mean= 4.04, Standard Deviation= .888). Results also indicated some agreement that in most MFBs employees understand the organizational policies (Mean= 2.85, Standard Deviation= .965) while there was also some agreements that MFBs regularly review their organizational polices (Mean= 3.08, Standard Deviation= .855). Finally, the respondents agree that in most MFBs the policies are easy to implement (Mean= 3.71, Standard Deviation= 1.059).

The results indicated that the organization collaborate efficiently in order to achieve common organizational goals and that most of the MFBs management ensure compliance with organizational policies which is crucial in ensuring that the MFBs are able to achieve their goals and objectives. The ability of MFBs to regularly review their organizational polices is important so that they are not tied to old policies that do not address the current individual challenges. This shows that MFBs can improve their organization performance by developing and implementing policies that encourage different areas that are crucial in influencing the desired performance goals and objectives.

#### 4.4.5 Performance of Microfinance Banks

**Table 4.8 Performance of the Microfinance Banks**

<b>MFB Performance Factors</b>	<b>Mean</b>	<b>STDV</b>
The level of customer satisfaction in our organization is high	3.57	.989
Our organization is rated highly by our stakeholders	3.24	1.118
Our organization achieves periodic goals effectively as planned	3.25	1.169
The tasks in our organization are completed as planned	3.63	1.189
Our organizational goals are attained in the right manner and in an efficient way	3.51	1.058
In our organization, customers are given the right service and on time	3.67	1.242

**Source: Survey Data, 2022**

The results indicated that in most Microfinance Banks, the level of customer satisfaction is high based on the mean of 3.57 and standard deviation of .989. The findings show that the MFBs are

rated highly by their stakeholders (Mean=3.24, Standard Deviation= 1.118). The findings also indicate strong agreement that most MFBs achieves periodic goals effectively as planned (Mean= 3.25, Standard Deviation= 1.169). Results also indicated agreement that in most MFBs the tasks are completed as planned (Mean= 3.63, Standard Deviation= 1.189) while there was also agreement that in most MFBs organizational goals are attained in the right manner and in an efficient way (Mean= 3.51, Standard Deviation= 1.058). Finally, the respondents agree that in most MFBs, customers are given the right service and on time (Mean= 3.67, Standard Deviation= 1.242).

The findings indicated that the MFBs are rated highly by their stakeholders which is an indication of better performance, most MFBs achieves periodic goals effectively as planned that shows the organization levels of performance. The levels of efficiency in most of the MFBs that are high are crucial in helping the MFBs attain their performance objectives. This shows that MFBs have achieved high levels of organization performance in the recent past.

#### **4.5 Diagnostic Analysis**

The study also carried out a diagnostic test before carrying out the regression tests. This was conducted to ensure that the model assumptions are met. The study utilized the collinearity tests as described below.

##### **4.5.1 Collinearity Test**

The study used Variance Inflation Factors (VIF) to ensure that there is no linear relationship between predictor variables in this study. A VIF value that is equal to 1 indicates lack of correlation among predictor variables while a value that is more than 5 indicates a high correlation among predictor variables (Frost, 2020).

**Table 4.9 Collinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1 Human Resource	.183	3.471
Organizational Culture	.165	4.055
Organizational Structure	.355	2.821
Organizational Policy	.388	2.578

From Table 4.9 above, Human Resource, Organizational Culture, Organizational Policy, Organizational Structure have a VIF of 3.471, 4.055, 2.821 and 2.578 respectively. This implies that there is no correlation among the independent variables hence the data could be subjected to regression analysis. Additionally, the estimated regression coefficient indicated by all the variables that are less than 5 are not inflated due to collinearity.

#### 4.6 Inferential Analysis

Inferential statistical analysis helped in testing hypothesis and deriving estimates. The study assumed that the observed data set was sampled from the study population. Inferential statistics was used as a parametric statistical test that helped in making assumptions about the population parameters and the distributions that the data came from. The method used included correlation analysis and regression analysis that included (Analysis of Variance (ANOVA), Model Summary and Regression Coefficient) (Kimeu, 2018).

##### 4.6.1 Correlation Analysis

The study carried out correlation analysis which is a statistical method used to measure the strength of the linear relationship between two variables and compute their association (Senthilnathan, 2019). The correlation analysis helped in the calculation of the level of change in Dependent Variable; the Microfinance Bank Performance in Kenya due to the change in Independent Variable; and Internal organizational factors (Human Resource, Organizational Culture, Organizational Structure and Organization policy).

**Table 4.10 Correlation Analysis**

		<b>Correlations</b>				
		MFB Performance	Human Resource	Organizational Culture	Organizational Structure	Organizational Policy
MFB Performance	Pearson		1			
	Correlation					
	Sig. (2-tailed)					
Human Resource	N	108				
	Pearson	.583**	1			
	Correlation					
Human Resource	Sig. (2-tailed)	.000				
	N	108	108			
	Pearson	.611**	.897**	1		
Organization Culture	Correlation					
	Sig. (2-tailed)	.000	.000			
	N	108	108	108		
Organization Structure	Pearson	.539**	.696**	.750**	1	
	Correlation					
	Sig. (2-tailed)	.000	.000	.000		
Organization Structure	N	108	108	108	108	
	Pearson	.660**	.709**	.701**	.731**	1
	Correlation					
Organization Policy	Sig. (2-tailed)	.000	.000	.000	.000	
	N	108	108	108	108	108

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

The results of the correlation analysis indicate a moderate and positive relationship between Human Resource and Microfinance Bank Performance in Kenya ( $r=.583$ ); Human Resource was also found to have significant effect on Microfinance Bank Performance in Kenya ( $\text{Sig}=.000<.05$ ). The correlation analysis results indicate a strong and positive relationship between Organizational Culture and Microfinance Bank Performance in Kenya ( $r=.611$ ); Organizational Culture was also found to have significant effect on Microfinance Bank Performance in Kenya ( $\text{Sig}=.000<.05$ ).

The findings of the correlation analysis also indicated that there was a moderate and positive relationship between Organizational Structure and Microfinance Bank Performance in Kenya ( $r=.539$ ); Organizational Structure was also found to have significant effect on Microfinance Bank Performance in Kenya ( $\text{Sig}=.000<.05$ ). Additionally, the correlation analysis results indicated a strong and positive relationship between Organizational Policy and Microfinance

Bank Performance in Kenya ( $r=.660$ ); Organizational Policy was also found to have significant effect on Microfinance Bank Performance in Kenya ( $\text{Sig} = .000 < .05$ ).

#### 4.6.2 Regression Analysis

Regression analysis is a statistical method that shows the relationship between two or more variables. Regression analysis is a method that helps in testing the relationship between a dependent variable against independent variables. As the independent variable(s) changes influence changes in the dependent variable(s) and the regression analysis attempts to answer which factors matter most to that change (Sarstedt and Mooi, 2014). The results on the Linear Regression Analysis were as follows:

**Table 4.11 Effect of Human Resource on the Microfinance Bank Performance in Kenya**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.583 <sup>a</sup>	.340	.334	.60360		
a. Predictors: (Constant), Human Resource						
ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.883	1	19.883	54.575	.000 <sup>b</sup>
	Residual	38.619	106	.364		
	Total	58.502	107			
a. Dependent Variable: MFB Performance						
b. Predictors: (Constant), Human Resource						
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	1.857	.221		8.406	.000
	HRM	.485	.066	.583	7.387	.000
a. Dependent Variable: MFB Performance						

The coefficient determinant (R Squared) of .340 implies that 34.0% of the changes in Microfinance Bank Performance in Kenya are explained by Human Resource factors. The other 66.0% is attributed to other factors not included in the study other than HR factors.

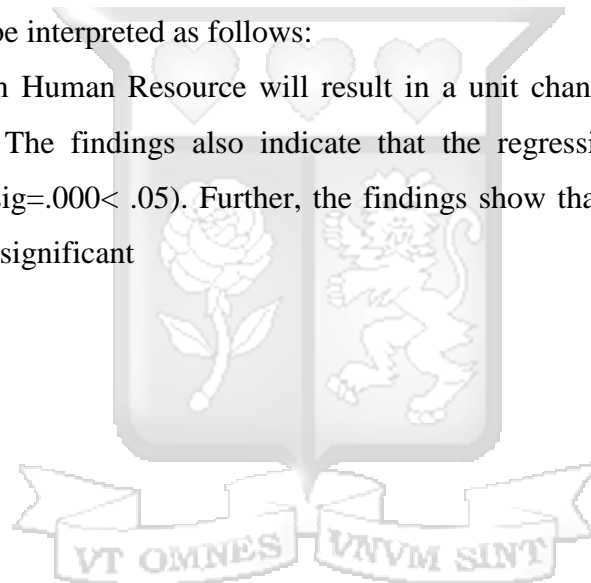
The study also utilized Analysis of Variance (ANOVA) test to assess whether the regression model is statistically significant. The output from the ANOVA test indicates a p-value which is less than 0.05 (Sig= .000< .05) which shows that the model above is statistically significant in explaining the relationship between the Human Resource and Microfinance Bank Performance in Kenya in this study. The (F=54.575; 1, 106) also showed that the model was statistically fit to measure the relationship between Human Resource and the Microfinance Bank Performance in Kenya.

The resulting regression equation from the coefficients in Table 4.11 above is:

$$Y = 1.857 + .485X_1$$

The above equation can be interpreted as follows:

A unit change of .485 in Human Resource will result in a unit change in Microfinance Bank Performance in Kenya. The findings also indicate that the regression model ( $\beta = 1.857$ ) is statistically significant (sig=.000< .05). Further, the findings show that Human Resource (Sig=.000< .05) is statistically significant



**Table 4.12 Effect of Organizational Culture on the Microfinance Bank Performance in Kenya**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611 <sup>a</sup>	.374	.368	.58783

a. Predictors: (Constant), Organizational Culture

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	21.875	1	21.875	63.306	.000 <sup>b</sup>
1	Residual	36.627	106	.346		
	Total	58.502	107			

a. Dependent Variable: MFB Performance

b. Predictors: (Constant), Organizational Culture

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	1.894	.201		9.408	.000
	ORG. CULTURE	.509	.064	.611	7.956	.000

a. Dependent Variable: MFB Performance

The coefficient determinant (R Squared) of .374 implies that 37.4% of the changes in Microfinance Bank Performance in Kenya are explained by Organizational Culture factors. The other 62.6% is attributed to other factors not included in the study other than HR factors.

The study also utilized Analysis of Variance (ANOVA) test to assess whether the regression model is statistically significant. The output from the ANOVA test indicates a p-value which is less than 0.05 (Sig= .000 < .05) which shows that the model above is statistically significant in explaining the relationship between the Organizational Culture and Microfinance Bank Performance in Kenya in this study. The (F=63.306; 1, 106) also showed that the model was statistically fit to measure the relationship between Organizational culture and the Microfinance Bank Performance in Kenya.

The resulting regression equation from the coefficients in Table 4.12 above is:

$$Y = 1.894 + .509X_2$$

The above equation can be interpreted as follows:

A unit change of .509 in Organizational Culture will result in a unit change in Microfinance Bank Performance in Kenya. The findings also indicate that the regression model ( $\beta = 1.894$ ) is statistically significant ( $\text{sig} = .000 < .05$ ). Further, the findings show that Organization Culture ( $\text{Sig} = .000 < .05$ ) is statistically significant.

**Table 4.13 Effect of Organizational Structure on the Microfinance Bank Performance in Kenya**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.539 <sup>a</sup>	.290	.284	.62578

a. Predictors: (Constant), Organization Structure

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	16.992	1	16.992	43.390	.000 <sup>b</sup>
1	Residual	41.510	106	.392		
	Total	58.502	107			

a. Dependent Variable: MFB Performance

b. Predictors: (Constant), Organization Structure

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
	(Constant)	2.040	.220		9.279	.000
1	ORG.STRUCTURE	.480	.073	.539	6.587	.000

a. Dependent Variable: MFB Performance

The coefficient determinant (R Squared) of .290 implies that 29.0% of the changes in Microfinance Bank Performance in Kenya are explained by Organizational Structure factors. The other 71.0% is attributed to other factors not included in the study other than HR factors.

The study also utilized Analysis of Variance (ANOVA) test to assess whether the regression model is statistically significant. The output from the ANOVA test indicates a p-value which is less than 0.05 ( $\text{Sig} = .000 < .05$ ) which shows that the model above is statistically significant in explaining the relationship between the Organizational structure factors and Microfinance Bank Performance in Kenya in this study. The ( $F = 43.390$ ; 1, 106) also showed that the model was

statistically fit to measure the relationship between organizational structure and the Microfinance Bank Performance in Kenya.

The resulting regression equation from the coefficients in Table 4.13 above is:

$$Y = 2.040 + .480X_3$$

The above equation can be interpreted as follows:

A unit change of .480 in Organizational Structure will result in a unit change in Microfinance Bank Performance in Kenya. The findings also indicate that the regression model ( $\beta = 2.040$ ) is statistically significant ( $\text{sig} = .000 < .05$ ). Further, the findings show that Organizational Structure ( $\text{Sig} = .000 < .05$ ) is statistically significant.

**Table 4.14 Effect of Organizational Policy on the Microfinance Bank Performance in Kenya**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.660 <sup>a</sup>	.436	.431	.55794		
a. Predictors: (Constant), Organizational Policy						
ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.504	1	25.504	81.928	.000 <sup>b</sup>
	Residual	32.998	106	.311		
	Total	58.502	107			
a. Dependent Variable: MFB Performance						
b. Predictors: (Constant), Organization Policy						
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	.918	.283		3.245	.002
	ORG. POLICY	.771	.085	.660	9.051	.000
a. Dependent Variable: MFB Performance						

The coefficient determinant (R Squared) of .436 implies that 43.6% of the changes in Microfinance Bank Performance in Kenya are explained by Organizational Policy factors. The other 56.4% is attributed to other factors not included in the study other than HR factors.

The study also utilized Analysis of Variance (ANOVA) test to assess whether the regression model is statistically significant. The output from the ANOVA test indicates a p-value which is less than 0.05 (Sig= .000 < .05) which shows that the model above is statistically significant in explaining the relationship between the Organizational Policy factors and Microfinance Bank Performance in Kenya in this study. The (F=43.390; 1, 106) also showed that the model was statistically fit to measure the relationship between Organizational Policy and the Microfinance Bank Performance in Kenya.

The resulting regression equation from the coefficients in Table 4.14 above is:

$$Y = .918 + .771X_4$$

The above equation can be interpreted as follows:

A unit change of .918 in Organizational Policy will result in a unit change in Microfinance Bank Performance in Kenya. The findings also indicate that the regression model ( $\beta = .771$ ) is statistically significant (sig=.000 < .05). Further, the findings show that Organizational Policy (Sig= .000 < .05) is statistically significant.

#### **4.7 Chapter Summary**

This chapter includes the general information of the respondents, the descriptive statistics, Collinearity Test and the inferential statistics that included the correlation analysis and the multilinear regression analysis.

## CHAPTER FIVE

### DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents a synthesis of the entire study. The literature review identified the knowledge gap, the research methodology, and the subsequent analysis provided basis for the research findings. The discussions of the findings were done in accordance with the objectives of the study. A summary and concluding remark on the discourse, recommendations, limitations, and suggestions for further research are laid out in this chapter. The objective of the study was the effects of internal organizational factors on the Performance of Microfinance Banks in Nairobi, Kenya.

#### 5.2 Discussion of the findings

This section represents discussion on the relationship between internal organizational factors and organizational performance of Microfinance Banks.

##### 5.2.1 The effect of Human resource on the performance of Microfinance Banks in Nairobi.

The findings of the study indicated that human resource had a positive and a significant effect on the performance of Microfinance Banks in Nairobi. This is consistent with the findings by a study by Rana and Malik (2017) that established that HR practices, including selection, training, compensation, performance appraisal and employee participation, have been found to be significantly and positively related to organizational performance. The findings of the study are further supported by findings by Al-Qudah *et al.* (2020) that organizations control the people that they are hiring. Bad hires have negative impacts on the organization as also indicated by the findings of another study by Triatmanto *et al.* (2019) that through human resource management organizations align the performance of individuals with the strategic goals of the organization and that effective forms of performance management go beyond creating an enabling work environment. Interpersonal relationships and creating room for constructive feedback inspires organizational performance. Additionally, the findings support results by Shrouf *et al.* (2020) that established a significance relationship between human resource management and strategic performance.

The results indicated that top performers are recognized and rewarded and that individual Microfinance Banks identity is clear to employees and outsiders with most of them encouraging personal development. The findings of the study indicated that most Microfinance Banks are highly adaptive to the changing business environment and that most of them ensure that the tasks are attained in an effective manner. The results also indicated that Microfinance Banks has a clear new employee orientation program and that the existing Microfinance Banks cultures are aligned to the KPIs of the organizations.

Additionally, while the findings of the study established a significant influence HRM on the organization performance, the findings contradict findings by Minbaeva (2005) that established a negative influence on organization performance and highlighted that if those HRM practices are applied in a complementary way, their impact on knowledge-related outcomes will result in crowding effect of extrinsic and intrinsic motivation and be negative. While there are theoretical and methodological differences in the reviewed studies, the results establish supporting and contradictory findings with exiting literature and therefore individual Human resource factors need to be evaluated on the extent to which they influence organizational performance of Microfinance Banks in Nairobi.

### **5.2.2 The effect of Organizational culture on the performance of Microfinance Banks in Nairobi.**

The results show that organizational culture had a positive and a significant effect on Microfinance Banks in Nairobi. The study supported findings by Omukaga (2016) that established a positive and significant relationship between corporate culture and organization performance. The importance of organization culture as established in the study also emphasizes the findings by Needle (2004) that organizational culture determines how employees complete tasks within the organization. The results also agree with the findings by Selvalakshmi and Guru (2017) that established that if the organization maintain the same norms and organizational values and if the employees are committed, then this helps in increasing the performance and achievement of the overall organization goals and García-Fernández et al (2018) that highlighted the importance of creating a strong organizational culture in health clubs, as it enhances and predicts customer loyalty and organizational performance.

The findings of the study further show that the MFBs have a clear new employee orientation program when they are employed, the individual MFBs identities are clear to employees and outsiders and that the top performers in most of these organizations are recognized and rewarded. The findings of the study also indicated that the existing organizational cultures are aligned to individual MFBs Key Performance Indicators (KPI). The results of the study also indicated that the MFBs are highly adaptive to the changing business environment and that most of them encourage personal development. As much as the above findings established a significant influence of organizational culture on the organization performance, the findings are inconsistent with the findings by Sweeney (2016) who established that that corporate output will be affected in quality and quantity if the organization adapts cultures that are not popular with the employees. Additionally, Franklin and Pagan (2006) also established differing results that organization may prefer a competitive culture where only external relationships are more important than internal relationships. Although there are theoretical and methodological differences in the reviewed studies, the results establish supporting and contradictory findings with exiting literature and therefore individual organizational culture factors need to be evaluated on the extent to which they influence organizational performance of Microfinance Banks in Nairobi.

### **5.2.3 The effect of Organizational structure and performance of Microfinance Banks in Nairobi.**

The results show that organizational structure had a positive and a significant effect on the Microfinance Banks in Nairobi. These findings supported the findings by Eze, Bello and Adekola (2017) that established a significant effect of organization structure and organization performance. The findings also emphasize the study by Mailu, *et al.* (2018) while explaining the importance of effective organization structure on the performance of an organization stressed that organizational structure provides a system that outlines how the direction of activities with the aim of achieving organizational goals while Shanker *et al.* (2017) that pointed out that organization structure relates and aligns different aspects of the organization to achieve maximum performance. The findings also agree with the findings by Nikpour (2017) that organizational structure beyond its direct impact exerted indirect impact on organizational performance through the mediation of employee's organizational commitment at all levels of

management. The results also supported the findings by Mailu, *et al.* (2018) that emphasized that organizational structure determines the level of engagement in the entity.

The findings of the study indicated that knowledge in the various MFBs is well nurtured and every staff has access to the organization's knowledge bank, the branch offices have the autonomy to make decisions and that in most MFBs, and that the management style in these organizations adjusts to the changing business situations and environment in the country.

The results also indicated that most of the MFBs are allowed an open flow of knowledge and information to encourage learning and quick reactions and that their organization structures allow them to make quick decision in each department. The results also indicated that the existing MFB structures are aligned to the KPIs. While various studies established a positive effect of organization structure on organization performance, a study by Kampini (2018) on the impact of organization structure on employee performance established findings that established that organization structure affected employees and overall organization performance both negatively and positively. Additionally, as much as there are theoretical and methodological differences in the reviewed studies, the results establish supporting and contradictory findings with exiting literature and therefore individual organizational structure factors need to be evaluated on the extent to which they influence organizational performance of Microfinance Banks in Nairobi.

#### **5.2.4 The effect of Organizational Policy on the performance of Microfinance Banks in Nairobi.**

The results show that organizational policy had a positive and a significant effect on Microfinance Banks in Nairobi. The results are consistent with the findings by Makau and Muna (2020) that established a positive and significant relationship between internal Organizational Policies on Performance of Government Owned Commercial Banks in Kenya. The findings also established that the organizational procedures at most of the MFBs reflect on the company vision and the various departments in the MFBs collaborate efficiently to achieve the organization goals and objective. The findings support the study by Andersen and Mortensen (2010) that organizational policies enhance the performance of the entity in a number of ways by enabling

employees to comprehend the constraints of their roles without trial and error and by providing the management of the organization with a leeway to exercise control.

The results also indicated that the management ensures compliance with the individual MFB organizational policies. The findings of the study also established that employees in the individual MFBs understand their organizational policies that guide their operations. The results also indicated that there is regular review of organizational policies in the MFBs and that the organizational policies in individual MFBs are easy to implement. The findings did not also acknowledge the findings by Nikpour (2017) that identified that the main challenge of organizations structure is sustaining organizational capacity and achieving alignment at the same time.

Organization policies are not only related to positive effect on the organization performance, there are certain policies that may negatively affect the performance of the organization. The results of the study therefore are also not consistent with the findings by Wickford (2019) that established that 52 percentage of staff faced work related chronic stress when changes in organization policies are effected, compared with 22 percent of staff who were not experiencing any effects when there are organizational changes in policy. Lastly, just like the other factors although there are theoretical and methodological differences in the reviewed studies, the results establish supporting and contradictory findings with exiting literature and therefore individual organizational policy factors need to be evaluated on the extent to which they influence organizational performance of Microfinance Banks in Nairobi.

### **5.3 Conclusion**

The study results showed that human resource have an effect on the Microfinance Banks in Nairobi. The findings indicated that crucial areas of HMR managements such as recruitment are properly addressed and that MFBs give priority to an employee's well-being which is crucial in motivating the staff to perform better and help in meeting the organization goals and objective. Additionally, the MFBs take seriously employees training that is necessary in equipping the staff with the necessary skills.

Organization culture was also found to have a significant influence on the Microfinance Banks in Nairobi. The results indicated that there is proper new employee orientation program and that the MFBs have a culture that encourages employees' development. Additionally, the existing culture in most of the MFBs is aligned to the KPI which is crucial in meeting the organization performance goals.

Additionally, organization structure was also found to have a significant influence on the Microfinance Banks in Nairobi. The results indicated that the branch offices have the autonomy to make decisions. This is crucial in helping individual branches to make decisions that can enhance their performance as they may face peculiar and unique circumstance that are not uniform and require independent decisions. This also refers to the ability of individual departments to operate autonomously for better performance.

Lastly, the results also indicated that organization policy have an effect on the Microfinance Banks in Nairobi. The results indicated that the organizations collaborate efficiently in order to achieve common organizational goals and that most of the MFBs management ensure compliance with organizational policies which is crucial in ensuring that the MFBs are able to achieve their goals and objectives. The ability of MFBs to regularly review their organizational polices is important so that they are not tied to old policies that do not address the current individual challenges.

#### **5.4 Recommendation of the Study**

The recommendations of the study were provided in terms of Theoretical, Managerial and Policy implications. In terms of Theoretical implications, the study posits that there is need for the organizations to critically apply resource based theory in managing its internal resources in order to optimize their organization performance. As illustrated in the theoretical framework, if the organization can effectively manage its human resources, organizational culture, organizational structure and organization polices then it is able to improve its performance. There is also need for the organization to effectively manage its individual systems components in order to achieve the desired organization performance.

In relation to Managerial recommendations, the Microfinance Banks need to review their organizational cultures and ensure that the cultures that are not aligned to the MFBs Key Performance Indicators (KPIs) are discarded and that the organization encourage only culture that are aligned to bettering the organization performance and achievement of the organization goals and objectives. The MFBs need to ensure that HMR managements such as recruitment are properly addressed and that MFBs give priority to an employee's well-being which is crucial in motivating the staff to perform better and help in meeting the organization goals and objective. For a few MFBs that have not aligned existing organization culture to their KPI needs to do so in order to achieve their performance goals. Where necessary, there is need to increase independence of individual departments and branches to enhance the ability of individual departments to operate autonomously for better performance. While the individual MFB branch offices have the autonomy to make decisions, there is need for effective monitoring structures that can ensure that the decisions made at branch levels do not affect the overage goal and the image of the MFBs in the country. The MFBs management should also evaluate their management style and organization polices ensure that they are not only aligned to the internal business environment but they are also aligned to the changing business situations in the country and global business environmental challenges. Lastly, individual human resource factors; organizational structure; organizational culture and organizational policy factors need to be evaluated on the extent to which they influence organizational performance of Microfinance Banks in Nairobi.

In terms policy implications, there is need for the Microfinance Banks to develop effective orientation program especially for the new employees that join the MFBs across the country. The policy should provide a clear guideline on what needs to be covered during the orientation programs. In order to encourage the desired performances at individual MFBs, there is need to identify how to reward top performers in order to motivate the staff towards better performance. This should be done by evaluating what other sectors are doing and adapt what can improve performance at individual MFBs level. Additionally, there is need for regular review of organizational polices in the MFBs in order to ensure that operational policies at different departments are aligned to the organization goals and objective and that the organization does not hold on to old policies that does not respond to the ever-changing business environment both

locally and internationally. The MFBs should also ensure that the policies that they come up with are not difficult to implement. Last but not least, the individual MFB management should ensure monitoring and periodic evaluation in order to ensure that the staff complies with the individual MFB organizational policies.

### **5.5 Study limitations and suggestions for further studies**

The study was limited to internal organizational factors that affect Microfinance Institutions and did not cover external factors that may influence the performance of such organizations. The future study should include external factors that may influence the performance of such organizations. The study was limited to only four internal organizational factors (or variables). Future studies should include other internal organization factors other than organizational culture, HRM, Organization structure and organization policy.

The study covered only three aspect of non-financial indicators of performance (efficiency, customer satisfaction and organization effectiveness) and may not represent the total reflection of organization performance in the MFBs. On the other hand, the study only focused on key informants and therefore the findings may not be as exhaustive enough as required, future studies should focus on a wider range of respondents for more compressive findings. Another limitation is that; the study was also carried out during a generally low economic period following the impact of COVID 19 global pandemic which might have influenced the performance of not only microfinance banks but also other financial institutions in Kenya. There is need for more studies at times when there are is no any pandemic.

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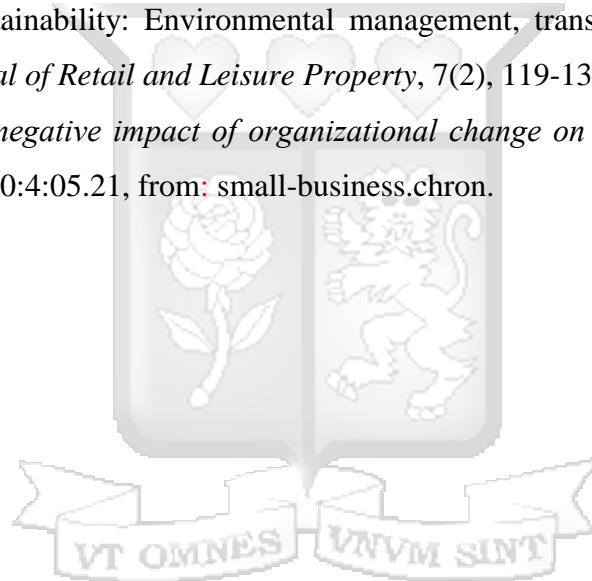
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## Appendix I: Introduction Letter

### THE INFLUENCE OF INTERNAL ORGANIZATIONAL FACTORS ON THE PERFORMANCE OF MICROFINANCE BANKS IN NAIROBI, KENYA

Dear Sir / Madam,

RE: Letter of Introduction

My name is Phylis Muthoni Mwiti, a Master of Commerce student at Strathmore University. In partial fulfillment of the Master's Degree programme, I am required to carry out a research project and write a dissertation on a contemporary subject within my field of specialization. Among other activities, the project involves data collection and analysis.

I hereby request to gather information to be used in this research in your firm. The information obtained will be used for this academic purpose only and will be kept confidential. The results of the survey will not disclose any individual, company name or information in any way.

If you have any further questions about this study, you may also contact my supervisor directly, Dr. Tabitha Waithaka at [twaitbaka@strathmore.edu](mailto:twaitbaka@strathmore.edu).

Thank you very much for your time and cooperation.

Yours sincerely,



Phylis M. Mwiti

## Appendix II: Questionnaire

### TITLE

#### **A Questionnaire on Establishing the Influence of Internal Organizational Factors on the Performance of Microfinance Banks in Nairobi, Kenya.**

Please note that the information provided here will be used only for academic purposes. For this reason, it shall be treated with a lot of confidentiality and strict adherence to the ethical conduct.

#### **Instructions**

The questionnaire has three sections A, B and C. Please fill it out by ticking the appropriate box that closely matches your view or alternatively writing in the spaces provided where necessary.

#### **SECTION A: BACKGROUND INFORMATION**

		Please Indicate				
1.	What is the name of your MFB?					
2.	What department do you work in?					
3.	What is your designation/ position?					
4.	How long have you been working for this organization? <i>Please tick the appropriate answer</i>	<b>Less than 5 years</b>	<b>5 – 10 years</b>	<b>11 – 15 years</b>	<b>16 – 20 years</b>	<b>Above 20 years</b>

**SECTION B: INFLUENCE OF INTERNAL ORGANIZATIONAL FACTORS ON THE PERFORMANCE OF THE MFB**

On a Likert scale of 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree, indicate the response on how internal factors affect the performance of your institution.

**I. Human Resources**

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
5.	Our organization encourages employee innovation					
6.	Our organization ensures that the tasks are attained in an effective manner					
7.	Our organization gives priority to an employee’s well-being					
8.	Our organization ensures that employees are well trained on the technical skills required to perform their duties efficiently					
9.	Our organization often facilitates team-building activities					
10.	Our organization carries out training to improve the effectiveness and efficiency of the human resource					
11.	The selection and recruitment is done with KPIs in mind					

**II. Organizational Cculture**

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
12.	Our organization has a clear new-employee orientation program					
13.	The organization identity is clear to employees and outsiders					
14.	Our organization is highly adaptive to the changing business environment					
15.	The organization encourages personal development.					
16.	Top performers are recognized and rewarded					
17.	Our existing culture is aligned to the KPIs					

### III. Organizational Structure

		1	2	3	4	5
18.	Knowledge is well nurtured and every staff has access to the organization's knowledge bank					
19.	The branch offices have the autonomy to make decisions					
20.	The Organizational structure allows for quick decision making in each department					
21.	Our organization has allowed an open flow of knowledge and information to encourage learning and quick reactions					
22.	In our organization, the management style adjusts to the changing situations					
23.	Existing structure is aligned to the KPIs					

### IV. Organizational policy

		1	2	3	4	5
24.	Our organizational procedures reflect on the company vision					
25.	Departments in the organization collaborate efficiently					
26.	The management ensures compliance with organizational policies					
27.	Employees understand the organizational policies					
28.	There is a regular review of organizational polices					
29.	The organizational policies are easy to implement					

### SECTION C: PERFORMANCE THE MFB

On a Likert scale of 1-5 where Use a scale of 1-5 where 1= Strongly Disagree, 2= Disagree,3= Neutral, 4= Agree and 5= Strongly Agree, indicate the performance factors in your institution.

<b>MFB Performance</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
30.	The level of customer satisfaction in our organization is high					
31.	Our organization is rated highly by our stakeholders					
32.	Our organization achieves periodic goals as planned					
33.	The tasks in our organization are completed as planned					
34.	Our organizational goals are attained in the right manner and in an efficient way					
35.	In our organization, customers are given the right service and on time ensuring enhanced levels of satisfaction					

***THANK YOU FOR YOUR PARTICIPATION***

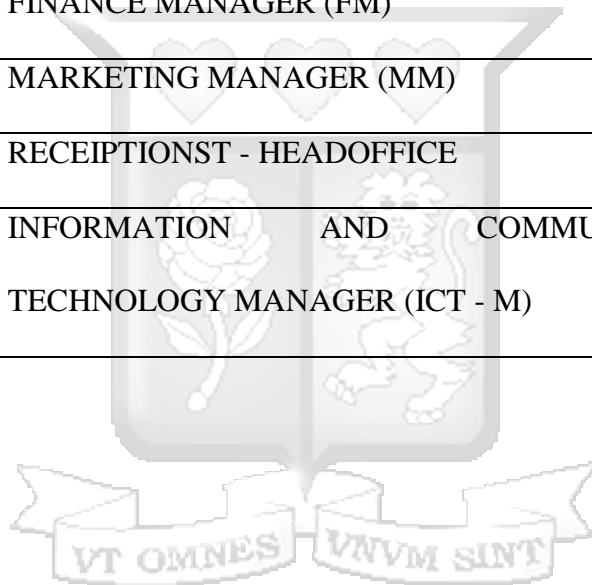


**Appendix III: List of Microfinance Banks in Kenya**

#	MFB
1	FAULU MICROFINANCE BANK LIMITED
2	KENYA WOMEN MICROFINANCE BANK LIMITED
3	SMEP MICROFINANCE BANK LIMITED
4	REMU MICROFINANCE BANK LIMITED
5	RAFIKI MICROFINANCE BANK LIMITED
6	CENTURY MICROFINANCE BANK LIMITED
7	SUMAC MICROFINANCE BANK LIMITED
8	CHOICE MICROFINANCE BANK LIMITED
9	MAISHA MICROFINANCE BANK LIMITED
10	U and I MICROFINANCE BANK LIMITED
11	DARAJA MICROFINANCE LIMITED
12	CARITAS MICROFINANCE LIMITED
13.	KEY MICROFINANCE LIMITED
14	SALAAM MICROFINANCE LIMITED
15.	MUUNGANO MICROFINANCE LIMITED

#### Appendix IV: List of respondents selected

#	OFFICER
1	CHIEF EXECUTIVE OFFICER (CEO)
2	HUMAN RESOURCE MANAGER (HRM)
3	HEAD OF BUSINESS DEVELOPMENT (HBD) / OPERATIONS MANAGER (OP)
4	CHIEF INVESTMENTS OFFICER (CIO)
5	FINANCE MANAGER (FM)
6	MARKETING MANAGER (MM)
7	RECEPTIONST - HEADOFFICE
8	INFORMATION AND COMMUNICATION TECHNOLOGY MANAGER (ICT - M)



## Appendix V: Ethical Approval Letter



7<sup>th</sup> March 2022

Mrs Mwiti Phylis,  
phylis.mwiti@strathmore.edu

Dear Mrs Mwiti,

**RE: The Influence of Internal Organizational Factors on Organizational Performance. A Case of Microfinance Banks in Nairobi, Kenya**

This is to inform you that SU-IERC has reviewed and approved your above SU- master's research proposal. Your application reference number is SU-IERC1228/21. The approval period is 7<sup>th</sup> March 2022 to 6<sup>th</sup> March 2023.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 48 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 48 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read "Fred Were".

for: Prof Fred Were,  
Chairperson; SU-IERC



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Email [admissions@strathmore.edu](mailto:admissions@strathmore.edu) [www.strathmore.edu](http://www.strathmore.edu)

# Appendix VI: NACOSTI Approval Letter

  
REPUBLIC OF KENYA  
National Commission for Science, Technology and Innovation

  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION

**Ref No: 56888**

**RESEARCH LICENSE**



**License No: NACOSTI/PH/1470**

**Applicant Identification Number**  
56888

**Director General**  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION

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