

**TOTAL QUALITY MANAGEMENT AND ORGANIZATIONAL
PERFORMANCE OF DEPOSIT TAKING MICRO FINANCE INSTITUTIONS IN
NYANDARUA COUNTY, KENYA**

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DECLARATION

This project is my own original work and has not been presented for award of any degree in any University. No part of this project should be reproduced without the permission of the author or Kenyatta University.

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DEDICATION

I dedicate this project to my family for their support and motivation. To all treasured friends who wished me well in reaching the greatest heights in academics. Finally, and most importantly, to the Almighty God who gave me the gift of life, good health and the grace to work this far.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
ECLOF	Kenya Ecumenical Loan Funds
KWFT	Kenya Women Finance Trust
MFIs	Micro Finance Institutions
NACOSTI	National Commission for Science and Technology
PAWDEP	Pamoja Women Development Programme
SME	Small and Medium Enterprises
SMEP	Small and Micro Enterprise Programme
SPSS	Statistical Package for Social Scientists
TQM	Total Quality Management

OPERATIONAL DEFINITION OF TERMS

Continuous Improvement The art of the continually seeking ways to improve operations through identification of benchmarks of excellent practices and customer focus as the orientation of an organization towards fulfillment of its clients' needs.

Customer Focus One aspect of Top Quality Management and refers to paying keen attention to improving customer satisfaction which is aimed at customer retention, increasing customer loyalty, while at the same time increasing profits in the business, company or organization.

Employee Engagement Allowing employees to have control over their work and openly give ideas and information during decision making and in overall concept of their work and in other matters regarding the organization.

Management Commitment A practice that involves direct involvement of all management staff in all levels of management towards the success of an organization.

Micro Finance	A banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services
Micro Finance Institutions	An organization that offers financial services to low income populations
Non-financial performance	Quantitative metrics that cannot be conveyed in monetary terms reflect on intangible dimensions such as customer loyalty, innovation capacity, efficiency and outreach.
Organizational Performance	Reflects the extent to which the goals and objectives of the firm have been realized as evidenced actual output measured against the targeted output.
SME	A business that maintains number of employees below fifty and revenues between Kshs 500,000 to Kshs 5 million per annum in Kenya
Total Quality Management	A customer-focused quality control system that involves all employees in continual improvement of its products for long-term organisational success.

ABSTRACT

In Kenya, micro finance institutions have continued to grow though most of them continue to face serious financial difficulties and poor performance. The micro finance institutions have barely been able to grow the customer base and have faced stiff competition from other players in the financial sector. The firms have experienced internal inefficiencies in customer focus as the financial sector transforms powered by innovations with a change customer demand. While studies indicate that total quality management is important for businesses, there still exists a dearth of information on its effect on the organizational performance of deposit taking microfinance institutions in Nyandarua County. This study was interested in determining the effect of total quality management on performance of micro finance institutions in Nyandarua County, Kenya. The specific objectives was to determine the effect of management commitment on performance of micro finance institutions, to establish the effect of customer focus on performance of micro finance institutions, to establish the effect of employee engagement on performance of micro finance institutions and to determine the effect of continuous improvement on performance of micro finance institutions. The main underpinning theories were; Deming's quality improvement theory, Crosby theory and Juran's quality theory. Literature review was conducted to enhance conceptualization of the study variables. The study adopted a descriptive survey research design. The target population comprised 86 managers of 11 micro finance institutions in Nyandarua County, Kenya. A census approach was adopted. Primary data was collected through semi structured questionnaire and administered through the drop and pick method. Secondary data was extracted from the managements and financial reports and corporate handbooks. The research instruments were tested for validity through pre-testing and seeking expert opinion. Reliability was evaluated by application of Chronbach's alpha reliability test. The data analysis procedure used both descriptive and inferential analysis. The descriptive statistics consisted of means and standard deviations while inferential statistics comprised of Analysis of variance, multiple regression and Pearson correlation models. Basic ethical considerations in research were adhered to. The study findings indicate that all the four Total Quality Managements practices (management commitment, customer focus, employee engagement and continuous improvement) affected the performance of micro finance institutions in Nyandarua County. Continuous improvement had a significant effect on the micro finance institutions performance. However, the effect of management commitment, customer focus and employee engagement on micro finance institution performance were lowly rated. The study thus concluded that among the Total Quality Management practices under considerations, continuous improvement had the most significant effect on the performance of the micro finance institutions in Nyandarua County. The study recommended that the micro finance institutions should re-evaluate the policies for quality improvements to ensure that management is fully supported to influence desired total quality. Clear guidelines on quality goals achievement should be fully disseminated to the managers to ensure that the right strategies are adopted and implemented

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The Micro finance sector continues to play a central role in enhancing financial inclusion key to achievement of Kenya's vision 2030. Financial inclusion is a prerequisite to economic development which is the principal goal of developing economies. Microfinance institutions (MFIs) therefore seek to enable low income people access financial services. Omwanza and Jagongo (2019) indicate that even though renowned examples like BancoSol of Indonesia and Grameen Bank were originally replicated as a collateral-free, simple credit delivery system', current microfinance sector comprises a large variety of institutional profiles which have product offerings, methodologies and mission statements that vary. According to Reed (2014) in the last two decades, adoption of microfinance is a wide financial tool addressing poverty reduction.

According to the microfinance barometer report (2014), globally, the micro finance sector has experienced significant growth in the last few years with global figures showing significant growth levels with a portfolio of \$87 billion in 2014 and an estimated growth of 10% in outstanding portfolio in 2015. Microfinance clients have increased to more than 204 million by 2012 from 16.5 million in 1997. However, rapid revolutionary change in global business environment has pushed MFIs to innovate internal competitive strategies for sustainability.

Regionally, the micro finance sector continues to play a critical role to the continents development offering financial services to those who are sidelined by the traditional banking

system. Shu and Oney (2014) found out that in Cameroon the population's 70% rely on agriculture for their livelihood at a subsistence level and it was a clear indication that they were poor and could not access financial services hence need for micro finance institutions. According to the National Bank of Ethiopia report (2013), the number of MFIs in the country were 33 in 2013 with MFIs total capital and total asset being 5.7 billion and 24.5 billion respectively from 0.5 billion and 1.9 billion in 2005. Similarly their deposit mobilization and credit extension have witnessed a significant growth.

The establishment of the micro finance system in Africa has not been without its share of shortcomings. The reserve bank of Zimbabwe reported a decrease in average net income of microfinance institutions from \$ 57,646.98 in March 2015 to \$ 54,467.00 in March 2016.

Microfinance institutions' barriers in developing countries relating to various microfinance initiatives' impact, outreach, sustainability and scalability can be curbed by adopting innovative strategies for maximizing sustainability and outreach (Wanyoike, 2016).

Locally, the micro finance sector continuous to play a pivotal role in economic growth but their growth and performance has of late been on a downward trend. According to the Central bank report (2016), the registered micro finance banks in Kenya reported a growth of total assets as 5% which was a lower growth rate as compared to 22.1 % in 2015 and 38% in 2014. Several micro finance banks also experienced losses with Rafiki Micro Finance Bank incurring a loss of 298 million, Smep 134 million, Caritas 74 million, Remu 12million, Daraja 28million, Maisha 31million, Century 41 million and Choice Micro Finance Bank 35million.

According to Omwanza and Jagongo (2019), the downward trend in MFI growth may be due to a plethora of constraints in business operations. However, they posit that innovation in

MFIs may give a provision to easily access activities that are accurate e.g money transfer, withdrawals, deposits, repayments and disbursements hence better controlling and fastening their completion with minimal room for mistakes. However, within the microfinance industry, standard format relating to the innovation set of indicators does not exist. Therefore, output approach or input approach can be used to measure innovation whereby the input approach examines happenings within an institution stimulating or innovation like the staff's experience level, staff's education level, development and research investments among others. An MFI's performance assessment is concerned with its development examination towards achieving goals. The programs' practitioners and sponsors promote impact assessment in order to understand whatever is being achieved and improve their activities' effectiveness and efficiency. The performance concept that relate to MFIs is an issue that is crucial and vital to ensure investors and donors concerning efficient and affective utilizing of Micro Finance Institution programs injected funds and aids regulators to control and monitor the MFIs.

MFIs that are ineffective posit a major constraint on microfinance industry development and therefore, for managing MFIs, performance measurement is an important tool and a requirement for sustainability. According to Iqbal, Huq and Bhutta (2018), the adoption of TQM has been heralded to enhance organizational performance of the organizations. In ensure the firms' peak performance, total quality management in the institutions have indicated to be a key strategic approach.

1.1.1 Total Quality Management

It has been defined by Chen, Hsu and Wu (2017) as a customer-focused organisational management system involving all workers in constant improvement of its products for long-

term success of an organization. The principal objective of TQM as a management philosophy is the integration of all functions of an organization; customer service production, marketing, design, and finance with the focus to meet the organizational objectives along with the diverse and unique customer needs.

Mulili (2011) viewed management commitment as direct involvement of all management staff in all levels of management towards the success of an organization. Top management serve as the key driver for implementing TQM, creating systems, goals and values in satisfying the expectations of customers and improving the performance path of an organization. Keli (2015) approach organizational learning as the process by which the firm develops new knowledge from the common experiences of already existing employees in the organization. The facets of management commitment include formulation of quality goals and objectives, provision of critical resources, management involvement in implementation, monitoring and evaluation and training and reinforcement.

Customer focus in TQM can be described as the orientation of an organization towards fulfillment of its clients' needs. The key facets of customer focus dwell on customer service training, communication regarding quality, quality controls, establishment of core business competencies, customer relationship management and consumer orientation Chen, et al., 2017). Kirubi (2014) addresses employee engagement as allowing employees to have control over their work and openly give ideas and information during decision making and in overall concept of their work and in other matters regarding the organization. The dimensions of employee engagement include participatory decisions, empowerment programs, self-managing teams, flattened organizational structures and structured suggestion systems.

Employees' engagement in TQM is paramount in the delivery of set targets and goals. Engagement of the employees should be from initialization of the strategy to ensure ownership and ease of work during implementation. Kihiu (2016) indicated that an institution's community ought to be trained continually and be provided with efficient education on quality concept, methods and prescriptions usually including strategies for solving problem (quality related training), team skills, and QM principles. Setting a zero-defect goal, and constantly renewing an individual's commitment to ever move closer towards the goal leads to improvements which over time continue to approach absolute perfection.

Wanyoike (2016) describes continuous improvement in TQM as the art of the continually seeking ways to improve operations through identification of benchmarks of excellent practices. Continuous improvement involves constant quality assurance and control. Other dimensions that would help improve the continual improvement include conducting regular process mapping that determines the areas that need improvement, conducting root cause analysis to understand and address the principal cause of quality concerns or setbacks. Continuous improvement can also be enhanced through inculcating process ownership and working towards reducing the turnaround time in providing services.

1.1.2 Organisational Performance

Organizational performance in essence reflects the extent to which the goals and objectives of the firm have been realized as evidenced actual output measured against the targeted output. Njagi and Shalle (2016) indicate that performance parameters involve describing the purpose, functions and performances expected by the customer/client. Performance of the firm can be evaluated either in monetary forms (financial performance) or non-monetary

standards (non-financial performance). According to Kenny and Bourne (2015), financial performance management represents the process by which the outcomes of a firm's policies, strategies, processes, operations and activities are evaluated in terms of monetary. Financial performance shows the condition of an overall financial health of a firm in a certain duration.

According to Mester, Andrews, Allen, and Chiozzi (2018), non-financial performance makes use of quantitative metrics that cannot be conveyed in monetary terms. It has been argued in literature that non-financial indicators are superior to financial ones owing to their long-term orientation. Non-financial dimensions reflect on intangible dimensions such as customer loyalty which remain in the firm for a longer time as compared to short term balance sheet figures. Common illustrations of non-financial performance metrics are; innovative capacity, service quality, customer satisfaction, on time delivery and market share. Others include efficiency, productivity, leadership, and employee satisfaction (Kenny & Bourne, 2015).

Non-financial metrics have the potential to provide more dimensions from the integral units of the firm including value of research and development, marketing and promotion and investments in quality enhancement. Particularly so for financial institutions, reliance on financial metrics falls short of a wholesome consideration. For instance, financial institutions aggressively pursue creative avenues for offering their services, with a view to enhance efficiency, cut costs and compete effectively. As such, non-financial dimensions such innovative capacity should be embraced.

In addition, a good performance evaluation system needs to consider a wide range of organizational stakeholders such as customers, shareholders, management, employees and

the general public in the assessment (Smith, Hillon, Hillon, & Liang, 2017). To that effect, financial players such as Micro Finance Institutions should consider value given to stakeholders through metrics such as customer satisfaction, market share, employee satisfaction and operational efficiency (Verma & Rao, 2016).

According to Bibi, Balli, Matthews and Tripe (2018), Micro Finance Institutions are special players in the financial sector as they aim not only at making profit but also in extending the net of financial inclusion. As such, social dimensions of non-financial performance need to be evaluated. Social performance of MFIs are measured through outreach indicators which include both outreach's depth and breadth (Postelnicu & Hermes, 2018).

The outreach's breadth considers the number of people a Micro Finance Institution has extended credit to, or the number of borrowers over a specific period of time. On the other hand, the outreach' depth refers to the poverty level of customers served (Goedecke, D'Espallier, Mersland, & Leuven, 2016). The current study will make use of outreach (breadth), innovation (products and distribution channels), market share and efficiency (operating margin) indicators of organizational performance.

TQM implementation has a strong positive relationship with organization performance (Aquilani, Silvestri & Ruggieri, 2016) with organization support moderating how organization performance and TQM relate. Quality performance can be achieved if management improves on employee motivation and customer satisfaction (Gul, Jafery, Rafiq, & Naeem, 2012). Sadikoglu and Olcay (2014) argued that firms face difficulties in improving performance due to lack of management commitment, awareness and involvement of employees as facets of quality management. This study seeks to establish whether TQM implementation factors highlighted by the researchers affect the

organizational performance of deposit taking micro finance institutions in Nyandarua County.

1.1.3 MFIs in Nyandarua County

As highlighted in the introduction, the microfinance institutions have not been performing well in the global setting. The same problem of poor performance cascades down to the regional and African micro finance institutions. Nyandarua County is among Kenya's 47 counties and is located in the defunct central province of Kenya. It borders Nakuru to the west and south west, Laikipia county to the north and north east, Murang'a and Nyeri to the east, and Kiambu to the south. The agriculturally rich county's coverage is 3,245.3 square kilometers and has a population of about 596,200 people. The county is clustered into five administrative units (constituencies) namely OI Kalou, Kinangop, Kipipiri, Ndaragwa and OI Joro Orok. The county has a total of 11 active micro finance institutions operating within its borders. Reports have indicated that MFIs in the county have not been performing very well in the recent period. This is despite the county being highly production especially in agriculture as farmers are the main clientele for MFIs.

1.2 Statement of the Problem

Microfinance institutions have continued to play an instrumental role in growing economy of Kenya enabling the low income class to have access to financial services (Aduda and Kalunda, 2012). In Kenya, micro finance institutions have continued to grow though most of them are facing financial difficulties and experiencing losses. In the financial year 2015/2016, most of the micro finance players experienced losses with Rafiki Micro Finance Bank incurring a loss of 298 million, Smeper 134 million, Caritas 74 million, Remu 12 million,

Daraja 28million, Maisha 31million, Century 41 million and Choice Micro Finance Bank 35million (CBK report 2016).

Mutua and Kiruthu (2014) observes that while studies have been done on this subject, there still exists a lot of unresolved issues on the role played TQM practices implementation on organizational performance. Mukonyo (2014) studied total quality management practices and micro finance institution performance. Nevertheless, the study focused narrowly on at employee commitment customer focus and leadership as the variables of TQM practices and established a positive relationship.

Wanyoike (2016) researched on on quality management practices and Kenyan manufacturing firms' performance and found a positive correlation. The study targeted manufacturing firms thus need to shift focus to the service sectors which is inadequately covered. Min, Homaid, Minai, and Zain (2016) researched on TQM practices and microfinance institutions' performance in Yemen and concluded that MFIs' performance was significantly affected by TQM.

As noted, there is a diminishing growth trend among MFIs in Kenya. However though, studies have not conclusively illuminated the internal environment contributory challenges. Further, limited studies on TQM relationship with MFIs organizational performance indicate a dearth of information on the subject matter, presenting a contextual gap on the need to conduct evidence based research. To effectively provide empirical evidence for corporate decision making on this area, the current study sought to establish the relationship between total quality management and micro finance institutions' performance in Nyandarua County.

1.3 Objectives of the Study

1.3.1 General Objective

To determine the effect of total quality management .on performance of micro finance institutions in Nyandarua County, Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives.

- i) To determine the effect of management commitment on performance of micro finance institutions in Nyandarua County, Kenya
- ii) To establish the effect of customer focus on performance of micro finance institutions in Nyandarua County, Kenya.
- iii) To determine the effect of employee engagement on performance of micro finance institutions in Nyandarua County, Kenya.
- iv) To establish the effect of continuous improvement on performance of micro finance institutions in Nyandarua County, Kenya.

1.4 Research Questions

- i) How does management commitment affect performance of micro finance institutions in Nyandarua County, Kenya?
- ii) Does customer focus affect performance of micro finance institutions in Nyandarua County, Kenya?
- iii) Does employee engagement affect micro finance institutions' performance in Nyandarua County, Kenya?

iv) How does constant improvement affect performance of micro finance institutions in Nyandarua County, Kenya?

1.5 Study Significance

This study would be resourceful to stakeholders in the financial sector. Micro finance institutions' management would be better informed on ways to enhance the performance of the firms. The management would be empowered by empirical foundations to make prudent policy guidelines regarding quality enhancement. The micro finance regulators could find the study of interest as it enlightens on strategies employed for business sustainability that can be replicated across board. Sector players including commercial banks could find the study important in understanding competitive strategies adopted in the financial sector.

Financial sector analysts would also find the study beneficial in the assessment of performance indicators and drivers in the micro finance sector. The study would also interest the government as a notable stakeholder in the financial sector. The government would be informed on guidelines to revamp the robust financial sector and in particular the MFI sub sector which is key in enhancing financial inclusion. Scholars and researchers would benefit from the study as a benchmark for future research. The study would highlight more gaps that could interest future researchers.

1.6 Scope of the Study

The study was done in Nyandarua County and all the county's 11 operating micro finance institutions were targeted. The selection of the county was informed by the blossoming growth in the number of MFIs in the county. In addition, the county hosts a good number of MFIs. Microfinance institutions having been facing financial woes from 2015 to 2020, most

of them experiencing losses .on content scope, the study addressed TQM and performance of MFIs in Nyandarua County. Specifically, four TQM variables were assessed; management commitment, customer focus, employee engagement and continuous improvement. The study was conducted from January 2019 to December 2020.

1.7 Limitations of the Study

This study sought very sensitive information regarding performance of MFIs. It was expected that participants might not be willing to provide such data. To mitigate this encounter, the researcher attached a commitment letter indicating that confidentiality of data provided would assured, and that it was utilized for academic purposes only. Research permits were also acquired from NACOSTI and Kenyatta University for further assurance regarding the study purpose. Challenges were also anticipated in questionnaire administration owing to the fact that the targeted respondents usually had tight work engagements. To address this challenge, questionnaire administration was done using the drop and pick method. Using this method, the respondents accorded time to respond to the questionnaire items.

1.8 Organization of the Study

This project is structured into five chapters. The first chapter covers the background of the study, study objectives, research questions, study significance, scope, and limitation. Chapter two presents the empirical and theoretical review, research gaps summary and the conceptual framework. The third section presents the research methodology, research design, the target population, sampling design, instruments' reliability and validity, data collection, data analysis and ethical considerations. Chapter four provides the research

findings and discusses them. Chapter five gives a summary of findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section consists of review of literature regarding the subject matter which is TQM and Organisational Performance. The chapter consists of a highlight of theories used as the guides to the study. Previous works of other researchers are also cited as they were key in comparing the techniques that had been previously used for analysis.

2.2 Theoretical Literature Review

A highlight of existing theories that guided the study is provided here. The study was underpinned on the following theories: Deming's quality improvement theory, Crosby theory and Juran's quality theory.

2.2.1 Deming's Theory

It was proposed by Deming (1986) and provides a framework for planned quality improvement in an organisational setting. Among the key work contributions of the theorists are; the fourteen principles of management, the Shewart Cycle (Plan-Do-Check-Act) and the profound knowledge system. In the system of profound knowledge, four main components of quality improvement are discussed; psychology knowledge- understanding of human nature, knowledge theory (understanding of what can be known), variation knowledge (the understanding of the variations and its causes) and finally system appreciation (understanding of how the company system works).

Thus as Boaden, Harvey, Moxham and Proudlove (2008) highlight, the organizational management therefore needs to appreciate the significance of each of the four basic pillars to impact on the quality management system's success. The system of profound knowledge

contributions are considered key in transforming individuals in organizations and as a result positively influence the quality improvement efforts. The system appreciation pillar seems to advocate for implementation of employee engagement programs and inculcation of the organizational learning culture. In essence, the system appreciation proposition holds that the organizational teams needs to appreciate or understand the total quality management system and integral parts in order to effectively make contribution to continuous improvement (Antony &Preece, 2002).

On knowledge about variation, proponents of the theoretical framework suggest that the organizational leaders should be empowered to detect what causes system variation, whether common or special causes which can help them device ways to eliminate variations and enhance quality (Kulak & Li, 2017). The theory of knowledge is about constant search for factual understanding of the present conditions and creative pursuit of better solutions for continuous improvement. The knowledge approach affirms the need to fix challenges and observations as a continuous process rather than as a onetime end which is a prerequisite for system failure. On knowledge of psychology precinct, the theorists assert that managers require knowledge of psychology in order to effectively implement quality improvement initiatives. They need to recognize the drivers of motivation among team members and have outstanding conflict management skills. Thus, the precinct is about management support and commitment (Ross, 2017).

According to Chvala and Johnson (2017), the theory of profound knowledge is intertwined with Deming's fourteen principles of management widely applied in improving the quality of organizations based on unique ideas which include: new philosophies, continuous production, leadership, departmental integration, quality based goals and employee training

and support. Application of the fourteen principles the theorists hold, have a ramification in shaping the direction of a firm's performance. Another product of the theorists is the Plan-Do-Check-Act (PDCA) which is a cycle formulated for constant improvement where objectives are outlined, implemented, checked and acted on before returning to the planning stage (Johnson, 2016).

The theory informs on the effects of improvement strategies on operation as within an organization. The introduction of TQM is likely to create disruption and new approaches that employees must adhere to. This thus theory was important in the analysis of different aspects of total quality management including continuous improvement, employee engagement, management commitment, customer focus, organisational learning and how they affect performance of Micro Finance Institutions.

2.2.2Juran Theory

Juran (1964) proposed the theory which presents methods that if effectively applied, would enhance the quality management process and ultimately organizational performance. The theory is focused on management responsibility for quality, issues in organizations, planning and the need for improvement. An emphasis is laid on need for quality planning as the key element in achieving successful quality control and quality improvement (Neyestani, 2017). The fundamental tools or methodologies designed by the theorists for quality improvement include the Juran'sTrilogy, Juran's Three Steps to Progress and Juran's Ten Points of Quality Improvement.

The Quality Trilogy associated with Juran (1986), is founded on the premise that quality management comprises of three key quality focused processes which are: quality

improvement, quality control and quality planning (Beckford, 2016). Further, it is indicated that in order to achieve quality planning, the following steps should be involved; assessment of customer needs, involvement of key stakeholders, making quality goals, setting measurements of quality, inputting a planning process and producing improved market share results (Kiran, 2016).

Neyestani (2017) observes that the theory blames poor quality on management and not employees for poor performance arguing that in order to achieve desired quality results, management must set specific goals, establishing plans to achieve the goals, assign responsibilities equitably and rewarding achievements. According to Langabeer (2018), the theorists further advocate for continuous training to start at the management level.

While focusing on planning, issues in organizations, management responsibility for quality and the need for improvement, this theory triggers thoughts on how management commitment and employees stewardship may be crucial determinants of effective TQM implementation. End effects on the performance of organization are underpinned through this theory on management effectiveness. This theory thus helped in understanding deeply the effect TQM variables on performance.

2.2.3 Crosby Theory

The theory was proposed by Crosby (1984) and sets emphasis on the standard of doing things right, right from the first go. The theorists popularised this theoretical foundation as ‘Doing It Right the First Time’ which they regarded as the solution to the quality crisis. Based on Goetsch and Davis (2014), quality presentation is as the faultless conformity of the firm’s product to customer tastes and demands. Thus, customer focus plays a significant role

to the realisation of not only TQM success but also overall organizational performance. Crosby presented the fourteen steps for improving quality and the four quality management absolutes (Neyestani, 2017).

Androniceanu (2017) presents quality as the conformity to certain specifications set by management where specifications are set according to customer need and wants. The theory presents the fourteen steps for quality improvement which include; management total commitment, quality measurement, evaluation of quality costs, ensuring zero defects, supervisors and employee training, goal setting schedules, error eradication, providing incentives to employees and holding quality control meetings. According to Dale, Y-Wu, Zairi, Williams and Van der Wiele (2001), the four absolutes to quality management as; quality measured by the nonconformity price, zero defects is the performance standard for quality, prevention is the best way of ensuring quality and defining quality as adherence to requirements.

Beckford (2016) views management commitment as the key element to improvement of quality as their commitment would be viewed as being role models in the organization and consequently the other employees would follow suit. The theorists also give special emphasis on employee engagement as providing the right training and education would lead to efficiency and hence improved quality and reduction of human resource wastages (Gupta, Starr, & Robertson, 2017).The management should be committed to undertake swift corrective action for problems highlighted in the system (Langabeer, 2018). The theory focus on quality empowered formulation of constructs for organizational performance based on quality and customer

2.3 Empirical Literature Review

Previous studies on TQM and Organizational Performance are highlighted here. The review was structured based on the objectives of the study. The objective was to identify research gaps and develop a framework for addressing those gaps.

2.3.1 Management Commitment and Organizational Performance

Mohamed (2015) argues that if the management of a firm fails to commit to quality it leads to emergence of service gaps or widening of existing gaps. TQM implementation in a firm should be led from the fore front by the management through reviewing the quality position within an institution from secondary to becoming a primary objective. Management provides stewardship in the implementation of business strategy in organization. Managers' commitment is therefore paramount in total quality management while focusing on customer needs. In propagating and maintaining a business in a marketplace that is competitive, service quality is still a critical issue for managers. Managers in MFIs should provide clients with services of high quality in order to survive a service environment that is highly competitive. Currently, clients are demanding quality and from there point of view, quality is nothing less than an expected and integral service part and this is embraced in TQM.

In a study by Panuwatwanich and Nguyen (2017), there was found that Vietnamese construction firms' performance was influenced by total quality management. The results showed that Vietnamese construction firms' performance was positively affected by TQM. Particularly, Vietnamese construction firms' performance was affected significantly and positively by management commitment. The study however was based on Vietnamese construction firms, MFIs in Nyandarua County, Kenya will be focused by the current study.

Onyango (2016) study on performance of commercial banks in Kenya and quality management showed that the whole TQM implementation process is driven by top management of the firm through the creation of values and system that focus on satisfying the clients of an institution hence impacting the firm's performance within its industry. Further, they suggested that management ought to go past prioritizing through showing more commitment to implementation of TQM in an organization and this can be illustrated through allocation of adequate human and financial resources to the process implementing TQM within the organization. However, the findings were not clear on the aspects of management commitment that affect TQM implementation and overall performance, a divergent approach in this study.

Omolo (2016) study on total quality management and commercial bank's financial performance in Kenya established that sufficient resources for TQM implementation are critical. Findings also indicated that managers must commit to sourcing sufficient funds to facilitate the training staff on the implementation of TQM strategies to ensure successful business transformation and reap benefits to the firm. They must also be actively involved while monitoring and evaluating the implementation process. Total involvement brings about Operations competency which basically is how management anticipates work procedures to happen. Total involvement management states that top management commitment is critical for creation and sustainment of an efficient QM system that brings about gains to interested parties and increases customer satisfaction. It imperative to have an empirical evaluation of whether MFI managers' total commitment to TQM enhanced performance.

Caroline, Harriet, and Anne (2016) examined commitment of top management as tools for successful SMEs in Kenya. The SMEs targeted were youth group projects based in Kajiado County, Kenya. The mixed method approach was employed in collecting and analyzing data. This method served to ensure to effectively provide and make meaning out of both qualitative and quantitative data. On a target population of 210 youth group enterprises, a descriptive survey research design was employed. The Spearman's correlation analysis method was utilized to determine how the variables associated. Study results indicated that top management commitment was positively related with organizational performance. Empirically, gaps emerge on necessity of extending the analysis to cover more TQM variables in the analysis.

Psomas and Jaca (2016) studied the effect of management commitment as a facet of TQM on service companies' performance in Spain. Firms that had participated on initiatives that sought to improve business excellence in Spain were targeted. These firms were selected randomly while a structured questionnaire was used in data collection. A sample of 151 was achieved. Results from regression analysis showed that performance of the firms was significantly influenced by management commitment. Other TQM variables yielding positive contribution to performance included customer focus, employee engagement and process management. In context, gaps emerge in that studies on this subject are quite scanty locally, thereby creating need to study the subject in Kenyan context.

Ngambi and Nkemkiafu (2015) studied the TQM practices' impact on performance of manufacturing firms in Cameroon. The specific TQM practices analyzed included; benchmarking, customer focus, employee training, inspection, quality control and leadership. On the other hand, cost reduction and customer satisfaction indicate

performance. The multiple regression analysis was utilized in establishing how performance was affected by TQM factors. Multiple regressions tested variables of organizational performance on explanatory variables that define TQM. By the results, while cost reduction was significantly affected by inspection, quality control and leadership commitment, none of TQM factors showed significant effect on customer satisfaction. Empirically, gaps arise as the results conflict directly with past studies that demonstrated that TQM factors, largely contribute to key performance dimensions including cost reduction and customer satisfaction as earlier shown by Pattanayak and Punyatoya (2015) in an analysis of Indian firms.

2.3.2 Customer Focus and Organizational Performance

Customer focus is among the Top-Quality Management aspects which is describe as keenly paying attention to customer satisfaction improvement that aims at increment of client loyalty, client retention, at the same time raising the organization, company or business profits (Bon & Mustafa, 2014).

Anu and Satish (2019) study on client satisfaction enhancement through total quality management established the relationship between customer satisfaction level and TQM is significant and positive. It was revealed that the most dominant TQM variable with an association with client satisfaction were perceived to be customer focus and knowledge management. Njuguna and Bett (2018) while studying Makueni County's commercial banks performance and quality management initiatives found that commercial banks' performance was significantly and positively influenced by customer focus. The current research however focuses on MFIs in Nyandarua County, Kenya.

Ajmal and Aslam (2016) investigated the association between performance of Telecommunication companies in Pakistan and customer focus. The study was informed by the heightened level of competition among Pakistani Telecommunication firms in Pakistan and scarce empirical evidence on what drives their performance. The researcher distributed 500 questionnaires of which half (250) were responded to. The analysis adopted several methods that included factor analysis, Pearson correlation and multiple regression analysis. Findings indicated a relationship that was positive between customer focus and organizational performance. Contextually, gaps emerge as the empirical evidence concerning the subject matter availed locally is still very scarce. Empirically, there is need to consider more total quality management variables for assessment besides customer focus. Notably, there are quite a number of quality principles advanced by different theorists, which are inadequately addressed by researchers, and sought in this current study.

Kang'ethe (2015) assessed Kenya government owned entities' operational performance and customer focus. A descriptive survey approach was adopted. Thirty four (34) commercial government owned entities in Kenya formed the target population. Primary and secondary data was relied on. In the analysis, inferential and descriptive statistics were employed. Findings showed that customer quality focus was a statistically significant predictor of the operation performance of firms. Gaps emerge on need to broaden the conceptual scope of factors assessed under customer focus. Empirically, gaps are also highlighted on need to consider more quality practices for assessment as advanced in theories. This study shall seek to fill this gap.

An analysis on how organizational performance and competitive strategies related was carried by Arasa and Gathinji, (2014). The research was based on the Kenyan mobile telecommunications industry firms. Multiple regression model was utilized and the findings indicated that the Kenyan mobile telecommunications industry performance was affected significantly and positively by customer focus. Though the research was based on the Kenyan mobile telecommunications industry firms, this study focused on Nyandarua County's Micro finance Institutions hence the contextual gap is addressed.

Bon and Mustafa (2014) examined the impacts of customer focus on innovation in service organizations in Malaysia. The study employed Confirmatory Factors Analysis (CFA) in addition to Structural Equation Modeling (SEM) was employed in the analysis. Findings established that customer focus positively and significantly influenced both process and administrative innovation. In method, gaps on need to look at other dimensions of organizational performance emerge, besides innovation, such as outreach indicators and operational efficiency which have not been adequately addressed.

2.3.3 Employee Engagement and Organizational Performance

The engagement of a firm's employees in the process of implementing TQM helps it in easily meeting the TQM goals. It is not only involving them, they should be empowered by the organization since they called over to the decision making table and this results to the organization getting benefits from constantly bettering its systems and processes. Njuguna and Bett (2018) study posited that an organization's quality drive is impacted positively by workers who are involved in the organization's TQM processes as a group. This study will evaluate whether deposit taking MFIs possess formal systems for celebrating, monitoring and motivating the employee involvement in TQM processes.

Boikanyo and Marita (2019) undertook a study in South Africa on how TQM in a petrochemical organization was affected by work engagement. Findings indicated that TQM' dimensions used in quality measurement (non-financial performance measure) positively related with work engagement. It was concluded that, to ensure a sustainable competitive advantage, managers should enable a firm to develop, attract and retain worker. The study focus was in petroleum industry and the current study seeks to evaluate the financial sector through MFIs in Nyandarua County.

Kihui (2016) studied the influence of employee engagement as a TQM on SACCOs' performance in Kiambu Sub County, Kenya. A descriptive survey technique was employed while the target population included thirty five (35) Sacco's operating in Kiambu County. 30 Saccos were selected randomly as the sample. The study employed quantitative approach was used for data analysis. On customer focus, results indicated that customer feedback was highly appreciated and acted upon. Further, there was a well-established customer relationship system in the firms. The firms also regularly conducted and acted on results of customer satisfaction surveys. Additionally, the study findings established that on the SACCOs' performance, the significant predictor was customer focus. Empirically, gaps arise on need to consider other TQM variables for assessment such as management commitment and organizational learning in the assessment.

Sofijanovska and Zabijakin-Chatleska (2013) analyzed worker engagement and manufacturing sector's performance in Macedonia. Specifically, the researcher studied the association between employee engagement in decision making and problem solving and apparent organizational performance. The study relied on data were collected through a survey of thirty six Macedonian manufacturing companies. Quantitative data was collected and

analysis done through descriptive and inferential statistics. Findings indicated that employee engagement was positively associated with firms' performance. In concept, the research considered a narrow scope of engagement and there is need to consider more employee engagement variables besides participation and engagement programs.

2.3.4 Continuous Improvement and Organizational Performance

Keinan and Karugu (2018) studied TQM and organizational performance in a manufacturing context. The study specifically targeted Bamburi Cement Ltd. Specifically, the study analyzed the effect of commitment of top management, employee engagement, customer focus, and continual improvement on organizational performance. The study relied on purely quantitative data while descriptive analysis was the choice analysis method. Quantitative data was collected and analysis done by descriptive analysis. On continual improvement, the results established that the variable is significant in predicting organizational performance. The study presents methodological gaps on need to focus on more firms, enhance comparison and worthy critique of findings.

Akelo (2017) studied the effect of TQM on organizational performance. Kenya's International Research Organization was targeted. A descriptive survey research approach was employed. A semi structured questionnaire was employed in collecting data and analysed through descriptive statistics and inferential statistics. Findings indicated that continual improvement positively influences the performance of firms. On methodological approach, gaps are clear on need for considering different entities to enhance comparability of results for better conclusions.

Caren (2015) studied TQM and Kenyan public universities' performance and made a conclusion that the organizational development was enhanced by continual improvement

through improved training, flexibility in reacting faster to opportunities strategic intent and organizational capabilities. It was further established organizational performance was affected by involvement of staff through creativity, innovation, commitment and motivation. The study was not focused in micro finance sector, a divergent approach in this current study.

Sadikoglu and Olcay (2014) examined organizational performance and TQM in Turkey. They adopted a cross-sectional survey approach and the target population comprised of firms in the Kocaeli-Gebze Organized Industrial Zone and those under the Turkish Quality Association. Exploratory factor analysis and multiple regression analysis were used to analyze primary data. Results established that continuous improvement was significant in determining organizational performance. However, contextually, there's need to consider assessing the subject matter in Nyandarua County as there still exists quite scarce empirical evidence on the subject matter.

2.4 Literature Review Summary and Gaps

The study reviewed past literature on total quality management and organizational performance. The review was done in a manner that followed the study objectives so as to ensure all parameters are covered. The review of literature aimed at comparing results to understand what is done and what remains to be done on the area. The knowledge gaps encountered were principally contextual, methodological, empirical and conceptual in nature. Empirically, most gaps regarded the fact that most past studies fall short of a detailed analysis of TQM and its integral components which creates the need to cover more TQM variables in studies (Caroline, Harriet, & Anne ,2016; Ajmal & Aslam, 2016; Kang'ethe, 2015; &Kihiu, 2016).

Further empirically gaps were identified on the fact that the results of some previous researches are in conflict with other empirical studies and foundations of theory. For instance, Ngambi and Nkemkifu (2015) indicated that TQM factors do not influence customer satisfaction levels as a dimension of performance, this conflicts with foundations of theory and past studies such as Pattanayak and Punyatoya (2015) who, in an analysis of Indian firms indicated that TQM largely contributes to key performance dimensions including cost reduction and customer satisfaction. In context, most studies on the subject matter were clustered in a foreign set up creating need to consider more locally oriented studies for more usefulness of the results (Psomas&Jaca, 2016; Ajmal & Aslam, 2016; Fai, 2012; Sofijanov&Zabijakin-Chatleska, 2013; and Sadikoglu&Olcay, 2014).

In method, quite a number of studies focused on a narrow dimension of assessing performance. For instance, Bon and Mustafa (2014) dwelt squarely on innovation to measure organizational performance. As such, key indicators of organizational performance such as outreach indicators and operational efficiency were not been adequately addressed. Further dimensions of methodological gaps arise in studies such as Keinan and Karugu (2018) and Akelo (2017) on need to focus on more firms, away from the case study approach to enhance comparison and worthy critique of findings.

In concept, gaps emerged on need to broaden the conceptual scope of TQM factors analyzed. For instance, Kang'ethe (2015) presents gaps on need to broaden the specific concepts assessed under customer focus. Similar gaps are presented in Sofijanov& Zabijakin-Chatleska (2013) which considered a narrow scope of employee engagement creating the need to consider more employee engagement variables besides participation and empowerment programs. Table 2.1 gives a further summary of the gaps highlighted and

goes ahead to provide a worthy framework towards filling the gaps highlighted through the current assessment.

Table 2.1: Literature Review Summary and Research Gaps

Author	Study Focus	Findings	Knowledge Gaps	Focus of current study
Panuwatwanich, K & Nguyen, T. (2017)	Vietnamese construction firms' performance was influenced by total quality management.	Performance was affected significantly and positively by management commitment	Study conducted on banks in India, leaving an empirical gap on firms in Kenya	The gaps filled by focusing on micro finance institutions in Nyandarua County Kenya
Caroline, Harriet, and Anne (2016)	Commitment of top management as tools for successful SMEs in Kenya.	Study results indicated that top management commitment was positively related with organizational performance.	Empirically, gaps emerge on need investigate other institutions	The gaps filled by covering more TQM variables in MFIs of Nyandarua County Kenya.
Psommas and Jaca (2016)	Effect of management commitment as a facet of TQM on	Management commitment significantly influenced the	Study conducted on banks in India, leaving an empirical gap on	The gaps handled by targeting local MFIs and Expansion of the TQM variables framework evaluated.

Author	Study Focus	Findings	Knowledge Gaps	Focus of current study
	service companies' performance in Spain	performance of the firms.	firms in Kenya	
Ngambi and Nkemkiafu (2015)	TQM practices and performance of manufacturing firms in Cameroon.	No significant effect of inspection, quality control and leadership commitment on cost reduction,	Empirically, gaps arise as the results conflict directly with past studies that demonstrated that TQM factors, largely contribute to key performance dimensions	The gaps filled by criticizing the findings against the background of theory and past empirical literature.
Anu P. Anil & K. P. Satish(2019)	Client satisfaction enhancement through total quality management enhancing customer satisfaction through total quality	Most dominant TQM variable with an association with client satisfaction were perceived to be customer	Study mainly focused on establishing customer satisfaction as a performance indicator	Gaps filled by evaluating the broader organizational performance indicators

Author	Study Focus	Findings	Knowledge Gaps	Focus of current study
	management practices	focus and knowledge management		
Bon and Mustafa (2014)	The impacts of customer focus on innovation in service organizations in Malaysia.	Customer focus positively and significantly influenced both process and administrative innovation.	In method, the study presents gaps on need of considering other dimensions of organizational performance, besides innovation, such as outreach indicators and operational efficiency which have not been adequately addressed.	Gaps filled by broadening the indicators of organizational performance to include outreach and operational efficiency.
Ajmal and Aslam (2016)	Association between	Positive relationship	Study focused on telecoms in Pakistan	The gaps filled by covering more TQM variables in MFIs of Nyandarua County

Author	Study Focus	Findings	Knowledge Gaps	Focus of current study
	performance of Telecommunication companies in Pakistan and customer focus.	between customer focus and organizational performance.		Kenya.
Kang'ethe (2015)	Kenya government owned entities' operational performance and customer focus.	Results indicated that customer quality focus was a statistically significant predictor of the operation performance of firms.	Gaps emerge on need to broaden the conceptual scope of factors assessed under customer focus. Empirically, gaps are also highlighted on need to consider more quality practices for assessment as advanced in theories.	The gap was filled by expanding the conceptual scope of the variables assessed and considering more TQM variables.
Boikanyo and Marita (2019)	How TQM in a petrochemical	TQM dimensions and	The study focused on the	The current study will extend to cover more TQM in MFIs of Nyandarua County Kenya.

Author	Study Focus	Findings	Knowledge Gaps	Focus of current study
	organization was affected by work engagement	work engagement positively related	petrochemical industry in South Africa	
Kihiu (2016)	The influence of employee engagement as a TQM practice on SACCOS' performance in Kiambu Sub County, Kenya.	On the SACCOS' performance, the significant predictor was customer focus	Empirically, gaps arise on need to consider other TQM variables for assessment such as management commitment and organizational learning in the assessment.	The gaps filled by considering more TQM variables including management commitment, continuous improvement and employee engagement.
Sofijanova and Zabijakin-Chatleska (2013)	Worker engagement and manufacturing sector's performance in Macedonia	Employee engagement was positively associated with firms' performance	In concept, the study considered a narrow scope of engagement and there is need to consider more	The gaps filled by expanding the conceptual scope of the variables assessed and considering more TQM variables for assessment.

Author	Study Focus	Findings	Knowledge Gaps	Focus of current study
			engagement variables besides participation and empowerment programs.	
Keinan and Karugu (2018)	TQM and organizational performance in a manufacturing context: Bamburi Ltd	On continual improvement, the results established that the variable is significant in predicting organizational performance.	The study presents methodological gaps on need of focusing on more firms for comparison enhancement and worthy critique of findings.	The gaps filled by considering all MFIs in Nyandarua county.
Akelo (2017)	Effect of TQM on organizational performance	Findings indicated that continual improvement positively influences the	On methodological approach, gaps are clear on need for considering different entities to enhance	The gaps filled by considering all MFIs in Nyandarua county.

Author	Study Focus	Findings	Knowledge Gaps	Focus of current study
		performance of firms.	comparability of results for better conclusions.	
Sadikoglu and Olcay (2014)	TQM practices and organizational performance in Turkey.	Continuous improvement was significant in determining organizational performance	Contextually, there's need to consider assessing the subject matter in Kenya as there still exists quite scarce empirical evidence on the subject matter.	The gaps filled by conducting the study in local firms and specifically MFIs in Nyandarua County .

Source: *Author (2019)*

2.5 Conceptual Framework

It is a diagrammatic expression representation of the relationship that exist among the variables in the study. The hypothesized relationship between TQM variables and Organizational Performance is illustrated.

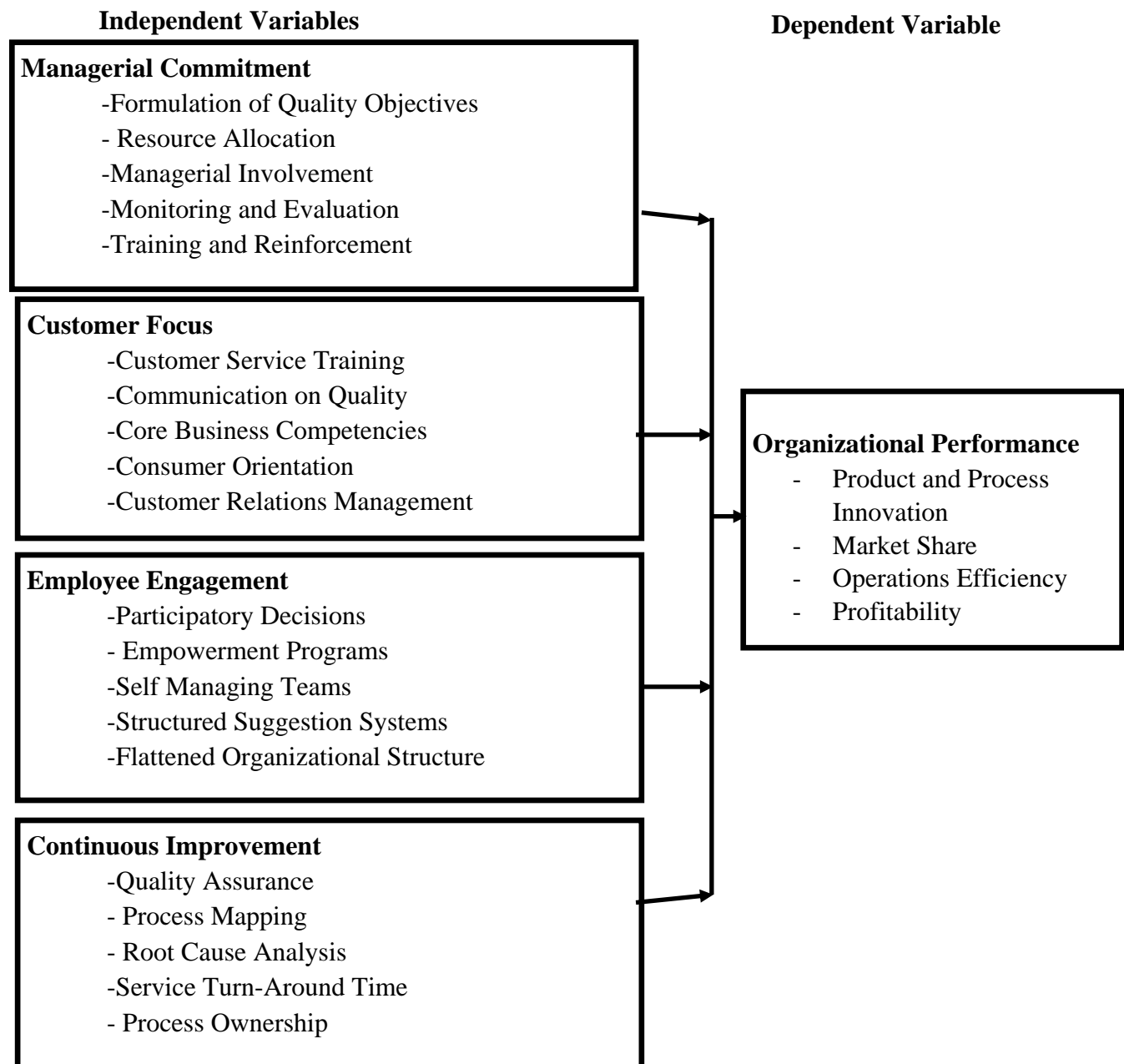


Figure 2.1: Conceptual Framework

Source: *Researcher (2019)*

The conceptual framework indicates how the dependent variable (organizational performance) relate with the independent variables the TQM factors of employee engagement, customer focus, management commitment and continuous improvement. Performance metrics revolve around operations efficiency about product quality development to suit customer needs. Further measure is on whether new products create higher demand and revenues for the organization transcending to business profitability, sustainability and growth of the firms. TQM factors affecting organizational performance of MFIs were evaluated. Management commitment is critical in providing stewardship in TQM implementation. How leadership styles, decision making, teamwork management as well as monitoring and evaluation of TQM implementation and effect on performance of MFIs shall be evaluated. Customer focus effect on organization performance shall be evaluated with a focus on quality management change strategy to ensure customer satisfaction. The employees are significantly engaged in TQM implementation. Their capacity, engagement levels as well as the firms' organizational culture factors shall be evaluated to establish effect on organizational performance. Continues improvement is a major tenet of TQM and is expected to enhance product quality based on market needs. Its influence on organizational performance was assessed along factors of process development and quality assurance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter provides the study's research methodology. These include; research design, sampling approach, target population, data analysis and ethical dimensions of the study.

3.2 Research Design

Descriptive survey research design was applied. According to Jackson (2015) descriptive survey research design answers descriptive research questions of what, how and where. The research design helps to acquire information regarding the phenomena current status and describes the variables in the study. Descriptive survey research requires the researcher to observe the variables relationship without changing anything in that environment (Sekaran & Bougie, 2010).

The primary aim of descriptive design is to represent validly and precisely the factors relating and that are relevant to the research objectives and questions (Saunders, Lewis & Thornhill, 2009). Through descriptive design, the study provided data on actual situations, that were describe as they are by respondents. This was social study and the design was suitable as participants were expected to give an explanation of the aspects total quality management and deposit taking MFIs' organizational performance in Nyandarua County.

3.3 Target Population

This is a group of units which have similar characteristics that the researcher have selected to study (Creswell & Creswell, 2017). The target population was 11 micro finance institutions in Nyandarua County, Kenya. The respondents comprised of Branch Managers, Operational Managers, Credit Managers, Risk Managers, Human Resource Managers, Finance Managers, Marketing Managers and Customer Relationship Manager. Hence, 86

respondents were targeted. A census approach was adopted to subject all deposit taking MFIs to study.

Table 3.1 Target Population

	Per MFI	For all MFIs	Proportion
Branch Managers	1	11	12.5%
Operational Managers	1	11	25%
Credit Managers	1	11	37.5%
Finance Managers	1	11	50%
Marketing Managers	1	11	62.5%
Risk Managers	1	9	75%
Customer Relationship Managers	1	11	87.5%
Human Resource Managers	1	11	100%
Total		86	100%

Source: *MFIs' Human Resource Data (2018)*

3.4 Data Collection Instruments

The current research used primary data resources. Data was collected using semi-structured questionnaires which comprised of close-ended and some open-ended questions since the study was a quantitative one. In questions that are close-ended, participants are guided and restricted to respond using only the given specified choices while in open-ended questions, participants are given permission and freedom of responding in their own words. The data was beneficial in obtaining more information for the study from already available reports or documented data.

3.5. Validity and Reliability of the Research Instrument

The researcher was particularly interested to ensure that the instrument to be used in data collection was effective in gearing the study towards the objectives already established.

Hence, tests were done to assess the instrument's reliability and validity status of and make adjustments where necessary.

3.5.1 Validity of the Research Instrument

The level to which the tallies from measure denotes what is supposed to measure is validity (Cohen, Manion & Morrison 2011). Expert opinion and pretesting methods was adopted in determining the instrument's validity. The researcher was particularly interested in testing the instrument's content, construct and face validity. Construct validity is the level to which a construct's operationalizations measure a construct as a theory defines it. Face validity looks at what an instrument superficially appears to measure. Content validity is the level of agreement between test variables and the problem being addressed or objective being pursued. Through expert opinion, the researcher sought guidance and direction from the supervisor on how to improve the validity status of the instrument. Pre-testing was done by distributing 5 questionnaires to 5 members of the management team of faulu micro finance bank in Nyeri County, Kenya and addressed the inconsistencies that came about.

3.5.2 Research Instrument Reliability

Reliability refers to constancy of measures given by a research instrument when administered on repeated basis (Mugenda & Mugenda 2003). The study adopted Cronbach's Alpha Reliability Analysis to ensure internal consistency reliability status of the research instrument. A more than 0.7 Alpha reliability coefficient would be deemed to be efficient (Gliem and Gliem, 2003).

3.6 Data Collection Procedure

The researcher used the drop and pick method in distributing the questionnaire to the participants. The method was ideal because the target respondents are a busy class of the

organization. The method was effective and efficient because the researcher administered the questionnaire personally explaining the importance of research to the respondent thus increasing the chances of enhanced rate of response. In addition, through this method, the researcher was able to do follow up thus increasing the rate of completion of questionnaire.

3.7 Data Analysis

Raw data was first screened and cleaned to eliminate any errors. Descriptive and inferential analysis was adopted by the current study. Means and standard deviations were applied for the descriptive statistics. Qualitative data was analyzed through themes based on the respondent's opinions. Once the data was coded, themes were identified by assessing most questionnaire common responses, patterns or data that could answer the study questions were identified and determining areas that needed further exploration.

Inferential analysis techniques included multiple regression analysis and Pearson correlation analysis. Descriptive statistics, in isolation do not allow the researcher to make generalizations or inferences to the entire population. As such, the application of inferential statistics helped in making inferences and effectively explain the relationship between variables. The empirical model is as follows, it shows how performance and TQM relate;

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

Where: - Y= Performance of Micro Finance Institutions

X₁ = Management Commitment

X₂ = Customer Focus

X₃ = Employee Engagement

X₄ = Continuous Improvement

β_0 = Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = independent variables' Coefficients.

ε = Error term of the model.

For purposes of interpretation, R square, the Coefficient of Determination was vital in explaining whether total quality management and its component variables would have any significant impact on organisational performance. R square explained the collective effect of total quality management practices on performance of an organisation. The Coefficient of Determination (R square) varies from 0 to 1. The effect of TQM on organisational performance is larger when the R square is larger.

P Values (Sig Values) in the Analysis of Variance (ANOVA) output was then useful in explaining effect of each TQM variable continuous improvement, employee engagement, customer focus and management commitment on organisational performance. An inference is made that the statistical significance threshold is not met should the P values be greater than 5 percent or 0.05. For correlation analysis, r values, the Pearson correlation coefficient were used to explain the direction and degree of variables' relationship. A scale of -1 to +1 was used to interpret the value of r. The greater the r, the greater the relationship inferred. Positive values of r would imply positive relationship while negative r values would represent negative or inverse correlation. Data presentation was done through bar graphs, pie charts and histograms.

3.8 Ethical Considerations

Research ethics was adhered to by the current study. Collis and Hussey (2009) states that a good research study should observe the three principles of ethical consideration that is minimizing harm, obtaining informed consent and maintaining confidentiality. The researcher observed the principle of minimizing harm by ensuring that the respondent

voluntarily gave the information and were not harassed in any way. The informed consent principle was observed by acquiring the required documents from Kenyatta University and NACOSTI allowing one to conduct research. The level of confidentiality was highly observed by not disclosing any information given.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter entails the analysis of data collected during the study. It presents the analysis of respondents' demographic profile, descriptive as well as inferential statistics on the study variables. Discussions to the findings are also entailed with the aim of establishing how performance of micro finance institutions in Nyandarua County were influenced by TQM.

4.2 Response Rate

During data collection, eighty-six (86) questionnaires were administered to respondents and eighty-five returned fully answered and fit for analysis. It presented a 99% response rate that was commendable as described by Kothari (2004) that the rate of response in social studies of seventy percent (70%) and above was good for social studies.

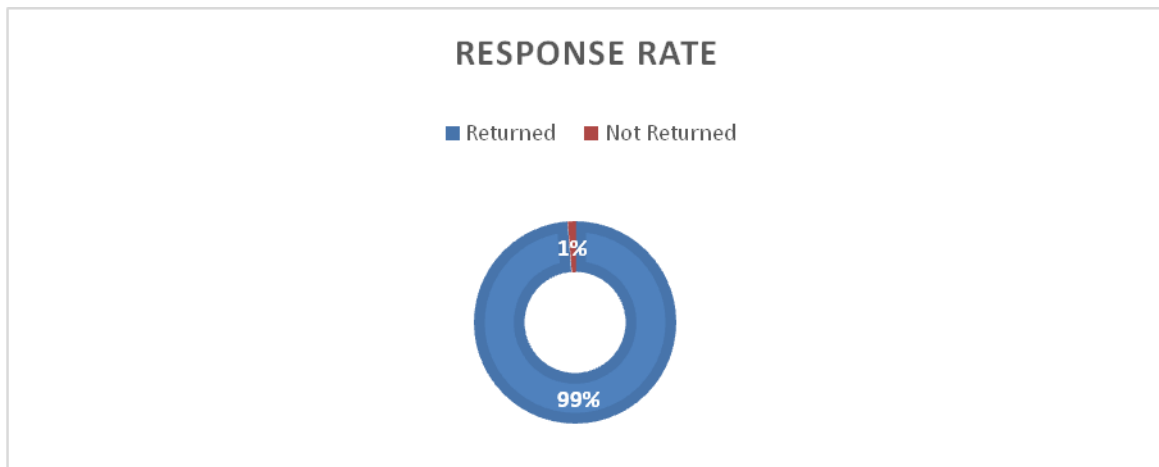


Figure 4.1 Response Rate

Source: Survey Data (2019)

4.3 Pilot Test Results

Variables	Cronbach's Alpha	Items
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Management Commitment	0.757	4
Customer Focus	0.765	3
Employee Engagement	0.770	3
Continuous improvement	0.793	4

Research instrument' reliability was tested through Cronbach's Alpha scores and findings as under in table 4.1

Table 4.1: Reliability Results

Source: Pilot Data (2019)

The research instrument (questionnaire) was tested for reliability. The questionnaire was given to five experts to help in evaluating the instrument's each item relevance in relation to the objectives. They were rated on a 1 (very relevant) to 4 (not very relevant) scale. CVI was obtained by summing up the items rated 3 and 4 and then the sum was divided by the questionnaire's total number of items. A 0.768 CVI was gotten. It was concluded that the instruments' reliability coefficient was acceptable and suitable for this study since the alpha coefficients were all greater than 0.7.

4.4 Respondents Profile

4.4.1 Gender Distribution

Of the participants, female were 45 (53%) and male 40 (47%). This was an indication of fair gender representation among the respondents that ensure equity, and conformity to ethical standard in social studies.

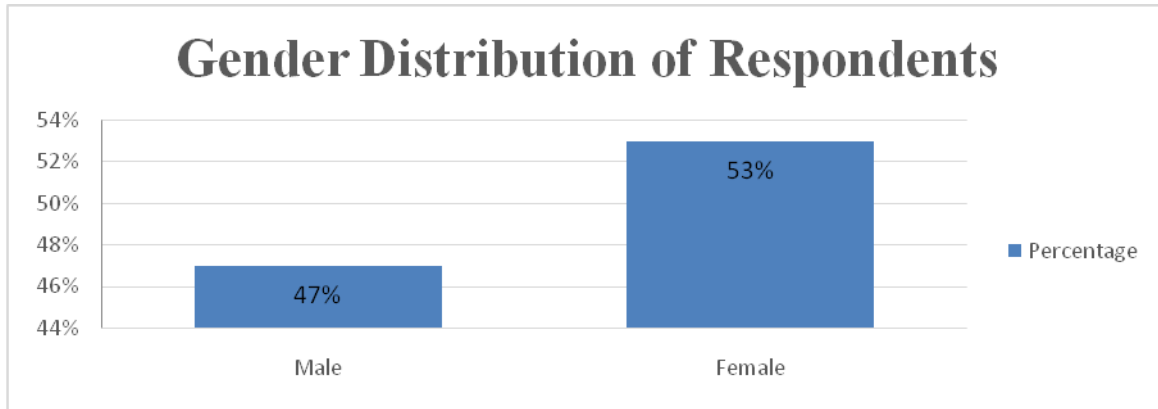


Figure 4.2 Gender Distribution of Respondents

Source: Survey Data (2019)

4.4.2 Position in MFI

Table 4.2 Position in MFI

Position	Frequency	Percentage
Branch Manager	11	12.9%
Credit Manager	11	12.9%
Marketing Manager	11	12.9%
HR Manager	11	12.9%
Operational Manager	11	12.9%
Finance Manager	11	12.9%
Customer Relations Manager	11	12.9%
Risk Manager	8	9.7%
Total	85	100%

Source: Survey Data (2019)

Table 4.2 above shows that participants' majority (90.3%) were in management positions and it was only in one (9.7%) MFI that the risk manager did not avail information. Notably, the MFIs had management engaged in most areas of management in financial institutions and the study could thus address quality management issues in the core business aspects of the MFIs. As expected in the study, management staff provided reliable information on the study subject.

4.4.3 Age Distribution

The respondents ages were sought during the study and results in figure 4.3 indicate that 47% were aged 41-50 years, 25% 35-40 years, 15% over 50years and 13% below 35 years. This was an indication that all the managers were of mature age and in their most productive years that can steer the MFIs to great productivity and growth. Importantly, their mature ages assure that the information gathered is objective and credible.

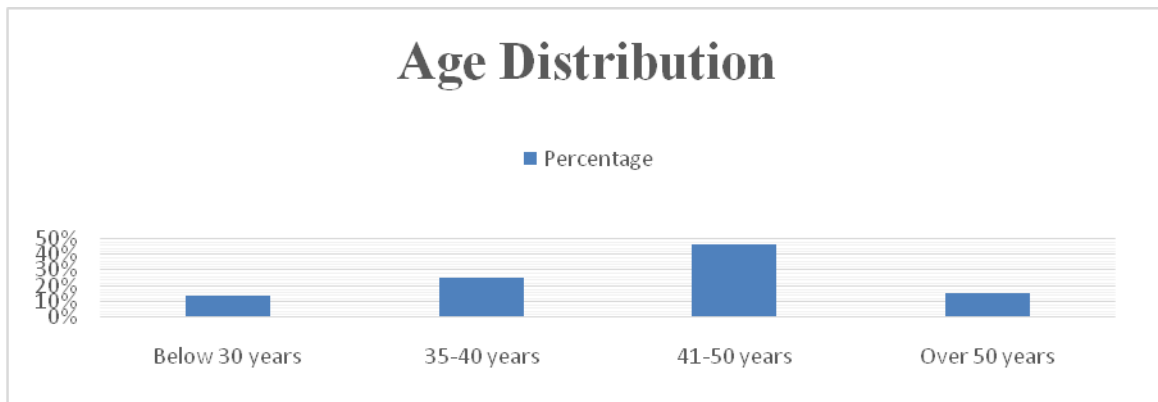


Figure 4.3 Age Distribution of participants
Source: Survey Data (2019)

4.4.4 Highest Education Level

The highest academic qualification of the participants was sought. Results in figure 4.4 indicate that 73% (63) respondents had post graduate degrees while 27% (20) had attained undergraduate degrees. This showed high academic standing of the managers, a critical factor for effective and quality management required for optimal performance of MFIs. To this study, the high quality of education enabled respondents to comprehend the questions and articulate the subject matter effectively, thus ensuring quality data.

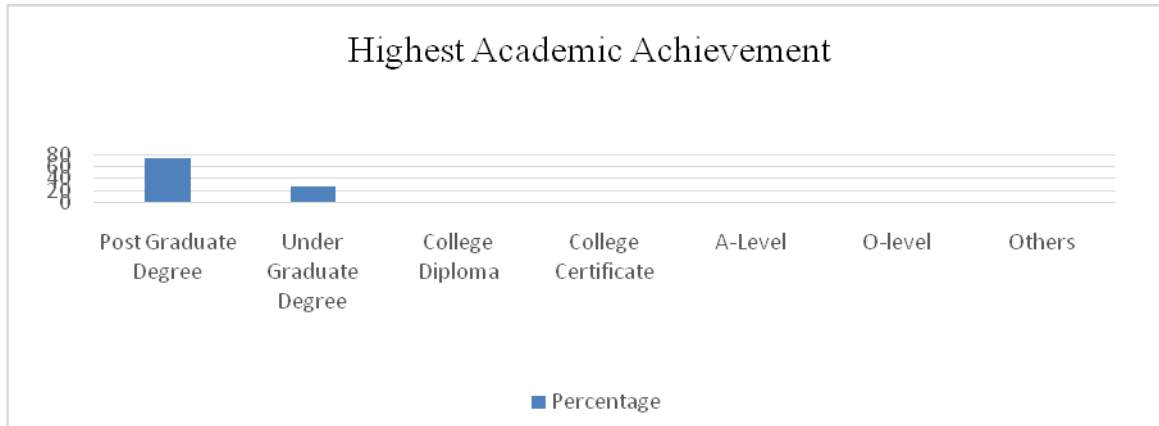


Figure 4.4 Respondents’ Highest Education Level
Source: Survey Data (2019)

4.5 Management Commitment and Performance of MFIs

Effect of MFI management commitment to TQM on the firms’ performance was evaluated. Applied scale was: 5) Very Great Extent 4) Great Extent 3) Moderate Extent 2) Little Extent 1) Not at all

Table 4.3 Management Commitment and Performance in the MFI

Management Commitment	N	Mean	S. Dev
The organizational leadership is committed in formulation and regular review and revision of quality objectives.	85	4.5871	.98765
The leadership at the MFI is efficient in mobilization and allocation of resources to facilitate quality improvements.	85	4.3143	1.11162
The management is actively involved at all stages of quality improvements in the firm.	85	4.6324	.96901
The organizational leadership regularly monitors and evaluates the quality system to ensure goals are being met.	85	4.4532	1.07542
The management of the firm has a well-entrenched system for training and reinforcement of stakeholders.	85	4.0042	1.16341
Valid N (Listwise)	85		
Aggregate Mean		4.39824	1.12435

Source: Survey Data (2019)

The results in table 4.3 indicate that two key aspects of management commitment in total quality management were cited to strongly affect organizational performance of the MFIs: organizational leadership is committed in formulation and regular review and revision of quality objectives (M 4.587; S. Dev. 987); and that management is actively involved at all stages of quality improvements in the firm (M 4.632; S. Dev.969). This showed that the individually, managers were willing and engaged in total quality management processes. A moderate effect was found on the fact that organizational leadership regularly monitored and evaluated the quality system to ensure goals are being met (M 4.453; S. Dev. 1.075).

Omolo (2016) study recommended that managers must be actively involved while monitoring and evaluating total quality management implementation process. The study results showed that this was not effectively undertaken by managers in the MFIs in Nyandarua County since systems review was not regular to enable timely improvement on management, a critical process in elevating business processes and thereby enhancing MFIs competitiveness in the financial sector. This could impede on the performance of the firms.

Lowly rated were two aspects: management of the firm has a well-entrenched system for training and reinforcement of stakeholders (M 4.004; S. Dev. 1.163); and leadership at the MFI is efficient in mobilization and allocation of resources to facilitate quality improvements (M 4.314; S. Dev. 1.111). The rating was an indication that capacity building programmes and resources were managerial challenges in total quality management which constrained the performance of the MFIS. Omolo (2016) study suggested that managers must commit to sourcing sufficient funds to facilitate the training staff on the implementation of TQM strategies to ensure successful business transformation and reap benefits to the firm

Overall basis of the range of 4-5, the aggregate mean was relatively low (M 4.398; S. Dev. 1.124) showing the management's commitment's low effect to total quality management on MFIs' performance. The results were contrary to the findings of Panuwatwanich and Nguyen (2017) that Vietnamese construction firms' performance was influenced by total quality management. Mohamed (2015) argued that if the management of a firm fails to commit to quality it leads to emergence of service gaps or widening of existing gaps. Total involvement by managers brings about operations competency which basically is how management anticipates work procedures to happen. The findings however show that though there was individual commitment by the managers, institutional factors constrained the managers input in management process improvement.

4.6 Customer Focus and Performance of MFIs

Effect of MFI customer focus in TQM on the firms' performance was evaluated. Applied scale ranging from: (5) Very Great Extent to (1) Not at all

Table 4.4 Customer Focus and Performance of MFIs

Customer Focus Aspects	N	Mean	S. Dev
The Micro Finance Institution regularly holds customer service trainings to ensure quality services to customers.	85	4.0145	1.17976
The organization has an efficient system of making communication on quality of services.	85	4.1194	1.16112
The MFI enjoys strong core business competencies that are helpful in ensuring quality of services provided.	85	4.0423	1.17876
The institutions products and services are largely consumer orientated in that a variety exists to fit each class of client.	85	4.5781	0.99142
The organization has an efficient framework of customer relations management that efficiently deals with customer complaints.	85	4.5035	0.99768
Valid N (Listwise)	85		
Aggregate Mean		4.2516	1.14679

Source: Survey Data (2019)

Table 4.4 indicate two customer focus factors for total quality management with a moderate effect on MFIs as cited by the respondents; the institutions products and services are largely

consumer orientated in that a variety exists to fit each class of client (M 4.578; S. Dev.991); and the organization has an efficient framework of customer relations management that efficiently deals with customer complaints (M 4.503; S. Dev.997). This showed that the MFIs had customer-oriented plans and policies though not highly effective.

Lowly rated were the factors that: the organization has an efficient system of making communication on quality of services (M 4.119; S. Dev. 1.161); MFI enjoys strong core business competencies that are helpful in ensuring quality of services provided (M 4.042; S. Dev. 1.178); and MFIs regularly hold customer service trainings to ensure quality services to customers (M 4.014; S. Dev. 1.179). This result may contribute to low achievement of change goals and organizational strategy to improve performance. As indicated by Kang'ethe (2015) customer quality focus was a statistically significant predictor of the operation performance of firms.

Overall, and based on the range of 4-5, the low aggregate mean of 4.241 showed respondents perceive customer focus in quality improvements as low, confirmed by a higher standard deviation of 1.146. This low customer focus may affect the organizational performance of the MFIs in Nyandarua County. However, while focusing on the customer, the MFIs may be able to improve on products and services designs to suit the consumers, thereby enhancing product affinity, new markets, service quality and competitiveness in the financial sector. The study results show average customer service management, ineffective quality information communication, and irregular customer service trainings for the staff, meaning that the MFIs in Nyandarua County were not effectively aligning customer focus as a total quality management tool, a factor that could impede on the organizational performance of MFIs.

4.7 Employee Engagement and Performance of MFIs

Effect of MFI employee engagement in TQM on the firms' performance was evaluated.

Applied scale ranging from: (5) Very Great Extent to (1) Not at all

Table 4.5 Employee Engagement and Performance of MFIs

Customer Management Aspects	N	Mean	S. Dev
The model of participatory decision making is well entrenched in the Micro Finance Institution	85	4.042	1.178
The institution has well established stakeholder empowerment programs to enhance the capacity of the workforce to deliver quality.	85	4.004	1.183
The organization has established self-managing teams to cultivate teamwork among the workforce.	85	4.140	1.157
The institution has established structured suggestion systems to ensure all opinions are incorporated.	85	4.878	0.879
The entity has established a flattened organizational structure to enhance stakeholders' autonomy in dispensing their mandate.	85	4.532	.9790
Valid N (Listwise)	85		
Aggregate Mean		4.337	1.1316

Source: Survey Data (2019)

Table 4.4 findings indicate a significant employee engagement factor vide its high mean as cited by majority of the respondents: the institution has established structured suggestion systems to ensure all opinions are incorporated (M 4.871; S. Dev.0 .879). This showed the MFIs commitment to staff suggestions on areas of quality, and thus ensure strategic total quality initiatives that are recognized and easily implemented by the staff.

Moderate rating was cited for the fact that the entity had established a flattened organizational structure to enhance stakeholders' autonomy in dispensing their mandate (M 4.532; S. Dev.0 .979). Thus, to some extent, MFIs allowed staff individual and team initiatives in the total quality management process, thus allowing creativity and motivation to staff implementing quality. Further,

this reduces frictions with superiors where dictatorial leadership is prevalent. Boikanyo and Marita (2019) indicated that TQM’ dimensions positively related with work engagement, and that to ensure a sustainable competitive advantage, managers should enable a firm to develop, attract and retain worker. This seems to have been developed fairly in the MFIs. Lowly rate were the factors: The organization has established self-managing teams to cultivate teamwork among the workforce (M 4.140; S. Dev.1.157); the model of participatory decision making is well entrenched in the MFI (M 4.042; S. Dev.1.178); and the MFI had well established stakeholder empowerment programs to enhance the capacity of the workforce to deliver quality (M 4.00; S. Dev.1.183).

The aggregate mean was low at 4.337 (on 4-5 range) with a high standard deviation 1.131, indicating that the employees were lowly engage in quality management process. Further, teamwork and staff capacity building strategies through strong networks with stakeholder institutions was low, meaning that skills development was lowly entrenched to match quality improvements needs in the MFIs. As such, employee engagement strategies lowly enhanced total quality management process and achievement of quality goals in the Nyandarua County MFIs. This result disagrees with the Njuguna and Bett (2018) findings that an organization’s quality drive is impacted positively by workers who are involved in the organization’s TQM processes as a group.

4.8 Continuous Improvement and Performance of MFIs

Effect of MFI continuous improvement for TQM on the firms’ performance was evaluated.

Applied scale ranging from: (5) Very Great Extent to (1) Not at all

Table 4.6 Continuous Improvement and Performance of MFIs

Customer Management Aspects	N	Mean	S. Dev
The institution has established and implements a strict	85	4.878	0.8790

quality assurance policy.			
The institution conducts regular process mapping to determine the key areas that need improvement.	85	4.642	.9670
The institution carries out root cause analysis on a regular basis to understand and address the principal causes of quality concerns or setbacks and guide improvement plans.	85	4.632	.9691
The Micro Finance Institution inculcates process ownership among stakeholders to motivate them in working towards achieving quality goals.	85	4.717	.9586
The organization works towards reducing the turnaround time in providing services to clients.	85	4.812	.9266
Valid N(Listwise)	85		
Aggregate Mean		4.736	.9458

Source: Survey Data (2019)

Results in table 4.6 indicate high means for continuous improvement aspects with: establishment of strict quality assurance policy (M 4.878; S. Dev.0.879); working towards reducing the turnaround time in providing services to clients (M 4.812; S. Dev.0.926); inculcating process ownership among stakeholders to motivate them in working towards achieving quality goals(M 4.717; S. Dev.0.958). Also highly rated were: conducting regular process mapping to determine the key areas that need improvement (M 4.642; S. Dev.0.967); and undertaking root cause analysis on a regular basis to understand and address the principal causes of quality concerns or setbacks and guide improvement plans (M 4.632; S. Dev.0.969). The aggregate mean being high at 4.736 (on 4-5 range) with a low standard deviation 0.945 indicates that continuous improvement was undertaken and a significant strategy for performance improvement for the MFIs in Nyandarua County. The study findings affirm the results of studies conducted by Keinan and Karugu (2018); Akelo (2017)and Sadikoglu and Olcay (2014) that continuous improvement significantly improved the performance of organizations.

4.9 Organisational Performance of MFIs

4.9.1 i) The number of products that the MFI has introduced over the past five years.

Oner of the performance measures is improved products and services for MFIs as sought in this study.

Table 4.7 Number of products that the MFI has introduced over the past five years

	2014	2015	2016	2017	2018	Total
Number of new products	3	2	3	4	4	16

Source: Survey Data (2019)

Table 4.7 results show that in the last five years, sixteen (16) new products were introduced by the MFIs in Nyandarua County. Seemingly, the fourth and fifth year, a higher number of products were introduced, indicating continuous improvement. New products and services must create customer brand affinity, new buys/customers, and retention of the existing customer base. The products and service innovations require the managers to enhance total quality management in order to achieve new innovations' goals.

ii) Branches introduced over the past five years

Increase in branches was a sign of growth for MFIs and sought in this study.

Table 4.8 Branches introduced over the past five years

	2014	2015	2016	2017	2018	Total
Number of new branches	0	0	2	2	3	7

Survey Data (2019)

Outcomes in table 4.8 show that in the last five years to 2018, seven (7) new branches were opened among the MFIs in Nyandarua County. As observed, there is a growth trajectory in number of new branches, a sign of improved MFI performance over the five-year period. With the increase in branches, there arises the need for quality management among the MFI leadership to initiate quality improvements befitting the new business environment, stakeholders and importantly customers. Further is the need for higher efficiency in branches coordination in achieving corporate goals of the MFIs.

4.9.2. Innovative service and distribution channels that the MFI has adopted.

Innovative service	Frequency	Percentage
Agency Banking	0	0%
Mobile Banking	55	64.7%
Internet Banking	0	0%
ATM Banking	0	0%
Regular Banking	23	27.0%
Finance Manager	7	8.3%
Others	0	0%
Total	85	100%

Table 4.9. Innovative service and distribution channels that the MFI have adopted

Source: Survey Data (2019)

In Table 4.9, findings show that service innovations of mobile banking and regular banking were the MFIs adopting most significant quality improvements strategies as accorded by 64.7% and 27% of the respondents respectively. To some extent the MFIs have recruited finance managers to enhance resource management and stewardship towards enhancing financial performance. Notably, Agency banking, ATM and internet banking, a now emerging financial strategy for customer focus, had not been implemented by the MFIs. This may constrain the competitiveness of the firms in the financial market.

4.9.3 Extent TQM has enhanced customer satisfaction levels in MFI.

Table 4.10 Extent TQM has enhanced customer satisfaction levels in MFI.

Rating	Frequency	Percentage
Very Low	0	0%
Low	10	11.8%
Average	23	27.0%
High	30	35.3%

Very High	22	25.9%
Total	85	100%

Source: Survey Data (2019)

Results in table 4.10 show that TQM effect on customer satisfaction was rated high by majority (35.3%) and very high by 25.9%. This was an indication that the quality initiatives in enhancing total quality improvements were contributing to better services and products required by the customers. The findings concur with Anu and Satish (2019) that TQM enhances customer satisfaction level.

4.9.4 Extent to which the MFI achieved on cost efficiency over the past five years.

Cost efficiency is an internal performance measure and sought for MFIs total quality management strategies in this study. Participants were required to rate the extent to which the MFI achieved cost efficiency over the past five years.

Table 4.11 Extent to which the MFI achieved on cost efficiency over the past five years

Rating	Frequency	Percentage
Very Poor	0	0%
Poor	16	18.8%
Average	44	51.8%
Good	20	23.5%
Excellent	5	5.9%
Total	85	0.0%

Source: Survey Data (2019)

In table 4.11, findings indicate that participants' majority (51.8%) rated the extent to which the MFI achieved on cost efficiency over the past five years as average, 23.5% rating it good, 18.8% poor and 5.9% average. This was an indication of cost efficiency as a TQM principle was not well affected through TQM initiatives in the MFIs of Nyandarua County. This could affect the firms' performance negatively.

4.9. Dimensions of business performance in the MFI over the past 5 years.

Table 4.12 Dimensions of business performance in the MFI over the past 5 years

Dimensions	2014	2015	2016	2017	2018
------------	------	------	------	------	------

Loans Clients (Weighted)	.06	.047	.004	.002	.018
Deposit Clients (Weighted)	.22	.20	.17	1.165	.15
Loan Amounts disbursed (Weighted)	.008	.009	.007	.007	.005
Profits (% change)	11.7%	10%	12.8%	8%	9.2%
Returns on investment (% change)	7.1%	7%	5.5%	6.1%	5.9%

Source: Survey Data (2019)

Table 4.12 findings indicate a declining trend in business performance for the five years as indicated by loan and deposit clients decline, reducing amounts of disbursed loans as well as profits and return on investment. The results affirm the findings of CBK report 2016 that in the financial year 2015/2016, most of the micro finance players experienced losses, an indicator of low performance. The declining trend shows that the firms have challenges in business conduct which total quality management may resolve, and a strategic direction for the MFIs.

4.10 Inferential Analysis

The relationship between the variables was established using correlation and regression analysis. In establishing the association between the study variables, correlation analysis was utilized while regression analysis was utilized to establish the relationship between the variables. This study used inferential analysis in establishing whether an intervention and an outcome had a relationship and that relationship's impact.

4.10.1 Correlation Analysis

The variables' association was measured through correlation analysis. Cohen, Manion and Morrison (2011) indicate that the correlation coefficient values are always -1 to +1. -1 correlation coefficient is an indication that two variables are related perfectly in a negative linear sense; a +1 coefficient shows that two variables are related perfectly in a positive

linear sense, and a 0 coefficient value is an indication that the two variables have no linear association.

Table 4.13 Correlation Analysis

		Management Commitment	Customer Focus	Employees Engagement	Continuous Improvement	Performance of MFIs
Management Commitment	Pearson Correlation	0.00				
	Sig. (2- tailed)					
Customer Focus	Pearson Correlation	.53	0.00			
	Sig. (2- tailed)	.000				
Employees Engagement	Pearson Correlation	.71	.77	0.00		
	Sig. (2- tailed)	.000	.000			
Continuous Improvement	Pearson Correlation	.81	.69	.88	0.00	
	Sig. (2- tailed)	.000	.000	.000		
	Sig. (2- tailed)	.000	.000	.000	.000	
Performance of MFIs	Pearson Correlation	.55	.53	.71	.83	
	Sig. (2- tailed)	.000	.000	.000	.000	
	N	85	85	85	85	

Source: Survey Data (2019)

The correlation findings indicate that the dependent variable and independent variables positively relate. All of them were significant at a confidence level of 95%. The correlation analysis shows that management commitment had a fair and a 0.55 positive correlation coefficient with a p-value at $0.000 < 0.05$. This reveals that increase in management commitment leads to significant improvement in MFIs performance. Results concur with the findings of Caroline, Harriet, and Anne (2016) and Psomas and Jaca (2016) that top management commitment was positively related with organizational performance.

Customer Focus also had a positive correlation coefficient of 0.53 with a p-value p value $0.000 < 0.05$. In concurrence with the results, Anu and Satish(2019), Njuguna and Bett (2018)Ajmal and Aslam (2016) also found a positive relationship between customer focus and organizational performance. Employee engagement and continuous improvement had a positive correlation coefficient of 0.71 and 0.83 with p-values p value $0.000 < 0.05$ respectively. These results indicate a positive relationship between total quality management and organizational performance of MFIs in Nyandarua County.

4.9.2 Regression Analysis

It entailed computing both coefficient determination and multiple regression analysis. Performance of Nyandarua County's MFIs was the dependent. The independent variables were refinement of competitive strategies, environmental scanning, stakeholder's engagement and business process re-designing.

4.9.2.1 Coefficient of Determination

It is a measure of how best a statistical model can foretell future results, being the sample correlation coefficient square between predicted values and outcomes. It describes the level to which change in the independent variables can explain any change in the dependent variable or the variation percentage in the dependent variable, organizational performance of MFIs in Nyandarua County as a result of the four independent variables (customer focus, management commitment, employee's engagement and continuous improvement). The determination coefficient is presented in Table 4.14 below;

Table 4.14 Determination Coefficient

Model	R	R Square	Adjusted Squared	R	The Estimate's Std. Error
1	0.805	0.767	0.744		0.32587

Source: Survey Data (2019)

The above findings indicate that the adjusted R squared value was 0.744, meaning that organizational performance of MFIs in Nyandarua County had variation of 74.4 % as a result of changes on independent variables at confidence interval of 95%. This is an indication that 74.4% changes in MFIs' organizational performance in Nyandarua County could be accounted to changes in total quality management under study. This implies that the total quality management aspects (management commitment, customer focus, employee's engagement and continuous improvement) are very critical to organizational performance of MFIs in Nyandarua County.

4.10.4 ANOVA Test

ANOVA test was conducted to determine t the significant relationship between TQM and MFIs' organizational performance.

Table 4.15 ANOVA Analysis

Model		Sum of Squares	d.f	Mean Square	f	Sig.
1	Regression	8.884	4	2.221	22.210	0.000
	Residual	4.615	46	0.100		
	Total	13.499	50			

Source: Survey Data (2019)

The ANOVA analysis shows that the 0.000 significance value is less than 0.05. The implies that in predicting the extent to which management commitment, continuous improvement,

employee's engagement and customer focus affected MFIs' organizational performance in Nyandarua County, the model is was statistically significant.

4.10. Multiple Regression Analysis

Multiple regression analysis was done in order to determine the effects of total quality management on MFIs' organizational performance in Nyandarua County. In testing the influence among predictor variables, multiple regression analysis was used. In coding, entering and computation of the multiple regressions measurements, SPSS V 21.0 was used.

Table 4.16 Model Coefficients

Model	Un standardized Coefficients		Standardized coefficients Beta	T	Sig
	B	Std. Error			
Constant	0.508	1.131		1.333	0.001
Management Commitment	0.393	0.117	0.203	2.513	0.045
Customer Focus	0.347	0.147	0.277	2.398	0.033
Employees Engagement	0.351	0.141	0.274	2.492	0.002
Continuous improvement	0.394	0.107	0.397	3.675	0.021

Source: Survey Data (2019)

Table 4.16 outcomes presents the relationship between the variables with coefficients β_0 (Beta) at 0.508, β_1 -0.393, β_2 - 0.347, β_3 - 0.351 and β_4 -0.394: where β_0 is the constant, β_1 , β_2 and β_3 are parameter for estimation of the independent variables; management commitment, customer focus, employee's engagement and continuous improvement. The resultant regression equation was:

$$Y = 0.508 + 0.393 X_1 + 0.347 X_2 + 0.351 X_3 + 0.394 X_4 + \epsilon$$

The results indicate that holding the independent factors constant at zero, organizational performance of MFIs in Nyandarua County would be at 0.508. Further, an increase in MFI

performance by a factor of 0.393 would result from a unit increase in management commitment, a unit increment in customer focus by a 0.347 factor, a unit increment in employee's engagement by a 0.351 factor, and a unit increment in continuous improvement by a factors of 0.394. As such, continuous improvement would initiate a greater increase in organizational performance upon change management implementation in the firms.

Notably, the variables had less than ($p < 0.05$) values hence they were all significant. The results support the descriptive statistics and thus establish that total quality management of management commitment, customer focus, employee's engagement and continuous improvement affect the organizational performance of MFIs in Nyandarua County. The results concur with past studies by Panuwatwanich and Nguyen (2017), Onyango (2016) and Keinan and Karugu (2018) that firms' performance was influenced positively by total quality management. Thus, in enhancing organizational performance, TQM was and is a significant factor as it improves efficiencies along business operations of the MFIs in Nyandarua County, Kenya.

4.11 Qualitative Data Analysis

4.11.1 MFIs interventions for entrenching management commitment as a total quality management variable.

Qualitative data was collected in regards to identified different approaches MFIs adopted in enhancing managers commitment to quality improvement. Through themes and patterns, the study was able to analyse the significance of the interventions described by the respondents. Significant was reward system (45%) for the managers based on outputs periodically. This motivated the managers to effectively implement total quality management tools for better

business and incomes to the firms. Cash prices, commissions and holiday perks were the main incentives to the managers for their commitment.

Further indicated was targets for business and operations (30%) applied to commit the managers in achieving MFIs goals on an annual basis. This compelled the managers to actively engage in the implementation of total quality management tools, direct employees on their daily through programmes geared towards improvement of business each year. Another significant intervention was capacity building programmes (15%) established by the directors to empower the managers in stewardship for business products marketing and operations efficiency were also undertaken in the MFIs based in Nyandarua County. In line, trainings and seminars undertaken by professional institutions were availed to the managers annually with the aim of developing their skills, thus enhancing their commitment to quality improvement. Lastly, with 10% cognition was engagement in board meetings with directors on strategic change management was cited to commit management to initiate and implement change successfully in the MFIs.

The qualitative data provides a general overview that human resource management's responsibility is entirely each manager's. HRM activities will only get partially done if the manager does not accept this responsibility. Available potential human resources' maximization within MFIs depends directly on the abilities and skills of a manager in managing staff and his commitment.

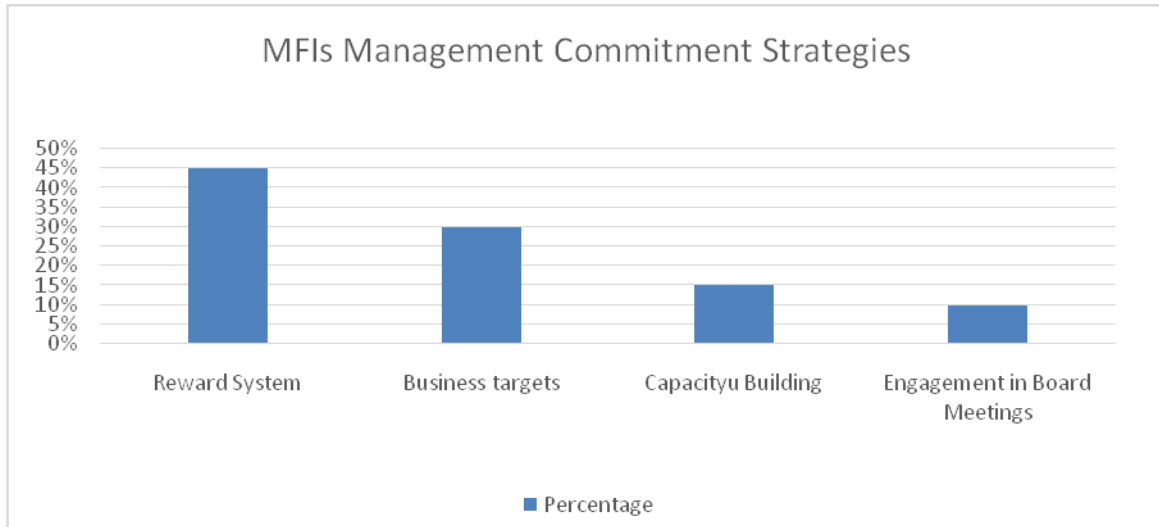


Figure 4.5 Management Commitment Strategies by MFIs

4.11.2 MFIs other strategies in implementing customer focus strategy as a total quality management variable

Qualitative data was collected in regards to the several other strategies identified by the respondents that are applied by the MFIs in focus to customer needs. Through themes and patterns, the study was able to analyse the significance of the interventions described by the respondents. Of significance (65%) is that the MFIs have employed staff who visit the customers in their place of work to conduct financial transactions, saving the customer time, and enhancing convenience in service delivery, a key customer focus. It is important to recognize that MFIs focus is enhancing access to credit and banking services for the marginalized groups who live in the rural area. Thus, the focus of visiting the customers in their rural areas creates value to service delivery and thus higher performance for the MFIs.

Further cited was adoption of technology (35%) has enabled the MFIs to undertake mobile banking where customers are able to withdraw and deposit money, receive and send messages to the firms and receive information on the services and products provided. This

was found to enhance customer service quality. In concurrence, Kang’ethe (2015) indicated that customer quality focus was a statistically significant predictor of the operation performance of firms. However, majority of the MFIs in Nyandarua County were still in the implementation stages of mobile banking, an inhibiting factor to organizational performance.

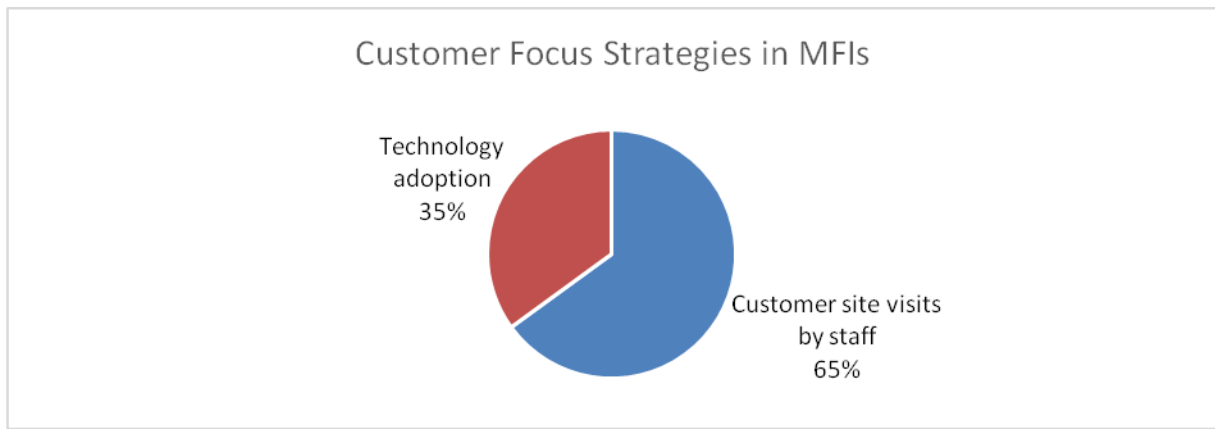


Figure 4.6 Customer focus strategies for MFIs in Nyandarua County

Source: Survey Data (2019)

4.11.3 Other means by which MFIs promote employee engagement as a total quality management variable

Qualitative data was collected in regards to establish the initiative for employee’s engagement in total quality management. All (100%) the respondents cited delegated quality management tasks as a significant directive applied by managers in the MFIs. As such, staff involvement in formulating quality improvements systems was lowly aligned to total quality initiatives, and this could impede on achievement of strategic and organizational goals.

4.8.1 Other means MFIs implement the continuous improvement variable

Qualitative data was collected in regards to other means MFIs implement the continuous improvement variable. Continues improvement in the MFIs was acknowledged and cited to be conducted through innovation by introducing leading-edge product and service re-design (56%). Another was targeting new markets (33%) including low interest loans for smallholder farmers. Systems upgrade was also cited to be a continuous improvement aspect in total quality management for the MFIs (11%). This was an indication that the MFIs were keen on adapting to internal and external quality improvements needs to ensure customer satisfaction and internal efficiencies. Thus, through these quality initiatives, the MFIs can be more competitive in the finance market.

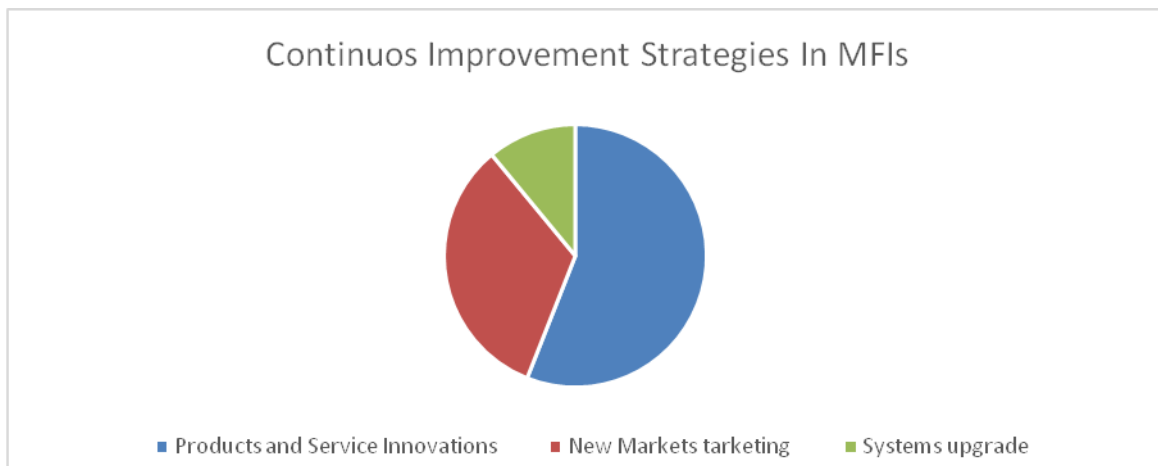


Figure 4.7 Continues Improvement strategies for MFIs in Nyandarua County

Source: Survey Data (2019)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings upon data analysis and discussion. It further entails the study's conclusion and recommendations for policy/practice and further studies.

5.2 Summary of the Findings

This study sought to establish the effect of total quality management on performance of micro finance institutions in Nyandarua County, Kenya. Purposely, the study sought to evaluate the effect of management commitment on performance of MFIs, to establish the effect of customer focus on performance of MFIs, to establish the effect of employee engagement on performance of MFIs and to determine the effect of continuous improvement on performance of MFIs. Data was collected from sampled respondents and the response rate was commendable at over ninety percent. Generally, the study established a positive and significant relationship between total quality management and performance of the MFIs in Nyandarua County. Continuous improvement was found to highly affect the MFIs performance. In regards to the specific objectives, the summary of findings is stipulated below.

5.2.1 Management Commitment and MFIs performance.

The study evaluated the effect of MFIs management commitment for quality improvements on performance in Nyandarua County. Correlation and regression results show a positive and statically significant relationship between the two variables. Qualitative data results showed that management provided stewardship in quality process while coordinating staff, policies and principals in achieving quality targets. Descriptive statistics however showed that institutional challenges constrained the managers commitment to quality improvements and achievement of organizational goals.

5.2.2 Customer Focus and MFIs performance

Customer focus inferential results of correlation and regression indicated a positive and significant relationship with MFIs performance. Respondents opined that customer focus was evident in innovative products and redesigned customer service programmes. Further, MFIs was cited to have employed staff who visit the customers in their place of work to conduct financial transactions, saving the customer time, and enhancing convenience in service delivery, a key customer focus.

Descriptive statistics however showed that the effect of customer focus was not strong in enhancing MFIs performance. Further, established was moderate customer service management, ineffective quality information communication, and irregular customer service trainings for the staff, meaning that the MFIs in Nyandarua County were not effectively aligning customer focus as a total quality management tool, a factor that could impede on the organizational performance of MFIs. However, while focusing on the customer, the MFIs could innovate on products and services designs as well as outreach programmes to suit the consumers demand, thereby enhancing competitiveness in the financial sector.

5.2.3 Employee Engagement and MFIs Performance

The effect of employee engagement in quality management on MFIs performance was sought and inferential statistics results indicated a positive and significant relationship between the two variables. The most significant initiative for employee engagement in the MFIs in Nyandarua County was cited as delegated quality management tasks though administered as a directive. As such, staff involvement in formulating quality was lowly aligned to quality initiatives, and this could impede on achievement of strategic and organizational goals. Descriptive statistics results indicated the institutions had established

structured suggestion systems to ensure all opinions be staff were incorporated to enable quality improvements. However, the staff was moderately engaged in quality process, with low self-managing teams and a poorly structured participatory model and poorly structure stakeholder empowerment programmes. As such, employee engagement strategies lowly enhanced quality management process and achievement of quality goals in the Nyandarua County MFIs.

5.2.4 Continuous Improvement and MFIs Performance

Continuous improvement was found to affect the performance of MFIs in Nyandarua County. Inferential statistics results indicated a strong, positive and significant relationship between the two variables. Continues improvement in the MFIs was cited to be conducted through innovation by introducing leading-edge product and service re-design, targeting new markets including smallholder farmers and systems upgrade. Descriptive statistics results showed that continuous improvement was undertaken and a significant strategy for performance improvement for the MFIs in Nyandarua County. This was an indication that the MFIs were keen on adapting to internal and external quality improvements needs to ensure customer satisfaction and internal efficiencies.

5.3 Conclusion of the Study

The concepts and philosophy of TQM have been accepted by many successful organizations and is recognize as a tool that continuously generating the improvements in quality and hence, provide the competitive advantage to the organization. Through quality management, organizations may strategize on re-adjustments to improve organizational performance.

MFIs are mandated to attain some performance conditions that are designed to woo investors. With external conditionality's in place, there is a great likelihood of the organizations to drift from their original mission of alleviating poverty. The focus of the leader is key in ensuring quality management enhance achievement of the financial and social goals of the MFIs.

The study findings indicate that all the four TQM factors (management commitment, customer focus, employee engagement and continuous improvement affected the performance of MFIs in Nyandarua County. Continuous improvement had a significant effect on the MFIs performance. However, the effect of management commitment, customer focus and employee engagement on MFIs performance were lowly rated. Institutional factors inhibited management commitment to quality initiatives.

Customer focus was constrained by ineffective external communication channels as well as stakeholder capacity building. The engagement of employees in quality improvements initiatives was constrained by low involvement of the staff in quality management formulation process and team building initiatives among the MFIs. The study thus concludes that among the TQM factors under considerations, continuous improvement has the most significant effect on the performance of the MFIs in Nyandarua County.

5.4 Recommendations of the Study

Upon findings and conclusions, the study recommends that first; the MFIs should re-evaluate the policies for quality management to ensure that management is fully supported to effect desired quality improvements. Clear guidelines on quality goals achievement should be fully disseminated to the managers to ensure that the right strategies are adopted

and implemented. Secondly, the MFIs should allocate sufficient resources for research and development to enable managers undertake surveys on quality needs in the organizations. Further, the managers should be facilitated to learn from best practices locally and abroad to enable effective quality processes. Sufficient funds should also be availed for implementation, monitoring and evaluation of quality improvements processes to ensure achievement of set quality goals.

Thirdly, the MFIs should invest in the best information dissemination channels that ensure effective outreach and communication with the customers and other stakeholders. With modern technological innovations in ICT, the MFIs may be able to enhance external communication. Enhancing communication shall enable the firms to improve brand image, customer feedback, delivery times and customer satisfaction.

Fourthly, MFIs should invest in employee's capacity building to ensure that quality tasks are effectively undertaken with matching skills of the staff. In case of developing technologies, management may organize trainings for the staff to enable quick implementation of the quality and to the precise expectations. Further, managers should adopt team-work initiatives that ensure the employees work together in effecting quality improvements.

Last but not least, MFIs should prepare all stakeholders for quality improvement to mitigate resistance to change effects in the implementation stages. This would ensure that quality is timely, owned by all stakeholders, and willingness to effective implementation of quality programmes.

5.5 Suggestions for Further Studies

Further studies should be conducted to evaluate the impact of TQM on the social goals of MFIs. In cognition of customer management practices, focusing on customers' well being and changing environments is critical in enhancing loyalty. MFIs may also evaluate the challenges faced by managers in implementing TQM in Savings and Credit Cooperative Societies. With the growing size of Sacco sector, it is critical to incorporate quality management as previous data shows ineffectiveness challenges, loss of members' assets and funds.

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Appendices

Appendix One: Letter of Transmittal

BEATRICE WAMAITHA WANJOGU

P.O BOX 3,

OL-KALOU.

Email:wanjogub18@gmail.com

10TH Feb, 2020

Dear respondent,

Re: Data Collection for a Study on Total Quality Management and Performance of Deposit Taking Micro Finance Institutions in Nyandarua County, Kenya.

I am a student pursuing an MBA (strategic management) degree at Kenyatta University. I am undertaking a study on **Total Quality Management and Performance of Deposit Taking Micro Finance Institutions in Nyandarua County, Kenya**. This is part of the university requirement in partial fulfillment of the degree. For this purpose, a questionnaire has been developed with a view to obtain relevant data. I wish to request you to accord me some time to respond to the questionnaire. The information provided will be used purely for academic use. Information given will be treated with utmost confidentiality.

Thanks in advance.

Yours faithfully,

Beatrice WamaithaWanjogu

+254714116223

Appendix Two: Questionnaire

This questionnaire seeks to collect data on Total Quality Management and Performance of Deposit Taking Micro Finance Institutions in Nyandarua County, Kenya. The instrument is structured into three sections A, B and C. Section A seeks background data while section B and C relates the total quality management variables and organisational performance respectively. Kindly answer appropriately the questions provided below, by placing a tick in the space provided. Do not indicate your name anywhere in the questionnaire.

SECTION A: GENERAL INFORMATION

1. What is your gender? (Tick Accordingly)

Male

()

Female

()

2. What is your position in the MFI? (Tick Accordingly)

- Branch Manager () Operational Manager ()
 Credit Manager () Finance Manager ()
 Marketing Manager () Customer Relationship Manager ()
 HR Manager () Risk Manager ()

3. Please indicate your age? Choose one category.

- Below 35 () 35-40 ()
 41-45 () Above 45 years ()

4. Kindly indicate your highest level of education. Tick appropriately.

- O-Level () A-level ()
 College Diploma () College Certificate ()
 Undergraduate Degree () Post graduate degree ()
 Others () State briefly.....

SECTION B: TOTAL QUALITY MANAGEMENT VARIABLE

5.To what extent, in your very honest opinion, are the following statements valid regarding the state of management commitment in the MFI? Tick appropriately.

SCALE: 1) Not at all 2) Little Extent 3) Moderate Extent
4) Great Extent 5) Very Great Extent

		1	2	3	4	5
a)	The organisational leadership is committed in formulation and regular review and revision of quality objectives.					

b)	The leadership at the MFI is efficient in mobilisation and allocation of resources to facilitate quality improvements.					
c)	The management is actively involved at all stages of quality improvements in then firm.					
d)	The organisational leadership regular monitors and evaluates the quality system to ensure goals are being met.					
e)	The management of the firm has a well-entrenched system for training and reinforcement of stakeholders.					

In what other way has the firm entrenched management commitment as a total quality management variable? Indicate in the space provided.

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CUSTOMER FOCUS

6. Indicate in your honest opinion, the level to which the following statements are true regarding the state of customer focus in the MFI? Tick appropriately.

SCALE: 1) Not at all 2) Little Extent 3) Moderate Extent
4) Great Extent 5) Very Great Extent

		1	2	3	4	5
a)	The Micro Finance Institution regularly holds customer service					

	trainings to ensure quality services to customers.					
b)	The organisation has an efficient system of making communication on quality of services.					
c)	The MFI enjoys strong core business competencies that are helpful in ensuring quality of services provided.					
d)	The institutions products and services are largely consumer orientated in that a variety exists to fit each class of client.					
e)	The organisation has an efficient framework of customer relations management that efficiently deals with customer complaints.					

In what other way does the firm implement the customer focus strategy as a tool of total quality management? Indicate in the space provided.

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.....

.....

EMPLOYEE ENGAGEMENT

7. In your own honest opinion, indicate the extent to which the following statements hold true with regard to the state of employee engagement in the organisation. Tick appropriately.

SCALE: 1) Not at all 2) Little Extent 3) Moderate Extent
4) Great Extent 5) Very Great Extent

		1	2	3	4	5
a)	The model of participatory decision making is well entrenched in the Micro Finance Institution					

b)	The institution has well established stakeholder empowerment programs to enhance the capacity of the workforce to deliver quality.					
c)	The organisation has established self-managing teams to cultivate teamwork among the workforce.					
d)	The institution has established structured suggestion systems to ensure all opinions are incorporated.					
e)	The entity has established a flattened organisational structure to enhance stakeholders' autonomy in dispensing their mandate.					

Highlight other means by which the organisation promotes employee engagement as a total quality management variable? Indicate in the space provided.

.....

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CONTINUOUS IMPROVEMENT

8. To what extent do you agree with the following statements regarding the condition of continuous improvement as a facet of TQM in the MFI? Tick appropriately.

SCALE: 1) Not at all 2) Little Extent 3) Moderate Extent
4) Great Extent 5) Very Great Extent

		1	2	3	4	5
a)	The institution has established and implements a strict quality assurance					

	policy.					
b)	The institution conducts regular process mapping to determine the key areas that need improvement.					
c)	The institution carries out root cause analysis on a regular basis to understand and address the principal causes of quality concerns or setbacks and guide improvement plans.					
d)	The Micro Finance Institution inculcates process ownership among stakeholders to motivate them in working towards achieving quality goals.					
e)	The organisation works towards reducing the turnaround time in providing services to clients.					

How else does the firm implement the continuous improvement under total quality management? Indicate in the space provided.

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.....

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SECTION C: ORGANISATIONAL PERFORMANCE

9i) Indicate the number of products that the MFI has introduced over the past five years.

	2014	2015	2016	2017	2018	Total
Number of new products						

ii) How many branches has the MFI introduced over the past five years?

	2014	2015	2016	2017	2018	Total
Number of new branches						

10. Use the space provided to indicate the innovative service and distribution channels that the MFI has adopted. Tick all relevant cases.

Agency Banking () Mobile Banking ()

Internet Banking () ATM Banking ()
 Regular Banking () Others State briefly

11. Rate the extent to which the TQM has enhanced customer satisfaction levels in your MFI.

1-Very low () 2-Low () 3-Average () 4-High () Very High ()

12 Rate the extent to which the MFI achieved cost efficiency over the past five years.

1-Very Poor () 2-Poor () 3-Average () 4-Good () Excellent ()

13. Indicate in the table provided the following dimensions of business performance in the MFI over the past 5 years.

	2014	2015	2016	2017	2018
Loans Clients					
Deposit Clients					
Loan Amounts disbursed					
Profits					
Returns on investment					

Thank You for Your Participation

Appendix Five: List of Deposit Taking MFIs in Nyandarua County

S/ No.	Name of the Micro Finance Institution
1.	Faulu Micro Finance Bank
2.	Kenya Women Finance Trust (KWFT)
3.	Sidian Bank (Formerly K-Rep Bank) –Micro Finance Section
4.	Small and Micro Enterprise Programme (SMEP)
5.	Real People Micro Finance
6.	BIMAS Micro Finance
7.	JuhudiKilimo Micro Finance
8.	Pamoja Women Development Programme (PAWDEP)
9.	Kenya Ecumenical Loan Funds (ECLOF)
10.	Musoni Micro Finance Bank Ltd
11.	Letshego Micro Finance

Source: *Association of Micro Finance Institutions of Kenya (AMFI-K) 2018*