OPERATIONAL STRATEGIES AND PERFORMANCE OF MICROFINANCE INSTITUTIONS IN KENYA

Henry Ouma Tambo.
Jomo Kenyatta University of Agriculture and Technology, Kenya.
Dr. S. Wamwayi.
Jomo Kenyatta University of Agriculture and Technology, Kenya.

©2024

International Academic Journal of Human Resource and Business Administration (IAJHRBA) | ISSN 2518-2374

Received: 21st June 2024

Published: 26th June 2024

Full Length Research

Available Online at: https://iajournals.org/articles/iajhrba_v4_i4_290_305.pdf

Citation: Tambo, H. O., Wamwayi, S. (2024). Operational strategies and performance of microfinance institutions in Kenya. *International Academic Journal of Human Resource and Business Administration, 4*(4), 291-305.

ABSTRACT

Microfinance institutions are key providers of financial information to the economy. In Kenya, MFIs operate in a very competitive environment and these institutions are struggling to survive. This indicates that for most of them to remain relevant in the market they must come up with operational strategies to enable them to be competitive and grow against their main competitors, commercial banks. Failure to adopt operational strategies has led to the loss of income from loans due to processing errors, undetailed information of clients, non-compliance with loan policies and excessive concentration of credit risks, and unskilled employees. It was against this background that the study sought to investigate the effect of operational strategies on Performance of Microfinance Institutions in Kenya. The study specifically aimed to establish the effect of human resource strategies, financial strategies, marketing Strategies and procurement Strategies on the Performance of Microfinance Institutions in Kenya. The paper was anchored on resource-based theory and supported by dynamic capability theory, human capital theory and transaction cost economics theory. The study used an explanatory cross-sectional design. The target population for this study was 48 MFIs in Kenya registered by CBK as of 2020. The respondents comprising 381 senior and middle level managers. A Sample Size of 195 respondents was selected using stratified random sampling technique. A questionnaire was used to collect primary data. Data was analyzed using Statistical Package for Social Sciences (SPSS Version 27.0). All the questionnaires received were referenced and items in the questionnaire were coded to facilitate data entry. After data cleaning which entailed checking for errors in entry, descriptive statistics such as frequencies, percentages, mean score, standard deviation and coefficient of variation was estimated for all the quantitative variables and information presented in form of tables. Inferential statistics was done using linear regression analysis and Pearson's correlation analysis. The study found that the employees are routinely administered with attitude surveys to identify and correct employee work performance problems. Further, the research established that however they were uncertain on whether the organization completes its projects as per set budget limits, meets its financial targets, and all cost elements are clearly documented. Further, the study found that it was uncertain whether special offer of the products tend to improve the performance of firms, and the retail store ensures that quality and reliability of the product offerings gain importance. The research established that it was uncertain whether the system allows for adjustment on system design, and the procurement department is adequately staffed. The research concluded that human resource strategies had the greatest effect on the performance of microfinance institutions in Kenya, followed by procurement strategies, then marketing strategies while financial strategies had the least effect to the performance of microfinance institutions in Kenya. The study recommends that MFIs should prioritize the training and development of their staff, particularly loan

officers. The study recommended that microfinance institutions should consider automating most of their processes so as to meet the changing customer demands as well as to be able to offer their services within the allowable time and standards. Moreover, given the observed decline in total assets, MFIs should focus on bolstering asset management strategies. Implementing more robust credit risk assessment procedures and diversifying their loan portfolios can contribute to a more resilient asset base.

Keywords: Human Resource Strategies, Financial Strategies, Marketing Strategies, Procurement Strategies, Performance of Microfinance Institutions

INTRODUCTION

The performance of the global financial system has been impacted by catastrophes such as the unforeseen Covid-19 epidemic, which occurred in 2019 and led to a global economic slowdown (Shafi, Liu & Ren, 2020). Due to such massive globalized changes emanating from technological advancements, frequent innovations, rapid developments as well as increased need to outsource some of the none-core activities to specialized agents, it hence requires that the management of firms devise appropriate Strategies and make astute operational decisions and choices at all levels in order to ensure survival, and improve performance of the firm (Odollo, 2019).

Performance is achieved in a series of events organized in a logical flow starting from acquiring and configuring of resources, developing capabilities, and building competences hence resulting in superior performance. Tarigan, Mochtar, Basana and Siagian (2021) viewed performance as the competency of an organization to transform the resources within the firm in an efficient and effective manner to achieve organizational goals. Performance has been key in any establishment may it be from a government or private sector. It is always prudent to measure the health of the establishment from time to time so as to ensure that the core operations still follow the laid down strategic vision (Kongsamut, Monaghan & Riedweg, 2021).

Globally, institutions such as media have always had a mandate to effectively achieve and even surpass the performance targets in their departments. In nations such as America, Simon (2019) demonstrated that too much bureaucracy in license award had negatively impacted decision making hence lowering performance in media affiliated institutions. The various staff cannot think or make decisions of ways to achieve their objectives without overlying on the chain of command of decision making in the departments (Simon, 2019).

Additionally, political interference on freedom of media has been a menace since after every period of time, a new government that is elected expects media fraternity to behave in certain ways (UN, 2020). Once in power, there is always a change of how offices are run to a point that they interfere with what was happening before.

On the other hand, Wang, Nguyen and Dang, (2021) examined the significance of operational efficiency in the Real Estate Companies in Taiwan. It was evident that the real estate management and its operation played a crucial role in supporting the company in achieving its objective. Moreover, they further noted that the rapid growth of the real estate companies was mainly attributed by the existing portfolios which have witnessed expansion, attracting large numbers of domestic and foreign investors. Dong, Zhu, Li, Wang, and Rajpal, (2019) examined the existing relationship between performance and operational efficiency of container ports at the Maritime Silk in China. Moreover, they noted that operational efficiency was the key determinant of performance which resulted to competitiveness and sustainable development.

In the study on operational strategies on rural water coverage institutions in Ghana, Kumasi, (2018) examined a study on financing sustainable water, service delivery of small-town water systems in Ghana. Further, he noted that rural water coverage in Ghana is on the increase, yet there are real concerns attached to the level of service received and sustainability due to inadequate funding and unreliable cash flow for capital maintenance expenditure. Moreover, he deduced that the existence of a mechanism inherent in the National Community Water and Sanitation Strategy for addressing capital maintenance expenditure which works for systems that have been implementing it. As a matter of fact, the operations efficiency is indeed affected by limited capacity and weak management characterize water systems with inadequate mechanism to address capital maintenance. Limited awareness and application of water sector guidelines for the management of the piped systems by the management models and the districts.

Oghojafor and Ighodalo, (2015) assessed the significance of performance measurement system effectiveness and Public Private Partnership: Evaluating service delivery efficiency in Lagos State, Nigeria. However, they further claimed that government constant involvement in public private partnership has greatly enriched service delivery and efficient in governance. As a matter of fact, operations of government like any private institutions require constant evaluation in the form of performance measurement system for improvement, satisfaction of customers, employees and stakeholders. Yahaya and Awen, (2020) seconded that idea raised by Oghojafor and Ighodalo (2015) whose emphasis was on the fact that efficiency in service delivery among financial institution in Nigeria is greatly attributed by banks specific characteristics. Further, noted that bank managers should possession or rather pay attention to

profits, total assets, debt structure and intellectual capital which is mainly determined by effectiveness in the operations.

Micro-Finance Institutions (MFIs) were established in Kenya with the intention of supporting people with little income in getting a loan, which they successfully achieve thanks to their accessibility and extensive network when contrasted with mainstream banks. However, regulation of microfinance activities in Kenya started in 2006 (Elzahi, 2022). The absence of regulation allowed innovations to take place and MFIs were set up easily without any restrictions, such as minimum capital requirements therefore the microfinance industry thrived in that environment (Njue, 2020). Following the enactment of the Microfinance Act on 2nd May 2008 in Kenya, a number of existing MFIs applied for licenses to let them take deposits from members and the general public. The major purpose of the microfinance act was to regulate the establishment, business and operations of MFIs in Kenya through licensing and supervision. Most of the MFIs in Kenya are self-regulated and rely heavily on on international donor support which poses a legal challenge. Since the initial institution was given a license by the CBK in 2009, the most of microfinance organizations in Kenya have experienced losses. The recent global financial predicament, which lasted from the middle of 2007 to the beginning of 2009, highlighted the necessity of MFI regulations to protect against significant risks linked to MFI imbalances (Issack & Mutswenje, 2022). According to the Central Bank Supervision Report of 2019, a large number of MFIs in Kenya failed due to adoption of poor operational strategies.

Statement of the Problem

Microfinance institutions (MFIs) serve as vital contributors to the financial landscape, particularly in emerging economies where borrowers often lack access to capital markets. Well-functioning financial institutions have been shown to drive economic growth, while poorly performing ones can hinder progress and perpetuate poverty (Ehigiamusoe & Samsurijan, 2021). However, many MFIs grapple with a significant challenge - balancing the pursuit of financial performance with the imperative to achieve operational growth (Remer & Kattilakoski, 2021).

In Kenya, the landscape for MFIs is characterized by intense competition, and these institutions are confronted with the daunting task of survival. To remain relevant in this competitive arena, they must develop operational strategies that enable them to compete effectively and grow, especially in the face of stiff competition from commercial banks (Njue, 2020). In a quest for rapid growth, MFIs have significantly increased SMEs' access to credit, with access doubling from 7.5% in 2019 to 18.9% in 2020. Paradoxically, a recent study has revealed a concerning trend - over 50% of these SMEs experience failure, and a striking 3 out of 5 SMEs collapse within the first few months of their establishment. This situation is particularly alarming as these SMEs are expected to contribute to the growth of MFIs (CBK, 2020), thus posing a considerable risk to the stability of these **financial** institutions.

The failure to adopt effective operational strategies has been attributed to a host of problems including revenue losses due to processing errors, incomplete client information, non-compliance with loan policies, excessive concentration of credit risks, and the employment of inadequately skilled personnel. Balancing both financial performance and operational growth is a formidable challenge even for the most ambitious organizations. It is within this context that this study endeavors to investigate the impact of operational strategies on the performance of Microfinance Institutions in Kenya.

Objectives of the Study

The study was guided by the following objectives:

i. To establish the effect of human resource strategies on Performance of Microfinance Institutions in Kenya.
ii. To evaluate the effect of financial strategies on Performance of Microfinance Institutions in Kenya.
iii. To assess the effect of marketing strategies on Performance of Microfinance Institutions in Kenya.
iv. To determine the effect of procurement strategies on Performance of Microfinance Institutions in Kenya.

Theoretical Perspective

A theory is a systematic explanation of the relationship among phenomena (Ngumi, 2013). This study was anchored on resource-based theory. The resource-based view of the firm established by Barney in 1991 explains the sustainable competitive advantage of firms in the turbulent business environment. The theory views a firm as an entity with unique resources and capabilities that can be utilized to achieve stakeholder expectations (Barney, 1991). The theory opines that resources are stocks of available factors that are owned or controlled by the firm and can be converted into final products or services.

Further, the theory contends that capability is the firm's capacity to deploy resources, usually in combination, using organizational processes to produce a desired effect. The theory ascertains that sustainable competitive advantage can only be realized if resources are valuable, rare, imitable and cannot be substituted. Resources such as assets, capabilities, organizational processes, firm attributes, information and knowledge if effectively managed can result into operational efficiency and effectiveness.

The theory acknowledges that a firm can use it unique demographic characteristics such as the history, age, ownership, human resources and physical facilities to gain competitive advantage. The theory underpinned the study on the premise that microfinance institutions can utilize their tangible and intangible resources and capabilities such as technology, leadership and human resources to facilitate their competitiveness.

RESEARCH METHODOLOGY

Research Design

The study used an explanatory cross-sectional Design which is designed to bring out the likely causal relationship between variables . This Design is selected upon because it has the ability to provide explanations as to why and how the relationship exists in the phenomenon being studied (Gorard, 2018). Explanatory study establishes causal relationships between variables. Thus, it attempts to clarify how and why there is a relationship between two or more aspects of a situation or phenomenon. According to Rahi (2020), explanatory research is about studying a situation or a problem in order to explain the relationships between variables. Explanatory cross-sectional survey Design uses numerical data to explore relationships between two or more variables. If the relationship exists between variables, it implies that scores on one variable are associated with or vary with the scores on another variable (Ghauri, Grønhaug & Strange, 2020).

Explanatory cross-sectional survey Design does not specify cause-and-effect relationships between variables under consideration. It merely specifies concomitant variations in the scores on the variables (Snyder, 2019). The study applied explanatory cross-sectional survey Design since it aimed at determining the nature, degree, and direction of relationships between research variables.

Target Population

The target Population for this study was 48 MFIs in Kenya registered by CBK as of 2020. The respondents were 381 senior and middle level managers. This was because it was these segments of the Population that are knowledgeable on effect of operational Strategies on the performance of microfinance institutions and hence are in a better position to give relevant information on the research topic. The population of the Study refers to a complete set of individuals, cases, or objects with some common observable characteristics (Bell, Harley & Bryman, 2022).

Sample Size and Sampling Technique

To obtain the desired Sample Size for the study with the Population of 381, the study adopted Slovin's formula to determine the Sample Size. Thus, the Sample Size was 195 respondents. Stratified random sampling is a method of sampling that involves the division of a Population into smaller subgroups known as strata. In stratified random sampling, or stratification, the strata are formed based on members' shared attributes or characteristics. Stratified random sampling was used to select the sample for the study. Stratified random sampling allows researchers to obtain a sample Population that best represents the entire Population being studied. The purpose of stratified random sampling was to acquire the suitable Population representation from distinct subgroups (Jager, Putnick & Bornstein, 2020). Subjects were

selected in a manner that the sub-groups were represented in the sample. The stratums were drawn from the category of respondents and the study then used simple random sampling to pick the respondents in each stratum as shown in Table 1.

Table1 1: Sampling Frame

	Frequency	Sampling ratio	Sample size
Banks	52	0.512	27
Wholesale MFIs	59	0.512	30
Development institutions	37	0.512	19
Microfinance banks	113	0.512	58
Credit only institutions	120	0.512	61
Total	**381**		**195**

Research instruments

A questionnaire study was used to collect primary data. The justification of using questionnaire was to gather information which is actual as well as timely even in geographical locations that are so diverse (Haraldsen, 2023). The questionnaire was structured using a 5-point Likert scale where 1-strongly disagree and 5-strongly agree. The conceptual framework and the objectives of the Study informed the Design of the questionnaire as a data gathering tool. Only close ended questions was included on the questionnaire to ease the process of coding and subsequent analysis to yield findings for report writing.

Data Collection Procedures

The participants were given a period of a week to fill in the questionnaire. This was done to increase the rate of participants' response since the respondents were occupied with their work routines. The researcher administered the questionnaires to the target respondents with the help of research assistants. The questionnaires were administered through the drop and pick-later strategy and substituted with Google docs where necessary to maximize the Response Rate. An appointment were booked by the researcher with the respondents' firms two days before dropping the questionnaires.

Data Processing and Analysis

Data analysis gives a mechanism of coming up with inductive conclusions from data and distinguishing the issue under study from statistical for fluctuations that are in the research data (Fletcher, 2020). Data was analyzed using Statistical Package for Social Sciences (SPSS Version 27.0). All the questionnaires received were referenced and items in the questionnaire were coded to facilitate data entry. After data cleaning which entailed checking for errors in entry, descriptive statistics such as frequencies, percentages, mean score, standard deviation and coefficient of variation was estimated for all the quantitative variables and information presented in form of tables. Inferential statistics was done using linear regression analysis and Pearson's correlation analysis. Multiple regression analysis was used to establish the relations between the independent and dependent variables. The multiple

regression model was chosen because it was useful in establishing the relative importance of independent variables to the dependent variable (Nayak & Singh, 2021).

RESEARCH FINDINGS AND DISCUSSION

Reliability Analysis

The researcher conducted a reliability analysis using the Cronbach's Alpha that measures the internal consistency by establishing if certain items were within a scale measure the same construct (Yin, 2020). Table 2 shows the results.

Table1 1: Reliability Analysis

	Alpha value
Human resource strategies	0.768
Financial strategies	0.886
Marketing strategies	0.702
Procurement strategies	0.818
Performance of microfinance institutions in Kenya	0.773

As per the results, the Cronbach alpha established for every objective showed that all the five variables were reliable as their reliability values exceeded the prescribed threshold of 0.7, that is, human resource strategies (0.768); financial strategies (0.886); marketing strategies (0.702); procurement strategies (0.818); and Performance of Microfinance Institutions (0.773). This consequently shows that the research instrument was reliable and therefore no amendments were required.

Multiple Regression Analysis

A multiple regression model was applied to determine the relative importance of each of the independent variables with respect to performance of microfinance institutions in Kenya. The findings for regression analysis were presented in Table 3, 4 and 5.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.840	0.705	0.697	0.952

The outcome of Table 3 found that adjusted R-Square value is 0.697 which indicates that the independent variables (human resource strategies, financial strategies, marketing strategies, procurement strategies) explain 69.7% of the variation in the dependent variable (performance of microfinance institutions in Kenya). This implied that there are other factors that affect the performance of microfinance institutions in Kenya attributed to 30.3% unexplained.

Table 4: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	318.19	4	79.548	85.999	3.55E-37
1	Residual	133.198	144	0.925		
	Total	**451.388**	**148**			

The results shown in Table 4 revealed that p-value was 3.55E-37 and F-calculated was 85.999. Since the p-value was less than 0.05 and F-calculated was greater than F-critical (2.4345), then the overall model was statistically significant.

Model coefficients provide unstandardized and standardized coefficients to explain the direction of the regression model and to establish the level of significance of the study variables. The results are captured in Table 5.

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	11.158	1.538		7.256	.041
	Human resource strategies	.732	.079	.541	4.180	.009
1	Financial strategies	.413	.109	.387	3.773	.004
	Marketing strategies	.524	.113	.509	4.656	.011
	Procurement strategies	.678	.063	.568	4.417	.026

a. Dependent Variable: Strategy Implementation

The equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$) becomes:

$\mathbf{Y} = 11.158 + 0.732\mathbf{X_1} + 0.413\mathbf{X_2} + 0.524\mathbf{X_3} + 0.678\mathbf{X}$

The findings showed that if all factors (human resource strategies, financial strategies, marketing strategies and procurement strategies) were held constant at zero, performance of microfinance institutions in Kenya will be 11.158. The findings presented also show that taking all other independent variables at zero, a unit increase in the human resource strategies would lead to a 0.732 increase in the scores of performances of microfinance institutions in Kenya. This variable was significant since the p-value of 0.009 was less than 0.05 and therefore the null hypothesis that stated there is no significant relationship between human resource strategies and performance of microfinance institutions in Kenya was rejected.

The findings also show that a unit increase in the score of financial strategies would lead to a 0.413 increase in the score of performance of microfinance institutions in Kenya. This variable was significant since 0.004<0.05, hence the null hypothesis that stated there is no significant relationship between financial strategies and performance of microfinance institutions in Kenya, was rejected.

Further, the findings show that a unit increase in the scores of marketing strategies would lead to a 0.52 significant decrease in the score of performance of microfinance institutions in Kenya since p-value (0.011) was less than 0.05, hence the null hypothesis that stated there is no significant relationship between marketing strategies and performance of microfinance institutions in Kenya, was rejected.

The study also found that a unit increase in the score of procurement strategies would significantly lead to a 0.678 increase in the score of performance of microfinance institutions in Kenya since p-value of 0.026 was less than 0.05, hence the null hypothesis that stated there is no significant relationship between procurement strategies and performance of microfinance institutions in Kenya, was rejected.

Overall, it was established that human resource strategies had the greatest effect on the performance of microfinance institutions in Kenya, followed by procurement strategies, then marketing strategies while financial strategies had the least effect to the performance of microfinance institutions in Kenya.

Conclusions

The study concluded that there is a significant influence of human resource strategies on performance of microfinance institutions in Kenya. The study concluded that human resource strategies exert a substantial influence on the performance of microfinance institutions in Kenya. The findings underscore the significance of investments in the training and development of MFI staff, particularly loan officers, as this leads to substantial improvements in customer service, risk assessment, and overall operational efficiency. Well-trained employees prove to be better equipped to cater to the unique needs of microfinance clients, ultimately enhancing client satisfaction and trust. Moreover, the research has unequivocally deduced that the implementation of strategies to motivate and retain skilled employees is of paramount importance. High employee turnover can disrupt crucial client relationships and adversely impact the reputation and credibility of the MFI within the microfinance sector.

The research deduced that the influence of financial strategies on performance of microfinance institutions in Kenya is statistically significant. Notably, the research concluded that diversifying the range of financial products and services offered by MFIs represents a significant avenue for reducing risk and expanding income streams. Such diversification may encompass the introduction of savings products, insurance offerings, and facilitating remittance services. Furthermore, the study has concluded that a well-conceived financial strategy is pivotal in ensuring that MFIs consistently possess the requisite financial resources to expand their outreach while concurrently upholding the quality of their loan portfolios.

The study concluded that marketing strategies significantly influences the performance of microfinance institutions in Kenya. The research deduced that the regular conduct of market research is indispensable, enabling MFIs to stay competitive and adapt to evolving client preferences effectively. Innovative marketing approaches, including digital marketing initiatives and strategic partnerships, significantly enhance outreach and operational efficiency. The research has also concluded that effective marketing strategies play a pivotal role in the attraction and retention of clients. This involves a deep understanding of the target market, the tailored design of products to meet their specific needs, and the deliberate cultivation of trust within the community.

The research deduced that there is a positive significant influence of procurement strategies on performance of microfinance institutions in Kenya. The study concluded that procurement strategies oriented toward ensuring product and service quality are integral to an MFI's reputation. The acquisition of goods and services that meet exacting standards substantially bolsters the MFI's credibility within the market. Furthermore, the research has deduced that efficient procurement practices serve as a linchpin for controlling operational costs, thereby enabling MFIs to allocate more resources to their core microfinance activities. Bulk purchasing and skillful vendor negotiation emerge as effective and judicious cost-saving strategies to ensure the sustainability and growth of microfinance operations.

While the latest data from 2022 indicates some signs of recovery within the MFI sector when compared to 2021, it is crucial to emphasize that these firms continue to grapple with significant weaknesses and vulnerabilities. The study concluded that the challenges posed by the relatively low levels of key indicators, and these findings underscore the need for concerted efforts to bolster the sector's resilience to withstand even mild economic shocks.

Recommendations

The study strongly recommends that MFI management should establish a systematic resource management system to facilitate staff awareness of their roles and resource needs. This system should enable staff to raise concerns regarding resource shortages promptly, ensuring timely resource allocation. Encouraging daily interaction with this system across the entire MFI fraternity is essential. It vastly improves resource allocation compared to conventional methods such as phone calls or word of mouth.

MFIs should prioritize staff training and development, with a particular focus on loan officers. Well-trained employees are indispensable for providing exceptional customer service, accurate risk assessment, and enhanced operational efficiency. In parallel, it is essential to invest in employee motivation and retention. High staff turnover can disrupt client relationships and tarnish the reputation of the MFI. Incentives and strategies for retaining skilled employees should be at the forefront of MFI human resource management.

Operational management plays a pivotal role in improving the financial performance of microfinance institutions. The study recommends that organizations embrace best practices in operational management, making necessary structural and infrastructural changes to align with selected performance objectives. This approach recognizes that internal factors within firms are primary drivers of performance variation and extends the impact to financial and marketing performance.

Given the critical importance of procurement management, MFIs should elevate their supply chain management practices. Developing a procurement strategy should take into account the needs of various stakeholders, including air carriers, couriers, consignors, consignees, regulatory agents, and ground handling agents. Furthermore, the company should maintain a comprehensive knowledge database of its operating markets to continually refine and implement highly effective procurement strategies, securing top-quality goods and services at competitive prices and within stipulated timelines.

MFIs should establish open channels of communication with all of their suppliers through the incorporation of a supplier relationship management system. This ensures clarity regarding the mutual needs of both parties and fosters a collaborative and productive supplier relationship. Moreover, MFIs should conduct extensive awareness campaigns among their staff regarding the operational strategies they employ, emphasizing the pivotal role of marketing strategies in shaping the organization's operations.

MFI management should closely examine their customer care techniques to enhance service delivery. This involves conducting feasibility reports to identify any customer care strategies that could hinder service delivery over time. Additionally, a critical policy needs to be developed to support MFIs in enhancing their relevance in the market, promoting harmonious relationships between the institutions and their customers. MFIs should consider automating most of their processes to meet changing customer demands and deliver services within specified timeframes and quality standards. Technology adoption is indispensable in enhancing the performance of microfinance institutions.

Managers should redirect their attention to other operational attributes, including appropriate governance structures and leadership development. The research underscores the importance of employee training and development, highlighting the need to increase the budget allocation for staff training to bolster operational capacities.

Moreover, given the observed decline in total assets, MFIs should focus on bolstering asset management strategies. Implementing more robust credit risk assessment procedures and diversifying their loan portfolios can contribute to a more resilient asset base. Furthermore, MFIs should explore avenues for optimizing their existing assets to enhance operational efficiency and

financial stability. MFIs should also ensure strict adherence to regulatory standards and compliance with risk management guidelines. Strong regulatory compliance is essential to safeguard the sector's stability and reputation, which is particularly crucial in times of economic challenges.

REFERENCES

Bell, E., Harley, B., & Bryman, A. (2022). *Business research methods*. Oxford: Oxford University Press.

Central Bank of Kenya (2020). *Bank supervisory annual report*. Nairobi Kenya.

Ehigiamusoe, K. U., & Samsurijan, M. S. (2021). What matters for finance-growth nexus? A critical survey of macroeconomic stability, institutions, financial and economic development. *International Journal of Finance & Economics*, *26*(4), 5302-5320.

Elzahi, A. (2022). The Regulatory and Supervisory Frameworks of Conventional Microfinance in Kenya. In *Empowering the Poor through Financial and Social Inclusion in Africa: An Islamic Perspective* (pp. 87-101). Cham: Springer International Publishing.

Fletcher, A. J. (2020). Applying critical realism in qualitative research: methodology meets method. *International journal of social research methodology*, 20(2), 181-194.

Ghauri, P., Grønhaug, K., & Strange, R. (2020). *Research methods in business studies*. Cambridge University Press.

Gorard, S. (2018). Significance testing with incompletely randomised cases cannot possibly work. *International journal of science and research methodology.*, *11*(2), 42-51.

Haraldsen, G. (2023). What computerized business questionnaires and questionnaire management tools can offer. *Advances in Business Statistics, Methods and Data Collection*, 335-355.

Issack, A. I., & Mutswenje, V. S. (2022). Financial risks and financial performance of micro financial institutions in Kenya. *International Academic Journal of Economics and Finance, 3 (8), 186*, *202*, 2.

Jager, J., Putnick, D. L., & Bornstein, M. H. (2020). II. More than just convenient: The scientific merits of homogeneous convenience samples. *Monographs of the Society for Research in Child Development*, *82*(2), 13-30.

Kongsamut, P., Monaghan, D., & Riedweg, L. (2021). Unwinding COVID-19 Policy Interventions for Banking Systems. *Monetary and Capital Markets Department Special Series on COVID-19." International Monetary Fund, Washington DC*.

Nayak, J. K. & Singh, P. (2021). *Fundamentals of Research Methodology Problems and Prospects*. New Delhi: SSDN Publishers & Distributors.

Ngure, J. (2018). *Influence of Marketing Strategies on Performance of Strathmore University, Kenya* (Doctoral dissertation, University of Nairobi).

Njue, A. (2020). *Liquidity Management and Financial Performance of Microfinance Institutions in Kenya* (Doctoral dissertation, University of Embu).

Odollo, L. O. (2019). *Effect of Operations Strategies on Performance of Sugar Manufacturing Sector in Kenya* (Doctoral dissertation, JKUAT).

Ogunmakin, A. A., Adebayo, A. I., & Olaniyan, N. O. (2022). Effect of Financial Management Practices on Firm Performance of Selected Manufacturing Companies in Nigeria. *EIRP Proceedings*, *17*(1).

Rahi, S. (2020). Research Design and methods: A systematic review of research paradigms, sampling issues and instruments development. *International Journal of Economics & Management Sciences*, *6*(2), 1-5.

Remer, L., & Kattilakoski, H. (2021). Microfinance institutions' operational self-sufficiency in sub-Saharan Africa: empirical evidence. *International Journal of corporate social responsibility*, *6*(1), 1-12.

Shafi, M., Liu, J., & Ren, W. (2020). Impact of COVID-19 pandemic on micro, small, and medium-sized Enterprises operating in Pakistan. *Research in Globalization*, *2*, 100018.

Tarigan, Z., Mochtar, J., Basana, S., & Siagian, H. (2021). The effect of competency management on organizational performance through supply chain integration and quality. *Uncertain Supply Chain Management*, *9*(2), 283-294.

Wandiga, E., Kilika, J. M., & James, R. (2019). The effect of operations strategy on performance of consultancy firms? An empirical survey of management consultancy firms in Nairobi, Kenya. *Journal of Economics and Business*, *2*(2).