

## Analysis of Determinants of Employee Engagement in Credit-Only Microfinance Institutions in Mount Kenya Region

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**Abstract:** Organizations have become increasingly aware of the need to involve people through participation, empowerment, better access, opportunities to career advancement and effective communication. It is a paradox that the valuable human resources are given less importance and attention during the wealth maximization process, yet they are the most important and valuable asset of every organization, hence organizations should prefer to maximize wealth through maximizing their human capital. It was noted that having engaged employees, who are well versed with the rough terrain of micro financing, is crucial to the success and continued high performance of these institutions. It is on this basis that the study sought to carry out an analysis of determinants of employee engagement in Credit-only MFIs. The objective of the study was to investigate the extent to which compensation, leadership, communication and career development opportunity determines employee engagement. The research was conducted in selected credit-only MFIs within Mt. Kenya region (Kerugoya, Meru and TharakaNithi Counties). The hypothesis tested in this study were: H1:H<sub>0</sub>, Compensation does not significantly determine employee engagement in credit-only micro finance institutions in Mt. Kenya region; H2:H<sub>0</sub>, leadership does not significantly determine employee engagement in credit-only micro finance institutions in Mt. Kenya region; H3:H<sub>0</sub>, Communication does not significantly determine employee engagement in credit-only micro finance institutions in Mt. Kenya region; H4:H<sub>0</sub>, Career development opportunity does not significantly determine employee engagement in credit-only micro finance institutions in Mt. Kenya region. This study was based on Adam's Equity theory, transformational leadership theory, social exchange theory, and Super's theory on career development. The theories were relevant in this study because they all address a common issue of how to strengthen the relationship that exist between employer and employee that determines employee engagement which is the central interest of the study. The study adopted a descriptive research design and cluster sampling technique. The population of this study consisted of 171 employees of 5 Credit-only MFIs from 3 counties within Mt. Kenya Region and the sample size was 87 respondents. Data was collected through questionnaires with open ended and closed ended questions to allow in depth understanding of the study. Out of the probable 88 respondents, 82 responded representing 94.3% of the target sample. Collected data was analyzed using statistical package for social sciences (SPSS) to generate descriptive and inferential statistics. Determinants of employee engagement in credit-only microfinance institutions in Mt. Kenya region were analyzed using multiple regression analysis. Hypothesis testing revealed that compensation, leadership and career advancement opportunities had a positive and significant effect on employee engagement in credit only MFIs. Communication was found to have positive but insignificant effect on employee engagement in credit only MFIs. The researcher recommended that MFIs should consider reviewing staff salaries and other benefits with the intention to enhance employee engagement. The MFIs should also come up with promotion policy or criteria that have to be communicated to all employees as it significantly affects employee engagement. This research also suggests that credit MFIs should revise their training and development policies to ensure fairness and accountability in their implementation. It also recommends that management of MFIs should provide financial support for further studies. The study suggests that future research could focus on the challenges credit-only MFIs face when implementing determinants of employee engagement.

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### I. Introduction

#### 1.1 Introduction

This study seeks to carry out an analysis of determinants of employee engagement in credit-only MFIs in Mt. Kenya Region. The factors include; compensation, leadership, communication and career development opportunities. This chapter highlights background of the study, the statement of the problem, objectives of the study, the research questions, the significance of the study, the limitations of the study, the scope of the study, assumptions of the study as well as the operational definition of variables.

## **1.2 Background to the Study**

The U.S. results of a semi-annual Employment Engagement Index indicated that only 29 percent of employees are actively engaged in their jobs (The Gallup Organization, Princeton, Coffman & Gonzalez-Molina, 2012). These employees work with passion and feel a profound connection to their company. Fifty-four percent of employees are not engaged these employees have essentially “checked out,” sleepwalking through their workday and putting time but not passion into their work (Gallup Organization et al, 2012). Seventeen percent of employees are actively disengaged. These employees are busy acting out their unhappiness, undermining what their engaged co-workers are trying to accomplish. In the wake of stiff competition, high labour turn over, mass retrenchment and economic crisis, there is a greater urgency for human resource professionals to focus more attention on not only retaining this conglomerate work force, but also keeping them actively engaged.

According to Gallup Organization et al (2012), the engaged employees work with passion and feel profound connection to their company, drive innovation and move the organization forward. Employees with the highest level of commitment perform twenty per cent better and are eighty seven per cent less likely to leave the organization, which indicates that engagement is linked to organizational performance (David, 2011). Employee engagement is derived from studies of morale or a group's willingness to accomplish organizational objectives which began in the 1920s. The value of morale to organizations was matured by US Army researchers during World War II to predict unity of effort and attitudinal battle-readiness before combat, thus the birth of the term employee engagement which is an individual emotional phenomenon defined as; Being positively present during the performance of work by willingly contributing intellectual effort and experiencing positive emotions and meaningful connections to others (David, 2011). There is a paradigm shift in human resource and management practices from job satisfaction, job selection, selection and recruitment process, to employee engagement and employee involvement. The human resource management aims at developing variety of competencies on employees and develops a work culture in the organization and utilizes these competencies in the organizational performance and growth (Human Resources, 2007). According to Swaminathan and Gowrishankar, (2010) engagement is much more than satisfaction, it is one of the HR interventions that are being used in many organizations to know the extent to which people value, enjoy, and believe in what they do.

Engaged employees are seen to be productive members of an organization who are psychologically committed to their role in the Organization. They are likely to stay longer in their organization, advocate its products and services and contribute to the overall success of an organization. The survey of various firms' says that, engaged employees generate forty three per cent more revenue (Hay Group, 2004). The disengaged workers cost the UK 44 Bn a year and the US \$270Bn-\$343Bn in lost productivity (Gallup, 1999). Gallup study found out that engaged employees have 2.7 sick days per year, rather than the 6.2 disengaged employees take, eighty seven per cent engaged employees are less likely to leave, sixty seven per cent of engaged employees advocate their organization while fifty nine per cent of engaged employees says, “Work brings out their most creative ideas” unlike the disengaged who view work as an exchange of time for a paycheck.

Organizations have become increasingly aware of the need to involve people through participation, empowerment, better access and opportunities to career advancement and proper ergonomics. A nation with abundance physical resources will not be benefited unless the human resources are effectively deployed and utilized to ensure they willingly employ and express themselves physically, cognitively and emotionally during their role performances.(Scott et al, 2014).Microfinance has been accepted globally as a tool for poverty alleviation and financial inclusion (Harris, 2007). These institutions indeed need to be self sustaining and this is even more critical in Kenya in which the microfinance sector is one of the most vibrant in Sub-Saharan Africa and includes a diversity of institutional forms and a fairly large branch network to serve the poor (Gitau, 2010). Micro Finance Institutions providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions. Their principal purpose was making small loans with interest for short periods. However they are often hit by high staff turnover as a result of disengagement of the work force, seriously affecting its internal capacity to maintain high productivity and competitive advantage (Martin, 2011). Achieving employee engagement is crucial to the success and continued high performance of any organization. But with budgets tighter than ever before, economic struggles and an increasingly stressful workplace for staff, it has become an increasingly difficult task.

Managers have been struggling with many challenges to succeed putting their company ahead of competitors (William, 2005). To help managers to manage their organizations effectively, different scholars, researchers and consultants have been contributing their part showing the best ways they think are useful to managers. Among those suggested are; employee empowerment where the employee is given the authority to take decisions within one's area of operations without having to get approval from anyone else and providing them with financial resources to implement these decisions. Second is communication which is the life-line of a modern industrial organization especially one that is large, complex and having its units at distant geographical locations. An effective institution is one that has open and transparent communication channels which allow free

flow of information, both horizontally as well as up-and-down the organizational hierarchy (Swaminathan, 2010). Third is team work where employees are encouraged to work in teams. In such an organization, employees are actively involved in solving day-to-day problems of the organization and share responsibility to achieve the goals of their department.

Fourth is training and development which refers to the provision of adequate facilities for training and overall development of the employees. Employees need training, from time to time, not only for efficient discharge of their current job responsibilities but also to prepare them to meet future challenges (Anitha's, 2014). Fifth is recognition, a practice of recognition and appreciation of employees who come up with creative ideas or those who are honest, sincere and hardworking. Regardless of whether recognition is accorded through monetary or non-monetary means, it is the act of recognition or appreciation that is valued by the employees. The other factor is leadership quality where it was found that, the most important part of the role of a leader is not what he does himself but what he causes other people to do. Senior managers and supervisors are, therefore, expected to motivate operational staff to put in their best efforts in pursuance of the organizational goals. To be able to do so, they must be objective, impartial and sympathetic in dealing with their employees, besides empowering them and providing timely feedback on how each of them is performing (Anitha's, 2014).

Decision-Making is another suggested way by Swaminathan, et, al (2010), through which employees can be engaged to work. Behavioral science research and OD experiments have shown that employees willingly support and implement decisions to which they themselves happen to be a party. An organization that empower and supports people down-the-line to take independent decisions within the sphere of their job responsibilities can, through such actions, create employee engagement, (Swaminathan, et, al, (2010). Work-Life Balance is also a way of getting employees engaged, for a vast majority of human beings, work constitutes the central life interest (CLI). But work, though central, is only one of the several interests that human beings pursue in life. When the demands of work hamper the pursuit of other life interests, it is likely to create a crisis and the resultant stresses and strains among the employees (Robinson, 2011). This is a clear indication that for an institution to attract and retain employees who are positively present during the performance of work and who will have no intent to leave, the management has a role to play.

According to Macey, (2008), financial institution managers explicitly agree that there are high demands for more efficiency and productivity than any other times in history. Businesses are determined to increase their performance more so credit-only microfinance institutions in order to achieve sustainable competitive advantage through offering quality services to the large population of low income earners who are their customers. It is a paradox that the valuable human resources are given less importance and attention during the wealth maximization process, yet they are the most important and valuable asset of every organization, hence organizations should prefer to maximize wealth through maximizing their human capital. Workers should not be treated as passive to be bought; increasingly they actively control their own working by choosing how and where they invest their talent, time and energy (Ford, 2013). One major reason attributed to this trend is that MFIs has been unable to attract experienced staff in this field, whereas the existing ones get disengaged and leave for greener pastures in other competitor organizations.

These knowledgeable workers cannot be managed with old styles of totalitarian management (David, 2011). They expect development opportunities, operational autonomy, fair pay and benefits, effective communication, appropriate leadership styles, job satisfaction and status. It is because of these facts that attention of managers is shifting towards employees' side of organizations. Managers' eye is on how to keep employees engaged in their job. Employers now realize that by focusing on employee engagement, they can create more efficient and productive workforce. Any initiatives of improvement which are taken by management cannot be fruitful without willful involvement and engagement of employees Coffman, (2006).

Micro-finance industry has become the central nervous system of the economy. It plays a vital role in the modern, social, economic and cultural development of the society by providing range of high quality, affordable financial services for low and medium income households (Gibran ,2013). People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks. In the absence of these services, poor people often have to rely on informal financial service providers which include using moneylenders, or borrowing from friends and family to access credit. In order for these MFIs to compete effectively they must ensure that employees are engaged for them to become more productivity.

### **1.3 Statement of the problem**

Achieving engaged employees, who are well versed with the rough terrain of micro financing, is crucial to the success and continued high performance of these institutions, (David, 2011). Nonetheless, credit-only micro-finance institutions are faced with a challenge of attracting, developing and keeping hundred engaged workforce with consistently high levels of performance, natural innovation and a drive for efficiency, intentional building of supportive efficiency, clear understanding about the desired outcomes for their roles,

emotional commitment to what they do, high energy or enthusiasm, and commitment to their organization, work group and job (HRM, 2016). According to Salome, et al (2014), there is high switching of best employees among institutions, where employees prefer some institutions over others and also some institutions are doing better than others in terms of productivity and profitability, whereas employees employed in those institutions are similar in terms of qualifications and competencies. The finding was in agreement with Mburu (2015), whose study focused on effects of human resource management practices on employee retention in MFIs in Kenya, who found out that there is a declining trend of employee engagement which explains the current increasing rates of staff turnover.

Employees are moving out of institutions and getting into others in search of better pay and benefits, effective communication where they clearly know what is expected of them and speedy responses provided to their grievances, better leadership that uphold healthy interrelationship between employees and leaders, and opportunities for developing their careers (HRM, 2016). Therefore this study carried out an analysis of determinants of employee engagement in credit-only Microfinance institutions in Mt. Kenya Region

## **1.4 Objectives of the study**

### **1.4.1 General objective**

The general objective of the study was to carry out an analysis of determinants of employee engagement in credit-only MFIs in Mt. Kenya Region.

### **1.4.2 Specific objectives**

- i. To investigate the effect of compensation on employee engagement in credit-only MFIs in Mt. Kenya Region.
- ii. To find out the effect of leadership on employee engagement in credit-only MFIs in Mt. Kenya Region.
- iii. To explore the effect of communication on employee engagement in credit-only MFIs in Mt. Kenya Region.
- iv. To examine the effect of career development opportunity on employee engagement in credit-only MFIs in Mt. Kenya Region.

## **1.4 Research hypothesis**

The following research hypotheses were formulated to be tested in the study:

H<sub>0</sub>, Compensation does not significantly affect employee engagement in credit-only MFIs in Mt. Kenya Region.

H<sub>0</sub>, Leadership does not significantly affect employee engagement in credit-only MFIs in Mt. Kenya Region.

H<sub>0</sub>, Communication does not significantly affect employee engagement in credit-only MFIs in Mt. Kenya Region.

H<sub>0</sub>, Career development opportunity does not significantly affect employee engagement in credit-only MFIs in Mt. Kenya Region.

## **1.5 Significance of the study**

The study is as an eye opener to credit-only MFIs managers and policy makers to assess the relative standing of their own business outcomes as a result of determinants of employee engagement as an indicator of global economic competitiveness. Institutions may learn the extent to which the determinants determine employee engagement in order to improve and engage their own, and to understand their own strengths and weaknesses in relation to determinants of employee engagement in order to identify areas of improvement. The study might give human resource practitioners deeper understanding and the awareness of the extent to which determinants influences employee engagement when developing policies and strategies to incorporate them. This may lead to engaged employee's hence low turnover, sustainable competitive advantage hence profitability in organizations which will grow the GDP of the country hence reflect on the country's economy. The study might also help potential employees become knowledgeable of the existence of various determinants of employee engagement, where when they get into employment they will know what is expected of them by the employer and what they expect as employees from the employer.

## **1.7 Limitations of the study**

Challenges envisaged in the research involved knowledge of the respondents on understanding, synchronizing and interpreting the credit-only microfinance industry and how employee engagement in credit-only microfinance institutions is influenced by compensation, leadership, communication and career development opportunities as the respondents working environment is in defined diverse credit-only microfinance operational units.

### **1.8 Scope of the study**

This study focused on credit-only microfinance institutions from 3 counties namely Kerugoya, TharakaNithi and Meru in Mt. Kenya region. Specifically the study was carried out in BIMAS, ECLOF, Greenland Fedha, Real People, and JuhudiKilimoMicrofinance institutions. The study was confined to office and field employees at the lower level (operational) of the organizations' management levels since they are the most affected.

### **1.9 Assumptions of the study**

The study assumed that respondents were cooperative and all information given by them was correct and true. The researcher also assumed that the sample was a representative of the target population and that the variables used did not change throughout the study period. The researcher further assumed that the instruments for data collection were valid and reliable in measuring the findings and answering the research questions.

### **1.10 Operational definition of Terms**

The following definitions are adapted to the study;

**Career** - Is individually perceived sequence of attitudes and behaviors associated with work-related experiences and activities over a person's life (Hall, 1976; Feldman, 1988)

**Career development** - Career development is the lifelong process of managing progression in learning and work ((Hall, 1976; Feldman, 1988).

**Communication** - It is the process by which information is intentionally or unintentionally exchanged between individuals (Nzuve, 2007)

**Compensation** - Refers to the rewarding of employees for service offered (Serena, Muhammad &Emran, 2012)

**Employee Engagement** – is a situation in which employees are fully involved in, and enthusiastic about their work, and thus act in a way that furthers their organizations' interests (Beslin&Reddin, 2004).

**Institution** - Establishment or organization created to pursue a particular type of venture and devoted to the promotion of a particular cause or program (Keith, 1994)

**Leadership** - It is the ability to influence the opinions, attitudes, and behaviour of others, (Nzuve, 2007)

**Microfinance Institution** – It's a financial institution specializing in banking services for low-income groups or individuals, by providing account services to small-balance accounts that would not normally be accepted by traditional banks, and offers the average transaction fees charged by mainstream financial institutions (Microfinance Act, Kenya 2006).

**Credit-only Microfinance** – Also known as non deposit taking institution, is an institution that has been issued a certificate of registration, prohibiting the acceptance of voluntary deposits from general public as stipulated in article 14 of the regulation (Microfinance Act, Kenya 2006)

## **II. Literature Review**

### **2.1 Introduction**

This chapter presents a critical review of experts' opinion on the area of study. It includes theories, past studies and empirical studies, summary of literature, gap of the study, conceptual framework and operational framework.

### **2.2 Theoretical review**

There are many factors that lead to Employee Engagement. Some of them identified are Career Development opportunities, Leadership, Empowerment, Image, Equal Opportunities and Fair Treatment, Performance appraisal, Compensation, Health and Safety, Job Satisfaction, Communication, Family Friendliness, Co-operation and Organizational policies. The current study reviewed only four that are among the considered critical by various studies to find out the extent to which they determine engagement of employees at work.

#### **2.2.1 The Meaning of Employee Engagement**

According to Macey (2008) employee engagement is the employees' willingness and ability to help their company succeed, largely by providing discretionary effort on a sustainable basis." According to the study, engagement is affected by many factors which involve both emotional and rational factors relating to work and the overall work experience. According to Kulnu and Sheldon (2010), employee engagement is the involvement with and enthusiasm for work. They liken employee engagement to a positive employees' emotional attachment and employees' commitment. David, (2011) define employee engagement as "a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. Therefore, the full engagement equation is obtained by aligning maximum job satisfaction and maximum job contribution.

The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.” This gives a clear insight that employee engagement is the result of two-way relationship between employer and employee pointing out that there are things to be done by both sides (Ford, 2013).

Traditional theories have focused on how employee’s engagement can be improved. (Mobley, 1992) Within these studies, several of the following factors have continued to surface in relation to engagement, showing that there are leading underlying factors that exist in influencing the employee’s enthusiasm for work. Job-related turnover includes employees who left the organization due to disengagement due to reasons that were somewhat within the control of the employer (Cortanz, 2008). Such factors would include dissatisfaction with working conditions, supervising conflicts, inappropriate communication style, salary discrepancies or lack of advancement opportunities which forms the variables of this study.

### **2.2.2. Compensation on employee engagement.**

Compensation is defined by Mondy (2010, p. 268–269) as the “total of all rewards provided to employees in return for their services,” the overall purposes of which are to attract, retain, and motivate employees. As compensation is comprised of both direct (any reward, usually in cash and stock, given in direct proportion to performance), and indirect (reward not related to performance and is given in the form of various benefits) an optimum combination of these elements is ideal to maximize influence on employee engagement and ultimately organizational competitiveness. Compensation are said to have a major influence on the employees’ conceptions of their employment relationship. According to Fernandez (2007) employee morale can be hurt by pay cuts because the employees view this as an insult that impacts their self worth and value to the organization. He has also substantiated the same regarding following market trends where if the base pay is not in accordance to the market rate, organizations may find that they are unable to attract and retain talent. According to Larkin and Larkin (2007), total rewards are critical to the organization’s overall recruiting, retention and engagement strategy. Often, employees decide to leave an organization because of a perceived imbalance or inequity in these non-financial rewards.

Most Admired Companies do not necessarily offer more rewards (financial and non-financial), but they do a much better job leveraging their total rewards communicating about them, getting people to understand their value, linking them to performance and providing tools to their managers to better utilize. Scott et al, (2014), have stated that higher levels of pay knowledge are associated with improved pay satisfaction and perceived pay effectiveness at the organizational level. The organization should have a proper compensation management system so that the employees can find job satisfaction and hence stick in the organization. According to Krishnan, (2012), the perceived satisfaction of pay, the procedures used to make compensation related decisions, and the manner in which compensation related information is communicated play an integral role in shaping reactions to critical elements of the compensation system. In today’s unstable marketplace, retaining your most seasoned and talented employees helps ensure your organization’s strength. It’s more important than ever to put strategies in place to avoid the overarching costs of employee turnover causes, and keep skilled, high-level producers motivated and engaged. Employees need to be compensated fairly in order to ensure their engagement at work.

### **2.2.3. Leadership on employee engagement**

According to Fiedler, (1964) leadership is a form of cross situational behavioral consistency. It is the manner in which a leader interacts with his or her subordinates. More specifically, dimensions of leadership depict the way in which a leader, attempts to influence the behavior of subordinates, makes decisions regarding the direction of the group and his or her balance between the goal attainment function and the maintenance function of the group. Leadership as a key factor in determining organizational success has been studied extensively in the past century in the management field (Schlddler, 2010). Current leadership theories indicate that leadership behaviors can be categorized into two main styles: transformational leadership and transactional leadership (Management Expert, 2009/2012). Transformational leadership is the most studied leadership style across disciplines. Transformational leaders are charismatic; they motivate subordinates and appeal to their ideals and moral values by creating and representing an inspiring vision of the future (Kruse, 2014).

This form of leadership involves the creation of an emotional attachment between leaders and employees. Podsakoff et al (1990, 1996) suggested six dimensions that define transformational leadership behaviour; identifying and articulating a vision, providing an appropriate model, fostering the acceptance of group goals, setting high performance expectation, providing individualized support, and promoting intellectual stimulation. Fostering the acceptance of group goals means promoting cooperation among employees and getting them to work together toward common goals. High performance expectation refers to leaders demonstrating their expectations for excellence, quality, and high performance for employees (Ehrhart, 2012). Providing individualized support means that leaders respect employees and attend to their personal feelings,

needs and well being. Intellectual stimulation refers to leaders stimulating employees to challenge their status quo and to think creatively, take risks, and participate intellectually (Harms & Crede, 2010).

Leadership has significant effect on employee engagement. There exist both the direct effect and interactive effect of leadership style on employees' organization identity, which in turn affects their loyalty. Managers should be aware of the advantages and disadvantages of different leadership styles as these may affect organizational commitment of employees and eventually, lead to disengagement of employees. An institution using leadership that does not embrace the six dimensions suggested by Podsakoff et al (1990, 1996) should be discouraged /avoided.

#### **2.2.4. Communication on employee engagement.**

According to Kim, Pan & Park, (1998, p. 137) "communication refers to ways of expressing oneself, to communication patterns that are understood." Rahim, (2005, p.69), communication is "a way in which individuals interact with and through symbols to create and interpret meanings." Communication is symbolic, symbols are the basis of language, much nonverbal behavior, and human thought. They can be arbitrary, ambiguous, abstract representations of other phenomena. Different people communicate differently. What you may not know is that these different ways of communicating are pretty much hard-wired into people and seldom reflect conscious choice. According to Nwagbara (2011), Communication style is simply a way or an approach via which messages are passed across from one person to the other. However, in doing this, "noise" might get in the way, which could affect the level and rate of mutual sense-making and sense-giving. Noise is traditionally known in communication studies as any impediment to get into what Fill (2006, p. 42) characterized as "realm of understanding". When both speaker and hearer understand themselves in a manner that brings engagement, understanding and collaboration rather than mere sending information from one point to the other, it is considered to be effective communication (Smith & Taylor, 2006). Thus, effective communication is the process in which intended meaning of what is being said is transmitted in way that the hearer makes sense of that.

Communication is influenced by the closeness of human relationships, well-structured social hierarchy, and strong behavioral norms. Internal meaning is usually embedded deep in the information, so not everything is explicitly stated in writing or when spoken. The listener is expected to be able to read "between the lines", to understand the unsaid, thanks to his or her background knowledge. Kim. Et al, (1998) emphasized that "a high-context communication or message is one in which most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, or transmitted part of the message".

Not surprisingly then, the styles of communication an institution employs as well as the manner in which those styles are carried out can have a large effect on both the process and results of employee job satisfaction and engagement in institutions. There is a relationship between communication and the level of engagement or disengagement of employees to their work which determines the rate at which employees leave or come into an organization (that is employee turnover) as well as their intension to leave an organization.

This is because effective communication can create an atmosphere of communication satisfaction that can foster highly engagement employee's hence low employee turnover intension. Also, effective communication is correlative of communicating tasks effectively in organization as well as vital in feedback, which is essential for mutual sense-making and sense-giving. This is also linked to making workers or employees' views to be heard. When everybody expresses their concerns about how organizations are run through effective communication and friendly work ethic, employees will be less willing to leave instead will be much engaged.

#### **2.2.5. Career Development Opportunity on employee engagement.**

Gibbons, (1995) refers career development as getting to be the best an individual can be and finding a place in an organization where they can express excellence and contribute to the goals of the organization. According to Leach (1977), career development involves concerted efforts directed towards assessing a workers' potentials identifying likely career paths for that employee and designing and implementing various forms of training and experience to prepare that person for more advanced job. Career development opportunity encompasses "vertical" issues such as promotions and upward mobility, but also "horizontal" movement (lateral job transfers) within the organization. Career development deals with the fundamental nature of the relationship of individuals to their work and employees to their organizations. A clearly defined plan of action prepares employees for the future and preserves an organization's ability to meet both existing and future needs. Today's employees are demanding more from their work in terms of fulfillment and personal satisfaction. They use words such as "empowerment" and "self development" in expressing demands.

When a firm takes on career development as a human resource function, such activity is called career guidance, which is composed of three sub-processes or steps: forecasting, planning and counseling. The first step is to identify the usual path of promotion (career ladder) within the organization. The second step is to estimate when and where job opening will occur and to identify liking candidates for these openings. As

explained by Leibowitz, et al (2007), career development has both personal and organizational dimensions. In organizational level, it is a planned programme designed to match individual and organizational needs. Examples of such programmes include – recruitment policy that encourages a full exchange of information between the applicant and the company prior to hiring; a promotion policy that considers the needs and objective of both the organization and the employee. Personal level career advancement allows for the changes in individuals as their work roles overlap with their social and family development. At this level, the employee and his family and their needs must be reckoned with by employers if they are to be successful in developing and hanging onto good employees. Workers want management to show interest in their career development, which would lead to increased productivity and greater commitment to organizational goals. Career advancement opportunities are an essential part of employee engagement. In fact, key driver analyses consistently show that career advancement is among most impactful way of engaging employees. Simply put, if peoples’ desire to make advancement in their own career is not fulfilled they will begin looking for work elsewhere. Opportunities to move up the career ladder often come down to availability of open positions waiting for someone to die or retire to move up in the company is a sad reality for many people. When promotions seem like a waiting game to employees, organizations are at risk of turnover and highly disengaged employees. In today's competitive environment, it is imperative that all organizations create a work environment which fosters growth and development. It is apparent this can be accomplished by implementing a Career Development Program in the workplace. This will enhance organizational loyalty among employees, result in higher levels of job satisfaction, fewer employee complaints, and hence highly engaged employees.

### **2.3 Theoretical Framework**

This section discusses theories that underpin the study.

#### **2.3.1 Adam’s Equity theory on Compensation and employee engagement.**

Equity theory was first developed in 1969 by J. Stacy Adams, a workplace and behavioral psychologist, who asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Adams, 1969). The theory focuses on determining whether the distribution of resources is fair to both relational partners. Equity is measured by comparing the ratio of contributions (or costs) and benefits (or rewards) for each person. Considered one of the justice theories, the belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the employee for the organization. John Stacey Adams' equity theory helps explain why when people feel fairly or advantageously compensated they are more likely to be motivated; when they feel unfairly compensated they are highly prone to feelings of disaffection and demotivation. Employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others. The belief in equity theory is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. Words like efforts and rewards, or work and pay, are an over-simplification - hence the use of the terms inputs and outputs. Inputs are logically what we give or put into our work. Outputs are everything we take out in return. Understanding Equity Theory - and especially its pivotal comparative aspect - helps managers and policy-makers to appreciate that while improving one person's terms and conditions can resolve that individual's demands (for a while), if the change is perceived by other people to upset the equity of their own situations then the solution can easily generate far more problems than it attempted to fix. The merit pay approach ensures pay for performance (Krishnan, 2012). It leads to job satisfaction hence employee retention and lowers labour turn over. This study sought to investigate the extent to which compensation determines employee engagement in credit-only MFI’s in Mt. Kenya region as it has been well stated in the theory.

#### **2.3.2 The leadership theories**

Theories are commonly categorized by which aspect is believed to define the leader the most. The most widespread one's are: Great Man Theory, Trait Theory, Behavioural Theories, Contingency Theories, Transactional Theories and Transformational Theories. The Great Man theory was developed by Thomas Carlyle, (1840s). The theory assumes that the traits of leadership are intrinsic. That simply means that great leaders are born, they are not made. This theory sees great leaders as those who are destined by birth to become a leader. The trait leadership theory developed by Ralph m. Stog dill, (1974), believes that people are either born or are made with certain qualities that will make them excel in leadership roles. That is, certain qualities such as assertiveness, dependability, persistence and adaptability, intelligence, sense of responsibility, creativity and other values puts anyone in the shoes of a good leader. The theory focused on analyzing mental, physical and social characteristic in order to gain more understanding of what is the characteristic or the combination of characteristics that are common among leaders.



The behavioral theories, (1940s-1950s), first divided leaders in two categories, those that were concerned with the tasks and those concerned with the people. The theories are classified as such because they focus on the study of specific behaviors of a leader. For behavioral theorists, a leader behavior is the best predictor of his leadership influences and as a result, is the best determinant of his or her leadership success. This behavior-focused approach provides real marketing potential, as behaviors can be conditioned in a manner that one can have a specific response to specific stimuli. In reaction to the trait leadership theory, the behavioral theories are offering a new perspective, one that focuses on the behaviours of the leaders as opposed to their mental, physical or social characteristics. Thus, with the evolutions in psychometrics, notably the factor analysis, researchers were able to measure the cause and effects relationship of specific human behaviours from leaders. From this point forward anyone with the right conditioning could have access to the once before elite club of naturally gifted leaders. In other words, leaders are made not born. Associated Theories include; the Managerial Grid Model / Leadership Grid theory by Blake, R and Mouton, J, (1964) and Role Theory by Merton, R. K (1920s).

The Contingency Leadership theory, (1960s), argues that there is no single way of leading and that every leadership style should be based on certain situations, which signifies that there are certain people who perform at the maximum level in certain places; but at minimal performance when taken out of their element. To a certain extent contingency leadership theories are extensions of the trait theory, in the sense that human traits are related to the situation in which the leaders exercise their leadership. It is generally accepted within the contingency theories that leader are more likely to express their leadership when they feel that their followers will be responsive. Associated theories include; Fiedler's contingency theory, Hersey-Blanchard Situational Leadership Theory, Path-goal theory, Vroom-Yetton-Jago decision-making model of leadership, Cognitive Resource Theory, and Strategic Contingencies Theory

Transactional leadership theories, also known as exchange theories of leadership, (1970s), are characterized by a transaction made between the leader and the followers. Precisely, the theory values a positive and mutually beneficial relationship. For the transactional theories to be effective and as a result have motivational value, the leader must find a means to align to adequately reward (or punish) his follower, for performing leader-assigned task. In other words, transactional leaders are most efficient when they develop a mutual reinforcing environment, for which the individual and the organizational goals are in sync. The transactional theorists state that humans in general are seeking to maximize pleasurable experiences and to diminish un-pleasurable experiences. Thus, we are more likely to associate ourselves with individuals that add to our strengths. Leader-member Exchange (LMX), by Dansereau, et al, (1975), is the theory associated to this generation of theories.

The Transformational Leadership theories, (1970s), states that this process is by which a person interacts with others and is able to create a solid relationship that results in a high percentage of trust, that will later result in an increase of motivation, both intrinsic and extrinsic, in both leaders and followers. The essence of transformational theories is that leaders transform their followers through their inspirational nature and charismatic personalities. Rules and regulations are flexible, guided by group norms. These attributes provide a sense of belonging for the followers as they can easily identify with the leader and its purpose. Associated theories; Burns Transformational Leadership Theory, Bass Transformational Leadership Theory and Kouzes and Posner's Leadership Participation Inventory. This study had specifically adopted transformational leadership which indicates the impact on employee's engagement when applied. Therefore this research sought to find out to what extent this kind of leadership determines employee engagement in credit-only MFI's in Mt. Kenya region.

### **2.3.3 The Social Exchange Theory on Communication and employee engagement**

Social exchange theory was developed by the sociologist George Homans, (1958) where he defined social exchange as the exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons. The theory proposes that social behavior is the result of an exchange process. The purpose of this exchange is to maximize benefits and minimize costs. According to this theory, people weigh the potential benefits and risks of social relationships. When the risks outweigh the rewards, people will terminate or abandon that relationship. Costs involve things that are seen as negatives to the individual such as having to put money, time and effort into a relationship. The benefits are things that the individual gets out of the relationship such as fun, friendship, companionship and social support.

Social exchange theory suggests that we essentially take the benefits and minus the costs in order to determine how much a relationship is worth. Positive relationships are those in which the benefits outweigh the costs while negative relationships occur when the costs are greater than the benefits. Therefore if employees perceive their relationship with organization as beneficial they will tend to be loyal to the organization and highly engaged, whereas if they perceive it as not beneficial they will be disconnecting from their responsibilities and eventually leave the organization. Fundamentally, relationship grows out of appropriate

communication and the functioning and survival of an organization is based on effective relationship among individuals or groups. This is why organizations should focus on applying appropriate and effective communication to build strong relationship with their employees which will get them to engagement. Communication also provides employees with important information about their jobs, organization, environment and each other. Communication can help motivate, build trust, create shared identity and spur engagement. This research sought to explore to what extent communication determines employee engagement in credit-only MFI's in Mt. Kenya region as the theory above implies.

#### **2.3.4. Super's Theory on Career Development Opportunity and employee engagement.**

Super (1957) and other theorists of career development recognize the changes that people go through as they mature. Career patterns are determined by socioeconomic factors, mental and physical abilities, personal characteristics and the opportunities to which persons are exposed. People seek career satisfaction through work roles in which they can express themselves and implement and develop their self-concepts. Career maturity, a main concept in Super's theory, is manifested in the successful accomplishment of age and stage developmental tasks across the life span. Self-concept is an underlying factor in Super's model: "...vocational self-concept develops through physical and mental growth, observations of work, identification with working adults, general environment, and general experiences....As experiences become broader in relation to awareness of world of work, the more sophisticated vocational self-concept is formed" (Zunker, 1994, p.30).

Super's contribution was the formalization of stages and developmental tasks over the life span: Growth stage; (Birth to 14 or 15 Years). Form self-concept, develop capacity, attitudes, interests, and needs, and form a general understanding of the world of work. Exploratory stage (15-24 years) "Try out" through classes, work experience, hobbies. Collect relevant information. Tentative choice and related skill development. Establishment stage (25-44 years) Entry skill building and stabilization through work experience. Maintenance stage (45-64 years) Continual adjustment process to improve position. Decline stage (65 years and above) reduced output, prepare for retirement.

Clearly, an organization must consider its overall direction and goals in order to assess the competencies that they need from their workforce to be successful. It is equally important that the organization take into account an employee's growth to succeed as an individual.

This can be made possible by developing career paths that enable employees to understand their options to grow in the organization and gathering the information to determine what skills they would need to achieve this. Career paths can entail promotions or lateral transfers. A solid career path program requires detailed job descriptions and support through management coaching. Management should encourage its employees to have a career plan that would guide them in their development stages as discussed in the theory above. The career plan includes an assessment of the "gaps" or training requirements. The career plan should be reviewed on an ongoing basis. This ensures that both the employee's and the organization's needs and objectives are adjusted over time. This will lead to a win-win outcome on both sides; retention of highly talented employees and sustainable competitive advantage for the institution. This study focused on examining to what extent career development opportunity determines employee engagement in credit-only MFI's in Mt. Kenya region.

#### **2.4 Empirical review**

Muhamad, et al (2014) did a study that tested and demonstrated empirically effect of compensation on motivation, organizational commitment on employee performance, motivation on organizational commitment and employee performance, organizational commitment on employee performance. The study population was employees who work at Local Apparatus Work Unit at Local Revenue Management in Kendari as many as 1,394 employees. Study samples were 126 employees that were selected by random sampling method with proportional area. Data analysis used was Structural Equation Model. The study results indicated that compensation has significant effect on motivation and organizational commitment, but does not have significant effect on employee performance. Organizational commitment and motivation have significant effect on employee's performance, as well as a significant effect of organizational commitment on employee performance. Motivation gives a strong effect on relationship between compensation and employee performance than between motivation and organizational commitment or through organizational commitment only. Employees' willingness to stay on the job largely depends on compensation packages of the organization. Employees are the organization's key resource and the success or failure of organizations center on the ability of the employers to attract, retain, and reward appropriately talented and competent employees.

Osibanjo (2014) carried out a study to examine the effect of compensation packages on employees' job performance and retention in a selected private bank in Ogun State, South-West Nigeria. A model was developed and tested using one hundred and eleven valid questionnaires which were completed by the employees. The results showed strong relationship between compensation packages and employees'

performance and retention. The summary of the findings indicates that there is strong correlation between the tested dependent and independent variables (salary, bonus, incentives, allowances, and fringe benefits). However, management and decision makers should endeavor to review compensation packages at various levels in order to earn employees' satisfaction and prevention of high labour turnover among the members of staff.

Rewards is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financial and non-financially. According to a study conducted by Serena, Muhammad and Emran, (2012) to examine the relationship between rewards and employee performance as well as to identify the relationship between extrinsic and intrinsic rewards. The study explored factors determining extrinsic and intrinsic rewards and their impact on employee performance and actions to influence the commercial banks for a consideration of a more systematic and structured approach to acknowledge employee's efforts which would in turn prosper high performance culture in commercial banks of Bangladesh.

Descriptive statistics based frequency tables and graphs were used in the study to provide information on demographic variables. The results were investigated in terms of descriptive statistics followed by inferential statistics on the variables. A total of 200 questionnaires were distributed to employees of the commercial bank and a total of 180 employees completed the questionnaire properly. The results indicate that there is a statistical significant relationship between all of the independent variables with dependent variables employee work performance and all the independent variables have a positive influence on employee work performance. From the literature reviewed on the effects of employee compensation and employee engagement, it is clear that compensation (pay and rewards) and employee engagement rates tend to correlate positively. To foster employee's engagement, compensation and benefits should be attractive.

Whereas the studies were conducted in commercial banks that are well established, the current study investigated the extent to which compensation determines employee engagement in MFIs most of which are in their formative stages. Also, previous employee engagement studies were mostly focused on the individual level but rarely from the standpoint of the business or firm which this study did.

Femi, F. (2014) did a study to examine the significant relationship between communication and workers' performance in some selected organizations in Lagos State, Nigeria. The objectives of the study were to determine the level of communication within an organization, to determine the impact of organizational communication on workers performance, to examine how communication influences workers productivity and to determine the extent to which communication affect the level of workers commitment. Data for the study were collected through questionnaire with sample population of 120 respondents. The result of this study reveals that a relationship exists between effective communication and workers' performance, productivity and commitment. The study recommended that managers will need to communicate with employees regularly to improve workers commitment and performance.

Moghimi, et al, (2013) conducted a study to evaluate the communication skills of managers and job performance of employees in the fire department in the city of Rasht. The study population consisted of all employees in the organization. Data was collected from 100 respondents. Questionnaires were used to collect data (communication skills, performance management and career). Applied research was used because applied research aimed at developing knowledge in a particular field is applied. Also, the study was based on survey data collection, because the survey question response time is concerned. This study was based on the nature of the data, quantitative research was used. The study found out that the managers use negative remarks on their juniors. Based on the results the study recommended for attention to the training of managers to obtain more effective communication skills and hence improve the performance of the employees within the organization. Communication style, in today's organizations has not only become far more complex and varied but has become an important factor for overall organizational functioning and success. The way the organization communicates with its employees is reflected in morale, motivation and performance of the employees.

Kirti (2014) conducted a study on the effective organizational communication: a key to employee motivation and performance. The objective of the study was to explore the inter relationship between communication and motivation and its overall impact on employee performance. The paper focused on the fact that communication in the workplace can take many forms and has a lasting effect on employee motivation. If employees feel that communication from management is effective, it can lead to feelings of job satisfaction, commitment to the organization and increased trust in the workplace. This study was conducted through a comprehensive review and critical analysis of the research and literature focused upon the objectives of the paper.

It also enumerates the results of a study of organizational communication and motivational practices followed at a large manufacturing company, Vanaz Engineers Ltd., based at Pune, to support the hypothesis propounded in the paper. The methodology used was interviews of the employee's of Vanaz Engineers Ltd and communication efforts recording sheets given to them. From the analysis of the information received, it was found that Vanaz implements various effective organizational communication practices which contribute a lot to

motivate its employees and increase their performance and loyalty towards the organization. The reviewed literatures on communication concurs that effective communication in organization increases employee engagement, office atmosphere leading to high productivity, hence decreases employee turnover. This study too has the same opinion. The previous studies conducted were on general organizations within a state or a region in a country. This study was conducted on a specific population that is Micro Finance institutions which are receiving nearly similar treatment and conditions of work. The current study was more specific to analyze the extent to which communication determines employee engagement in credit-only MFIs.

Rochelle, (2013) conducted a study to determine the effect of leadership styles on employee job satisfaction and job performance. The study was conducted by administering questionnaires to 400 respondents in the banking sector in Uganda. The results showed that most of the bank employees, most of them females between 20 and 39 years old, are neither satisfied nor dissatisfied they are ambivalent. Transformational leadership was seen to have a positive effect on various facets of employee job satisfaction. Transactional leadership also turned out to be perceived as having a positive effect on different facets of employee job satisfaction. So did laissez-faire leadership.

Employee job satisfaction was seen to have a positive effect on the various aspects of employee job performance analyzed. It was found that leaders and managers combine the various leadership styles identified in the research paper in proportions that produce a positive result when administering their leadership duties. The proportions at which these leadership styles are combined depend on the nature of the situation they encounter in the workplace.

According to a study done by Men, L. R. (2012), on measuring the impact of leadership style and employee engagement on perceived organizational reputation. The study used quantitative survey method, because it provides a cost-effective and efficient way of collecting data from large populations. The on-line questionnaire was adopted as the technique for data collection due to its advantages of low cost and high speed in sending and returning information. The population of the study was 700 randomly selected employees from diverse work units of a Fortune 500 company in the United States. A total of 166 employees completed the on-line survey with a response rate of 23.7%. Specifically, the variables of the study were; leadership, employee's engagement, and employees' perception of organizational reputation. The results showed that transformational leadership positively influences employee's perception of organizational reputation, not only directly but also indirectly, through empowering employees.

Transactional leadership represented by contingent reward behavior has a significant negative direct effect on employees' perception of organizational reputation. Transformational leaders are more likely to delegate power to employees and involve them in decision making than transactional leaders. Employees who feel more empowered in terms of competence and control tend to have a more favorable evaluation of organizational reputation.

According to study done by Timothy, Andy, and Victoria, (2011) investigating the effects of leadership on organizational performance in small scale enterprises. The major objective was to determine effect of leadership on performance in small scale enterprises. Transformational and transactional leadership were considered in this study. Transformational leadership behaviours and performance/outcome considered relevant in the study were charisma, inspirational motivation and intellectual stimulation/individual consideration; and effectiveness, extra effort and satisfaction, respectively.

Transactional leadership behaviours and performance/outcome variables were constructive/contingent reward and corrective/management by exception; and effort, productivity and loyalty/commitment, respectively. The study followed a survey design, and employed evaluative quantitative analysis method. Analysis was based on primary data generated through a structured Multifactor Leadership Questionnaire (MLQ) administered on respondents. From the study by Timothy et al, (2011), responses to research statements were scaled and converted to quantitative data via code manual developed for the study to enable segmentation of the data responses into dependent and independent variables based on leadership behaviours and associated performance variables. OLS multiple regression models were specified, estimated and evaluated.

The result showed that while transactional leadership style had significant positive effect on performance, transformational leadership style had positive but insignificant effect on performance. The study concluded that transactional leadership style was more appropriate in inducing performance in small scale enterprises than transformational leadership. Therefore, recommended transactional leadership style for the small enterprises with inbuilt strategies for transition to transformational leadership as the enterprises developed, grew and matured. The previous studies conclude with a discussion of the implications of the findings to academic researchers and practitioners. There exist both the direct effect and interactive effect of leadership on employees' organization identity, which in turn affects their engagement. The existing reviewed literatures were conducted on major established companies of banks where resources are adequate and leadership styles are dictated from the main head office. Credit-only MFIs are organizations that are in their formative stages hence

evidence of labour turnover as a result of disengagement employees is prevalence. The study therefore analyzed the extent to which leadership style determines employee engagement in credit-only MFIs.

Workers in contemporary society are expressing a strong desire to pursue more than just a job. They are looking for employment opportunities that promise an extension of their interests, personality and abilities. Then want a variety of things from their jobs besides a pay cheque and a few fringe benefits, and their loyalty to the organization depends upon the degree to which their employer satisfies these wants. This study examined the relationship between career development and employee commitment in industrial organizations, in Calabar, Cross River State, Nigeria. Data was obtained through structured questionnaire. Three hypotheses were tested using Pearson Product Moment Correlation. Findings revealed that, career advancement, career counseling and career opportunities significantly influence workers commitment. The study recommended among others that, a comprehensive career development programme should be adopted by management. Today's employees are more careers conscious than ever. They are demanding more in terms of personal growth and development. Organizations that fail to allow employees to meet their individual needs will be losing valued employees.

Robert (2014) conducted a study to examine the role and importance of Career Development Programs in developing and retaining employees. Data was obtained on 100 police officers who resigned in October 2005 to April 2014. Results revealed that over 90% of the respondents found that career advancement enhance job performance, help employees use personnel systems more effectively, and improve the utilization of available talent. Lack of career advancement after training in Bank of Uganda is an area of great interest and concern. The lack of career advancement affects motivation and performance. Sarah (2010) conducted a study on Career advancement and staff motivation at the Bank of Uganda.

The objectives of this study were to assess career advancement after training, identify constraints to career advancement, assess the level of motivation among trained personnel, establish strategies to minimize constraints to career advancement and assess the effect of career advancement on motivation. The study employed a case study research design. Instrument used were questionnaires and face-to-face interview guides. Respondents for the self administered questionnaires were picked through cluster sampling. Purposive sampling was employed for key informants who were subjected to face-to-face interviews; data analysis was done using percentages. The study revealed that among other things, low chances of promotion after training seem to point to the irrelevance of training to promotion. A marked lack of opportunities regarding career paths was revealed.

The study revealed that although Bank of Uganda recognized skills and accomplishments after training, staff at levels do not benefit from career advancement after training. The study also revealed that career advancement had a highly significant effect on motivation. The study has recommended among other things, that Bank of Uganda improves the relationship between training and promotion through a more flexible structure and new reward system. Previous research studies discovered that employees who have been trained by their company will leave if they do not see any chance to advance. On the other hand, workers who see a career opportunity within the organization will stick around. This is in agreement with Kraimer, Seibert, Wayne, Liden, and Bravo (2011) who argued that lack of career advancement lead to low morale which lead to disengagement on best and experienced employees who eventually leaves for greener pastures. The current study therefore investigated the extent to which career development opportunities determines employee engagement.

## **2.5 Summary of Literature**

The review of literature of theoretical and empirical led to the systematic identification, location and analysis of documents containing information related to employee engagement and how it is influenced by certain variable which includes; employee compensation, transformational leadership, communication and career development opportunities. The chapter was reviewed on the following themes; employee engagement, Compensation (Financial and Non-Financial Compensation), leadership, Communication and Career Development Opportunity. The review helped to avoid unnecessary and unintentional duplication and also avoided mistakes that have been made in other studies. The study therefore used a representative sample to explore relationships between the variables to determine reasons or causes for the current status of the phenomenon under study. This ensured in-depth information on the extent to which determinants influence employee engagement in credit-only MFIs in Mt. Kenya region.

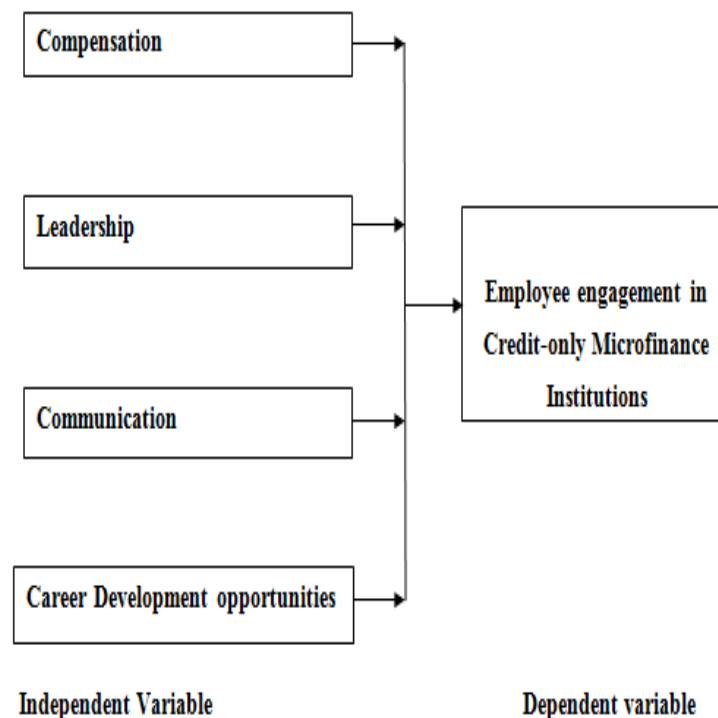
## **2.6. Study Gaps**

The reviewed literatures in this thesis revealed the in-depth analysis of variables related to the current study. The reviewed studies were conducted on various organizations in the world which included financial and non-financial units. However from the available published studies, there was none that was conducted and as integrative as was recommended in this study as to analyze the determinants to find out the extent to which they determine employee engagement in credit-only microfinance institutions. This research therefore conducted a study on the analysis of determinants of employee engagement in credit-only microfinance institutions, a survey

study of credit-only microfinance institutions in Mt. Kenya Region involving; compensation, leadership, communication and career development opportunity (independent variables). The current research found that leadership, compensation and career advancement opportunities had a positive and significant while communication had positive but insignificant influence in employee engagement and this is how the knowledge was filled.

### 2.7 Conceptual Framework

According to Miles and Huberman, (1994), a conceptual framework is “a written or visual presentation that explains either, graphically, or in narrative form, the main things to be studied, the key factors, concepts or variables and the presumed relationship among them”. The diagram below presents a schematic diagram indicating the independent and dependent variable of the proposed study.



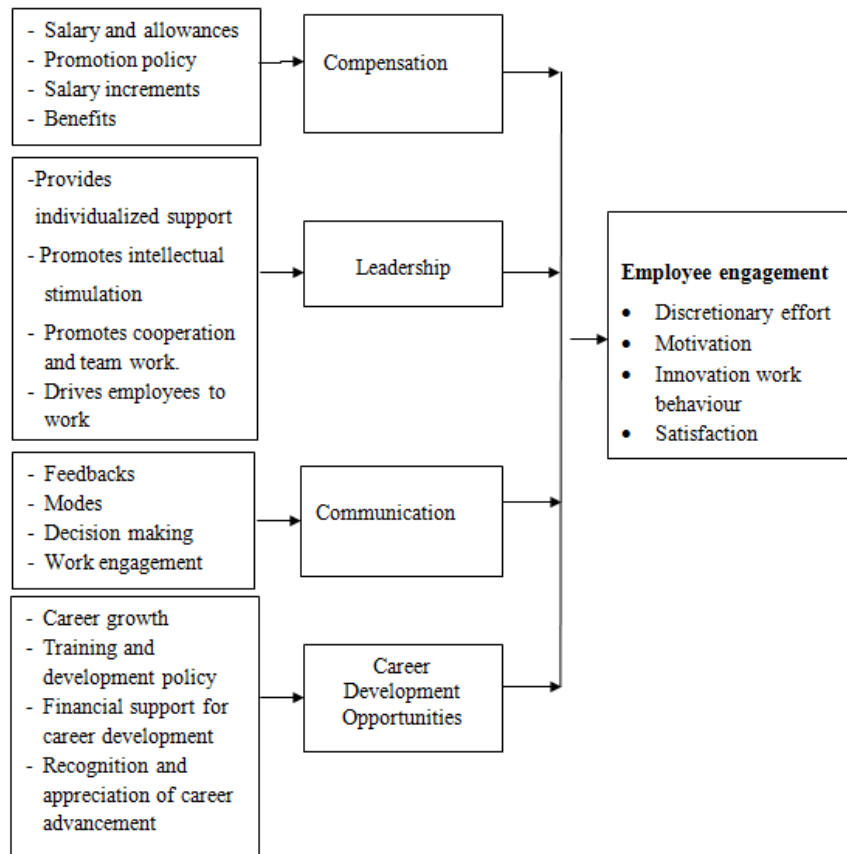
**Figure 2.1** Conceptual Frame Work

**Source: Author (2017)**

An Independent variable is a predictor or explanatory variable that can be controlled, and is not dependent on other variables. A dependent variable is a criterion or a variable expected to be predicted or explained by another variable, (Waller, 2011). Therefore study results depicted that there exists a significance correlation that is, the independent variables (compensation, leadership, communication and career development opportunity) have a positive and significant influence on dependent variable employee engagement in credit-only MFIs.

### 2.8. Operational Framework

Based on the conceptual framework, a pictorial representation that indicates how the independent variables have been measured is shown on figure 2.2 an operational framework.



**Figure 2.2** Operational Frame Work

Source: Author (2017)

An operational framework is defined as the elements that indicates how ideas work together as a whole (Philip,2013). The framework worked as a guide to the researcher in designing the research questionnaire. The Likert scale's questions in the research instrument were derived from the four parameters in each of the independent and dependent variables. From the literature review, there is sufficient literature that better explains the significance of compensation, leadership, communication and career development opportunities on employee engagement and that they had autonomy of relationship to each other. This meant that they were a good fit to their requirements of the current study.

### III. Research Methodology

#### 3.1 Introduction

Research methodology is the framework that presents a systematic flow of the entire design of the research process. It refers to the system of methods or procedures used in sampling and collecting data required for a particular research. This section describes research design, target population, sampling design and sample size, data collection methods, validity and reliability of research instruments and data analysis technique.

#### 3.2 Study design

This was a descriptive research study designed to gather data that was to be analyzed in order to answer questions about the extent of relationship between variables in consideration. The variables being observed were not to be controlled; rather they were to be reported as they were. This is according to Collin, (2002), who states descriptive research design involves fact finding by explaining the state of affairs as it exists currently. It also integrated quantitative methods, whose aim was to classify features, count them and construct statistical models in attempt to explain what was achieved, (Miles and Huberman, 1994).

#### 3.3 Target Population

The study was confined to 171 employees from 15 branches of 5 credit-only MFIs from the three counties in Mt. Kenya region who formed the target population. Mt. Kenya region was selected since it has a significant portion of credit-only MFI's comprising of 18 out of 30 in Kenya which is 60% (AMFI, 2015).The

region has 9 counties; Tharaka-Nithi, Meru, Nyeri, Laikipia, Murang'a, Kiambu, Nyandarua, Embu and Kirinyaga). The three counties out of the nine considered in the current study were categorically selected since they host the five credit-only MFI's that provide agricultural retail credit services to farmers, small and micro enterprises and other low-income households that the researcher was interested in. The main subjects in the study were categorized into field staff and office staff who are employees at the operational level. Model credit-only MFIs had 129 field staff and 42 office staff employees.

**Table 3.1** Sample Frame

MFI	Office Staff	Field Staff	Total Number of Employees
GreenLandFedha	12	21	33
JuhudiKilimo	6	24	30
BIMAS	7	26	33
ECLOF	11	28	39
Real People	6	30	36
Total	42	129	171

(Source: Human Resource Managers)

### 3.4 Sampling Design Method and Procedure

The study involved probability sampling method to enable each employee in the population has a known likelihood of being included in the sample. A sample is defined as a section of population which is usually selected and used as a fair representative of the entire population (Kothari 1985). The purpose of sampling was to manage cost, time, physical impossibility of delivering questionnaires to all employees in the population, and at the same time secure a representative group which enables the researcher to gain accurate information about the population Kothari, (2004). The study assumed that the sample taken would have the same characteristics as those of the whole population. Once the target population was obtained cluster sampling technique was used where employees were placed into sub groups based on the area of operation that is employees working in the office and at the field. Once the categories were established, a proportionate sample size was selected through simple random sampling technique where employees were proportionately randomly picked in each of the strata. This is to facilitate a sample size of each stratum to be proportionate to the population size of the stratum when viewed against the entire population (Kothari, 2004).

### 3.5 Sample Size

According to Mugenda and Mugenda (1999), at least 30% of the cases per group are required for research; it is diverse, representative and enables the study to be generalized to the general population. The targeted population was not very large the study therefore used a sample size of 50 percent of the target population to obtain low sampling error, high confidence level, and greater level of variability with 0.5 being the highest value (Smith, 2013). The higher the sample size, the more correct it was and the lower the sampling error it was. Simple random sampling was employed to determine which employees were involved in the study. To get respondents proportional to the size of the cluster, a formula was used (Kothari, 1985, 63) where,

OS – Proportion of population in office staff cluster.

SOS – Represents sample size to be drawn from the office staff population  $(50/100 \times 42) = 21$

NO – Total Population (Office Staff) = 42

GOS - Greenland Fedha office sample size.  $GOS = SOS \times OS / NO \dots (21 \times 12 / 42) = 6$

JKOS – Juhudi Kilimo office sample size.  $JKOS = SOS \times OS / NO \dots (21 \times 6 / 42) = 3$

BOS – Bimas office sample size.  $BOS = SOS \times OS / NO \dots (21 \times 7 / 42) = 4$

EOS – Ecluf office sample size.  $EOS = SOS \times OS / NO \dots (21 \times 11 / 42) = 6$

RPOS – Real People office sample size.  $RPOS = SOS \times OS / NO \dots (21 \times 6 / 42) = 3$

SF – Proportion of population in field staff cluster.

SFS – Represents sample size to be drawn from the field staff population  $(50/100 \times 129) = 65$

NF – Total Population (Field Staff) = 129

GFS - Greenland Fedha office sample size.  $GFS = SFS \times OS / NF \dots (65 \times 21 / 129) = 11$

JKFS – Juhudi Kilimo field sample size.  $JKFS = SFS \times OS / NF \dots (65 \times 24 / 129) = 12$

BFS – Bimas field sample size.  $BOS = SFS \times FS / NF \dots (65 \times 26 / 129) = 13$

EFS – Ecluf field sample size.  $EOS = SFS \times FS / NF \dots (65 \times 28 / 129) = 14$

RPFS – Real People field sample size.  $RPFS = SFS \times FS / NF \dots (65 \times 30 / 129) = 15$

**Table 3.2** Sample Size



MFI	Office Staff Target Population	Sample size	Field Staff Target Population	Sample size	Total Sample Size
GreenLandFedha	12	6	21	11	17
JuhudiKilimo	6	3	24	12	15
Bimas	7	4	26	13	17
Eclof	11	6	28	14	20
Real People	6	3	30	15	18
<b>Total</b>	42	22	129	65	87

(Source: Human Resource Managers)

### 3.6 Data collection instruments and Technique

The primary data was collected through questionnaire to enable the study obtain original information from respondents. Questionnaires have the potential of yielding the highest quality of data compared to other methods. Copies of the questionnaires were made based on the computed sample size. To achieve high response rate, pre-arrangements was made with the prospective respondents through booking of appointment during the working hours. The researcher administered the questionnaires to all the targeted respondents in the study and a period of three weeks was stated on when to complete them. Follow-ups were made to ensure collection of the questionnaires on time as well as assisting respondents in case of any difficulties encountered in the completion of questionnaires. The researcher maintained a register of incoming and outgoing questionnaires in bid to ensure that all issued copies of questionnaire are received back. The whole information given by each respondent was put together and recorded down accordingly for interpretation and analysis.

### 3.7 Test of Reliability and Validity

#### 3.7.1 Validity

The research instrument in this study was validated in the following ways; the researcher ensured that the questions were phrased appropriately, went through the instrument to make sure that it contains all the information that are needed to answer the objectives of the study. Secondly, validity of the questionnaire was obtained by presenting it to two professional people because according to Mittal (2010) content and construct validity is determined by expert judgment. Thirdly, the instrument was validated through pretesting and the responses from the respondents used to improve the items. It was hoped that draft instruments for data collection was thus validated.

#### 3.7.2 Reliability of Research Instruments

It is important for questionnaire to be reliable for it to measure consistently. Reliability of the instruments was obtained by using the test- retest reliability. Adeyemi (2007) argue that for most educational research, stability of scores over a sufficient period is usually viewed as sufficient evidence of test-retest reliability. Therefore the study pre-tested and re-tested the instruments on a small number of employees in similar MFIs but not part of the selected MFIs in an interval of three weeks. The responses were used to compute the reliability for multi-item opinion questions using SPSS computer soft ware.

According to Andres, (2012) if the value is above the recommended reliability of 0.7, then it shows strong reliability of the research instrument.

### 3.8 Data Analysis and presentation.

#### 3.8.1 Data Analysis.

According to Marshal and Rossman (1999), data analysis is the process of bringing order, structure and interpretation to the mass of collected data. The data collected was sorted, edited, coded, cleaned and processed using Statistical Package for the Social Sciences (SPSS v23). Sorting entailed re-arranging the collected data from the questionnaires to bring some sort of order, and ease handling and storage. Editing was done by reading through the questionnaires to spot inconveniences in data collected. Coding was done by the use of numbers to the levels of each variable. Data entry involved actual keying of data according to the designated codes. Cleaning was conducted as a final check on the file for accuracy, completeness and consistency. Descriptive statistics was used to analyze the data through computing of mean, median, mode, standard deviation, percentages, pie charts and tables.

The Normality of Employee engagement as a dependent variable was determined using a histogram and a Q-Q plot. This helped to check whether data provided by the dependent variable was normally distributed. A normal test is used to fit a multiple regression model and for the fit to be done, the dependent variable should be normally distributed (Hussey & Hussey, 1997). In addition, multiple regression analysis was used to establish the relationship between the independent variables and the dependent variable.

A regression model shown below was adopted:-

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

Where:

Y = Employee engagement

$\beta_0$  = Constant (coefficient of intercept)

$X_1$  = Compensation

$X_2$  = Leadership

$X_3$  = Communication

$X_4$  = Career development opportunities

$\beta_1, \beta_2, \beta_3, \beta_4$  = Coefficients independent variable

$\alpha$  = Error term

The error term represent either all the factors that affect the dependent variable but are not included in the model because they were difficult to measure or others that the researcher was not aware of.

In addition the significance level of the independent variables was tested using Fischer distribution test also called F-test. The significance of the overall model was determined from a 5 percent significance level. The p-value for the F-statistic was applied in determining the robustness of the model. The conclusion was based on the basis of p value where if the p-value was less than 0.05 then it was concluded that the model was significant and had good predictors of the dependent variable and that the results were not based on chance. If the p-value was greater than 0.05 then the model would not be significant and could not be used to explain the variations in the dependent variable. T test was also done to establish whether the independent variables were significant and conclusion were based on the basis of p value at 95% confidence level. The data was presented using distribution tables for easier understanding.

### 3.8.2 Data Presentation

SPSS (a computer software) permitted the summing up of information (e.g. calculate standard deviations and means) and graph output (e.g. pie chart, etc.) (Saldana, 2009). The results were presented in graphical and tabular manner. Graphs were used in order to show the different statistical result of the study from the result of the questionnaire. This was helpful in order to present the result of the study in easier and understandable manner. It also made the process of explaining the entire result easy, intensive and in an in-depth manner, because the graph itself can explain. Pie charts were also used in the study. On the other hand, tabular presentation or the use of the table was also helpful in order to summarize and report the result of the study.

### 3.9 Ethical Considerations

Introduction letter as a confirmation that the study was legitimately undertaken was sought from the university. Information sheet seeking respondents' permission to be part of the study was given to all the respondents. The reason for carrying out the study was also disclosed to the respondent as purely meant to satisfy an academic requirement and not for any other reasons. Confidentiality of the information provided was maintained and privacy was accorded that is the respondents' names was not required instead codes were assigned for every copy of the questionnaire.

## IV. Data Analysis, Presentation Of Findings And Interpretation

### 4.1 Introduction

Chapter four contains data analysis, interpretation and presentation of findings. The broad objective of the study was to carry out an analysis of determinants of employee engagement in credit-only MFIs in Mt. Kenya Region. Questionnaires were used to collect data from the respondents in credit-only MFIs in Mt. Kenya Region. Data was coded, analyzed and the results obtained using descriptive and inferential statistics guided by the research objectives and hypothesis. The findings were presented in form of frequency tables and their implications explained. Multiple regression analysis was used to determine the extent of the relationship between the dependent and independent variables.

### 4.2 Response Rate

Out of the 87 respondents targeted by the study, 82 responded giving a response rate of 94.3% of the target sample as shown in Table 4.1 below

**Table 4.1: Response Rate**

Frequency	Percentage (%)
-----------	----------------

Responses	82	94.3
Missing questionnaires	7	5.7
Total	87	100

Source: Research Data (2017)

### 4.3 Validity and Reliability

To test the validity a pilot study was conducted to find out if the respondents could answer the questions without difficulty. Respondents in the pretest were asked to evaluate the questions for relevance, comprehension, meaning and clarity. The research instrument was modified on the basis of the pilot test before administering it to the study respondents. In addition, the data collection instrument was subjected to an examination by a panel of experts who were asked to review the instrument to ascertain its validity.

Cronbach's alpha was used to test reliability of the data collection instrument. The Cronbach alpha coefficient cut off of 0.7 and above was recommended as a strong measure of reliability. Pilot test of this study gave a Cronbach's Alpha coefficient of 0.713 as shown in Table 3.4 below.

**Table 4.2** Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.713	.715	12

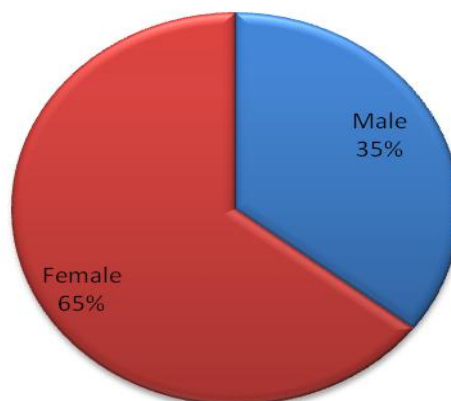
Source: Researcher 2017

### 4.4 General and demographic information

The research sample consisted of 87 respondents drawn from 5 credit-only MFI's operating in Murang'a, Nyeri and TharakaNithi counties. This section provides the results of the data analysis of the study and the interpretations of the general and demographic information such as gender, age category, level of education, terms of services among others. The results of the findings are discussed below:-

#### 4.4.1 Response by Gender

The study sought to establish the gender composition of the respondents



**Figure 4.1:** Gender

Source: Research Data (2017)

From Figure 4.1, the results indicate that 35.4% of the respondents were Male while 64.6% were female. This is an indication that majority of the respondents were female as compared to their male counterparts.

#### 4.4.2 Age category

The age category of the respondents was also sought by this study.

**Table 4.3** Age category

	Frequency	Percent (%)
Less than 20 year	8	9.8
20-30 year	41	50.0
31-40 year	19	23.2
41-50 year	10	12.2
Above 50 year	4	4.9
Total	82	100.0

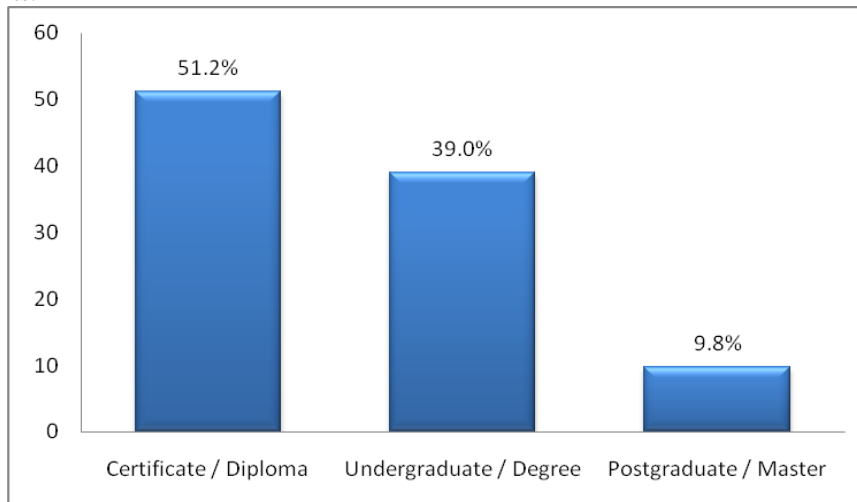
Source: Research Data (2017)

The study revealed that 9.8% were below 20 years, 50.0% were aged between 20-30 years, 23.2% were aged between 31-40 years, and 12.2% were aged between 41-50 years while 4.9% were above 50 years. This is

an indication that majority of the respondents working with the institution are aged between 20-30 years. This may be attributed to the recent recruitment drive that has taken place in Credit only MFIs after opening branches in Mt. Kenya region.

**4.4.3 Level of education**

The study sought to establish the level of education of the respondents. Table 4.3 presents the academic profile of the respondents.



**Figure 4.2:** Level of education

Source: Research Data(2017)

The findings indicates that, 51.0% of the respondents were Certificate / Diploma holders, 39.0% were Degree holders while 9.8% were master degree holders. This is an indication that majority of the employees working in Credit only MFIs are either Certificate or Diploma holder being a clear indication that majority of the respondents were able to understand the questions well and were capable of giving reliable responses. There is also a clear indication that through career advancement opportunities some respondent are bachelor degree and master degree holders.

**4.2.4 Work experience**

The study sought to establish the period under which the respondents have worked with the credit only MFIs. This was meant to establish whether the respondent can articulate the issues in this study relating to credit only MFIs employees engagement. The results are as shown in Table 4.3

**Table 4.4** Years of experience

	Frequency	Percent (%)
Less than one year	8	9.8
1-5 years	41	50.0
11-15 years	22	26.8
Above 15 years	11	13.4
Total	82	100.0

Source: Research Data(2017)

From Table 4.3, the results indicate 9.8% have worked with credit only MFIs for a period less than one year, 50.0% for a period of 1-5 years, and 26.8% for a period of 11-15 years while 13.4% have worked for more than 15 years. This is an indication that majority of the respondents have worked with the credit only MFIs for a period of 1-5 years which is an adequate period for the respondent to familiarize with credit only MFIs operations.

**4.4.5 Terms of service**

The study sought to establish the terms of service of the respondents working with credit only MFIs

**Table 4.5:** Terms of service

	Frequency	Percent (%)
Contract	14	17.1
Permanent	68	82.9

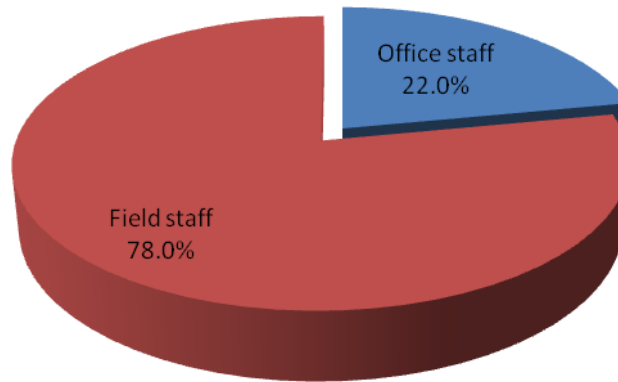
Total	82	100.0
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Source: Research Data(2017)

From Table 4.4, the results indicate 17.1% of the respondents were on contract while 82.9% were on permanent basis. This is an indication that majority of the respondents who work with credit only MFIs are permanent though a number of them are on contract.

**4.2.6 Work station**

The study sought to establish the work station of the respondent



**Figure 4.3:** Work station

Source: Research Data (2017)

From Figure 4.3, the results revealed that 22.0% of the respondents were Office staff while 78.0% of the respondents were Field staff. This is an indication that most of the respondents from credit only MFIs were Field staff.

**4.3 Descriptive Statistics for the independent Variable**

The study sought to establish how the respondents would rate determinants of employee engagement. The respondents were required to rate the importance of each factors in a scale of one to five. Descriptive statistics were generated using SPSS and results were discussed

**4.3.1 Compensation and employee engagement**

Compensation is defined as the total of all rewards provided to employees in return for their services. It comprises of both direct (any reward, usually in cash and stock, given in direct proportion to performance), and indirect (reward not related to performance and is given in the form of various benefits). The study sought to establish the extent to which factors of compensation affects employee engagement in credit-only MFIs in Mt. Kenya Region in a scale of one to five. The results of descriptive statistic are as shown in Table 4.6

**Table 4.6:** Ratings of respondent’s opinions on influence of compensation on employee engagement

	N	Mean	Std. Error	Std. Deviation
Salary and allowances offered by the institution	82	4.6098	.09142	.82785
Organizational policies that allows promotions within the organizations	82	4.4146	.12141	1.09940
Salary annual increments	82	4.0122	.15951	1.44439
Other non financial benefits	82	4.4512	.12166	1.10165
Valid N (list wise)	82			

Source: Research Data(2017)

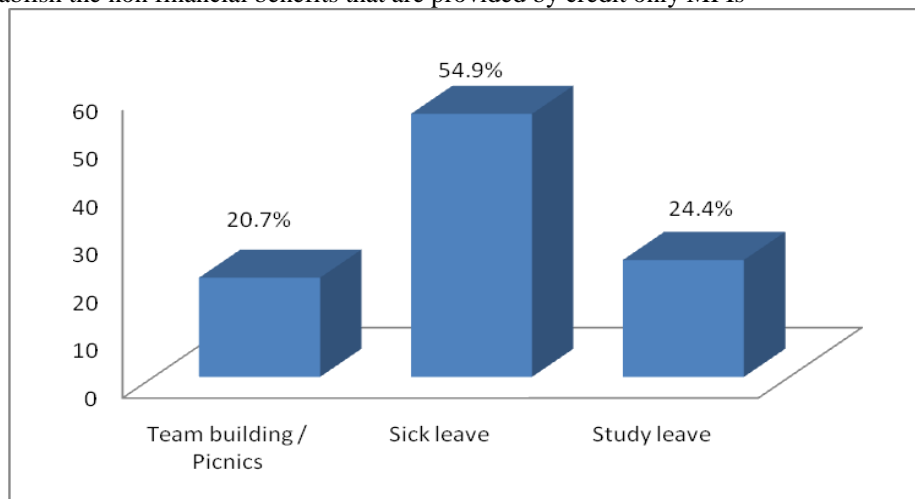
Descriptive statistics means and standard deviation were used to summarize the study findings as shown in Table 4.6, Salary and allowances offered by the institution was rated highest with a mean score of 4.6098, a standard deviation of 0.82785, followed by other non financial benefits with a mean score of 4.4512, a standard deviation of 1.10165. Organizational policies that allow promotions within the organizations also had a higher rating with a mean score of 4.4146, a standard deviation of 1.09940 while Salary annual increments had a mean score of 4.0122, a standard deviation of 1.44439. The findings of this study revealed that all the parameters of employee compensation were rated high in relation to employees’ engagement which concurred with earlier study by Larkin and Larkin (2007), who found out that total rewards are critical to the organization's

overall recruiting, retention and engagement strategy. According to Fernandez (2007), Compensation are said to have a major influence on the employees’ conceptions of their employment relationship.

The study by Mondy (2010), also found out that an optimum combination of direct and indirect elements of compensation is ideal to maximize influence on employee engagement and ultimately organizational competitiveness. Scott et al, (2014), stated that higher levels of pay knowledge are associated with improved pay satisfaction and perceived pay effectiveness at the organizational level. They recommended that organization should have a proper compensation management system so that the employees can find job satisfaction and hence stick in the organization. According to Krishnan, (2012), the perceived satisfaction of pay, the procedures used to make compensation related decisions, and the manner in which compensation related information is communicated play an integral role in shaping reactions to critical elements of the compensation system.

**Non financial benefits provided**

Other than the agreed financial compensation between the employer and the employee, the study sought to establish the non financial benefits that are provided by credit only MFIs



**Figure 4.4:** Non financial benefits provided

Source: Research Data(2017)

Figure 4.4 summarizes the response collected from the participants on non-financial benefits provided. Majority of the respondents 54.9% indicated that employees are entitled to sick leave, 24.4% enjoy the provision of study leave while 20.7% respondents had an opportunity to participate in company picnics. The finding of this study revealed that other than financial benefits offers by the organizations, employees are also keen on non financial benefits on offer. The results of this study that there are non financial benefits that employees also consider concurs with a study by Larkin and Larkin (2007), who noted that often, employees decide to leave an organization because of a perceived imbalance or inequity in the non-financial rewards.

**4.3.2 Leadership and employee engagement**

Leadership may be defined as the manner in which a leader interacts with his or her subordinates hence the dimensions of leadership depict the way in which a leaders attempt to influence the behavior of subordinates, makes decisions regarding the direction of the group and his or her balance between the goal attainment function and the maintenance function of the group. The study focused on four dimensions of transformational leaders as propounded by Podsakoff et al (1996) which include leaders who identify and articulate a vision, provide individualized support, promote intellectual stimulation and foster the acceptance of group goals. Ehrhart (2012), stated that fostering the acceptance of group goals means promoting cooperation among employees and getting them to work together toward common goals, providing individualized support means that leaders respect employees and attend to their personal feelings, needs and well being while intellectual stimulation refers to leaders stimulating employees to challenge their status quo and to think creatively, take risks, and participate intellectually. This study therefore sought to establish the extent to which leadership affects employee engagement in credit-only MFIs in Mt. Kenya Region in a scale of one to five. The results of descriptive statistic are as shown in Table 4.7

**Table 4.7:** Ratings of respondent’s opinions on influence of leadership on employee engagement

	N	Mean	Std. Error	Std. Deviation
Leadership that drive employees to be committed at work place	82	4.2317	.13696	1.24026

Leadership that offers individualized support	82	4.6585	.08180	.74070
Leadership that promotes intellectual stimulation	82	4.3049	.12108	1.09645
Leadership that promotes cooperation and teamwork	82	4.4878	.10731	.97175
Valid N (listwise)	82			

Source: Research Data(2017)

Descriptive statistics mean and standard deviation were used to summarize the study findings as shown in Table 4.7, Leadership style that offers individualized support was rated highest with a mean score of 4.6585, a standard deviation of 0.74070, followed by leadership style that promotes cooperation and teamwork with a mean score of 4.4878, a standard deviation of 0.97175. Leadership that promotes intellectual stimulation had a mean score of 4.3049, a standard deviation of 1.09645 while leadership that drives employees to be committed at work place had a mean score of 4.2317, a standard deviation of 1.24026. The findings of this study indicated that four dimensions of a transformational leaders considered in this study were found to have great impact on employees engagement. The finding of this study concurs with Podsakoff et al (1990), who found out that leadership has significant effect on employee engagement. They concluded that an institution using leadership that does not embrace the transformational dimensions should be discouraged /avoided. According to Kruse (2014), transformational leaders are charismatic and they motivate subordinates and appeal to their ideals and moral values by creating and representing an inspiring vision of the future.

**4.3.3 Communication and employee engagement.**

Communication refers to a way in which individuals interact with each other in a manner that each party understands. According to Nwagbara (2011), communication is simply a way or an approach via which messages are passed across from one person to the other. Effective communication is the process in which intended meaning of what is being said is transmitted in way that the hearer makes sense of that.

**Table 4.8:** Ratings of respondent’s opinions on influence of communication

	N	Mean	Std. Error	Std. Deviation
Mode of communication	82	4.5366	.09692	.87764
Feedback system from the immediate supervisors	82	4.3171	.13201	1.19544
Employees engagement by immediate supervisor in decision making	82	4.3902	.12240	1.10840
Communication that engage employees to work.	82	3.9390	.16031	1.45167
Valid N (list wise)	82			

Source: Resource Data(2017)

Descriptive statistics mean and standard deviation were used to summarize the study findings as shown in Table 4.8, Mode of communication was rated highest with a mean score of 4.5366, a standard deviation of 0.87764, followed by Employees engagement by immediate supervisor in decision making with a mean score of 4.3902, a standard deviation of 1.10840. Feedback system from the immediate supervisors had a mean score of 4.3171, a standard deviation of 1.19544 while communication that engage employees to work had a mean score of 3.9390, a standard deviation of 1.45167. The findings of the study revealed that the mode in which communication is conveyed to employees is paramount and they should be engaged in decision making. The finding of this study asserts earlier study by Kim. Et al, (1998), who noted that the communication an institution employs as well as the manner in which that communication is relayed can have a large effect on both the process and results of employee job satisfaction and engagement in institutions. They found out that there is a relationship between communication and the level of engagement or disengagement of employees to their work which determines the rate at which employees leave or come into an organization (that is employee turnover) as well as their intention to leave an organization. They concluded that effective communication is linked to making workers or employees’ views to be heard because when everybody expresses their concerns about how organizations are run through effective communication and friendly work ethic, employees will be less willing to leave instead will be much engaged.

**Mode of internal communication**

Respondents were asked to indicate how communication is done internally in order to establish the various mean of communication used by credit only MFIs.

**Table 4.9** how communication is done internally

	Frequency	Percent (%)
Notice board	5	6.1
Memos and circulars	13	15.9
Emails	21	25.6
Office telephone	13	15.9
Social media	3	3.7
Mobile handset phones	27	32.9
Total	82	100.0

Source: Research Data(2017)

From table 4.9, the results indicated that 6.1% of the respondents said that they use Notice board, 15.9% said they use Memos and circulars, 25.6% said they use Emails, 15.9% said they use Office telephone, 3.7% said they use Social media while 32.9% said they use Mobile handset phones to communicate internally. This is an indication that Mobile handset phones and Emails are the two commonly used methods while social media hardly used.

**4.3.4 Career Development Opportunities and employee engagement.**

According to Leach (1977), career development involves concerted efforts directed towards assessing a workers’ potentials identifying likely career paths for that employee and designing and implementing various forms of training and experience to prepare that person for more advanced job.

**Table 4.10:** Ratings of respondent’s opinions on influence of career development Opportunities

	N	Mean	Std. Error	Std. Deviation
Availability of career development opportunities	82	4.4878	.10590	.95896
Organizational policies that stipulates training and development guidelines	82	4.2683	.13779	1.24770
Provision of financial support for career advancement	82	4.3415	.12895	1.16767
Management recognition and appreciation of career advancement	82	3.8902	.16371	1.48246
Valid N (list wise)	82			

Source: Research Data(2017)

Descriptive statistics mean and standard deviation were used to summarize the study findings as shown in Table 4.10, Availability of career development opportunities was rated highest with a mean score of 4.4878, standard deviation of 0.95896, followed by Provision of financial support for career advancement with a mean score of 4.3415, standard deviation of 1.16767. Organizational policies that stipulate training and development guidelines had a mean score of 4.2683, standard deviation of 1.24770, while Management recognition and appreciation of career advancement had a mean score of 3.8902, a standard deviation of 1.48246. The finding of this study that employees mainly consider organization with availability of career development opportunities reaffirm a study by Leibowitz, et al (2007), who noted that workers want management to show interest in their career development, which would lead to increased productivity and greater commitment to organizational goals. They found out that career advancement opportunities are an essential part of employee engagement. They concluded that if peoples’ desire to make advancement in their own career is not fulfilled they will begin looking for work elsewhere.

**4.4 Diagnostic tests**

Prior to running a regression model pre-estimation and post estimation tests were conducted. The pre-estimation tests conducted in this case were the multicollinearity test and Pearson correlation while the post estimation tests were normality test. This is usually performed to avoid spurious regression results from being obtained.

**4.4.1 Multicollinearity Test**

Multicollinearity occurs when more than two predictor variables are inter-correlated, Kothari (2004). This is an undesirable situation where the correlations among the independent variables are strong as it increases the standard errors of the coefficients. To test for multicollinearity, Variance Inflation Variable (VIF) or tolerance, a diagnostic method was used to detect how severe the problem of multicollinearity is in a multiple regression model. VIF statistic of a predictor in a model indicates how much larger the error variance for the unique effect of a predictor (Baguley, 2012). Using the VIF method, a tolerance of less than 0.20 and a VIF of more than 5 indicates a presence of multicollinearity. If two or more variables have a Variance Inflation Factor (VIF) of 5 or greater than 5, one of these variables must be removed from the regression analysis as this indicates presence of multicollinearity (Runkle et al., 2013). From Table 4.11 there is no VIF with a value of 5 or greater than 5 and therefore no presence of multicollinearity.



**Table 4.11: Multicollinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1		
Employees compensation	.841	1.190
Leadership	.887	1.128
Communication	.897	1.115
Career advancement opportunity	.872	1.146

a. Dependent Variable: Employee engagement  
Source: Research data (2017)

**4.4.2 Correlation analysis**

Correlation technique was used to analyze the degree of relationship between two variables. The computation of a correlation coefficient yields a statistic that ranges from -1 to +1. This statistic is called a correlation coefficient (r) which indicates the relationship between the two variables and the bigger the correlation the stronger the coefficient between the two variables being compared (Carver *et.al.*, 2009). The researcher carried out correlation analysis between the independent and dependent variables of the study using Pearson correlation coefficient. Correlation Coefficient was used to test whether there existed interdependency between independent variables (compensation, leadership, communication and career development opportunities) and dependent variable (employee engagement) in credit-only MFIs in Mt. Kenya Region. In order to conduct correlation analysis the set of items that measured each variable were aggregated by computing the average. The findings of the analysis are as indicated in table 4:12 below.

From the correlation matrix, all the independent variables had a positive relationship with the dependent variable. Compensation was positively and significantly related to employee engagement  $r = 0.275$ ,  $p$  value  $0.013 < 0.05$  at 0.05 significance level. Leadership was positively and significantly related to employee engagement  $r = 0.402$ ,  $p$  value  $0.000 < 0.05$ . Communication was positively but insignificantly related to employee engagement  $r = 0.034$ ,  $p$  value  $0.761 > 0.05$ . Career advancement was positively and significantly related to employee engagement  $r = 0.245$ ,  $p$  value  $0.027 < 0.05$ .

**Table 4.12: Correlation analysis**

		Employee engagement	Employees compensation	Leadership style	Communication style	Career advancement
Employee engagement	Pearson Correlation	1	.275*	.402**	.034	.245*
	Sig. (2-tailed)		.013	.000	.761	.027
	N	82	82	82	82	82
Employees compensation	Pearson Correlation	.275*	1	.796**	.194	.182
	Sig. (2-tailed)	.013		.000	.080	.101
	N	82	82	82	82	82
Leadership style	Pearson Correlation	.402**	.796**	1	.096	.272*
	Sig. (2-tailed)	.000	.000		.389	.014
	N	82	82	82	82	82
Communication style	Pearson Correlation	.034	.194	.096	1	-.092
	Sig. (2-tailed)	.761	.080	.389		.413
	N	82	82	82	82	82
Career advancement	Pearson Correlation	.245*	.182	.272*	-.092	1
	Sig. (2-tailed)	.027	.101	.014	.413	
	N	82	82	82	82	82

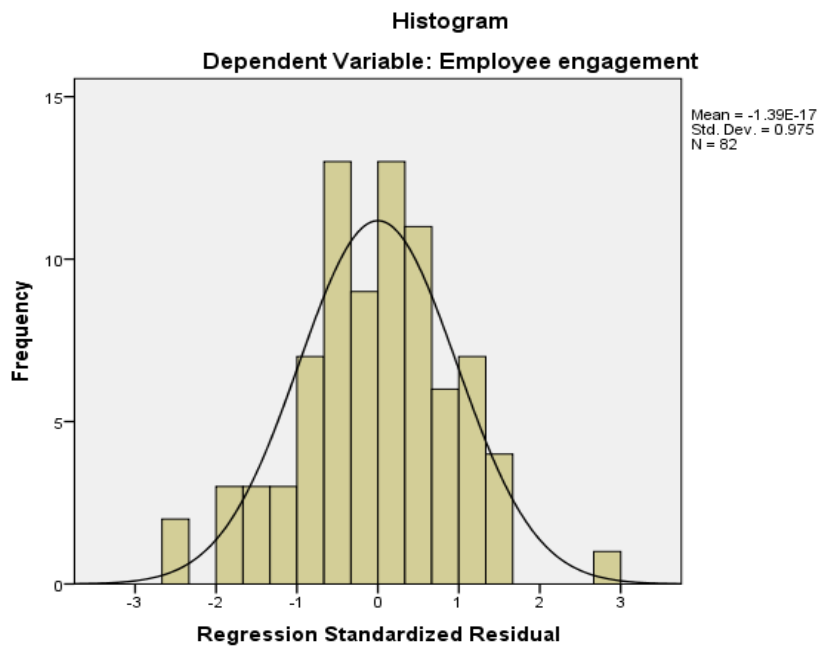
\*. Correlation is significant at the 0.05 level (2-tailed).

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

Findings revealed that, compensation, leadership and career development opportunities significantly influence employee engagement.

#### 4.4.3 Normality Test on the Dependent Variable

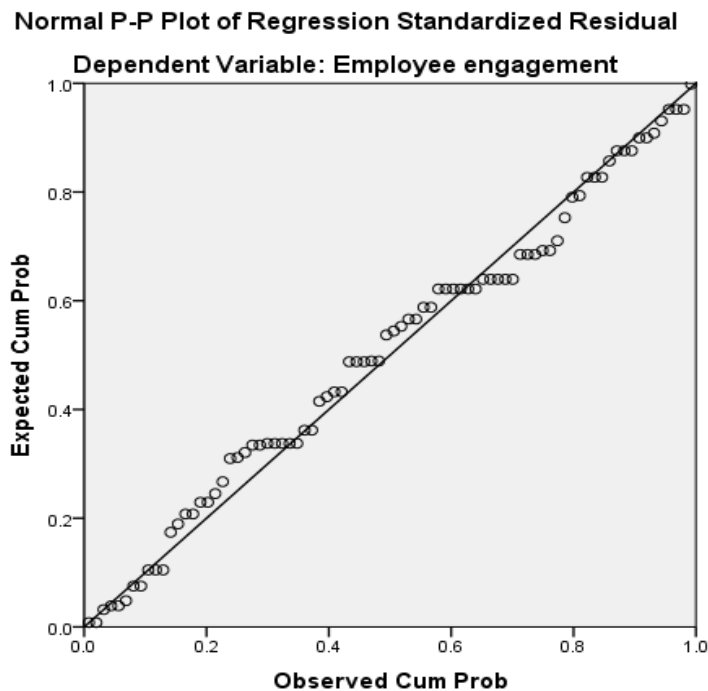
To test for normality the study employed two approaches; the graphical method and P-P test for normality. The results from the graphical method are presented in the Figure 4.5 below, indicating that the residuals are normally distributed.



**Figure 4.5:** Histogram of the Dependent Variable (Employee engagement)

Source: Research Data (2017)

To further verify the above results, a P-P test for normality was performed on the dependent variable (Employee Engagement) to determine normality; the output of normal P-P plot was used. For data that are normally distributed, the data points will be close to the diagonal line (Scott et al 2011). The results are presented in Figure 4.6. From the figure, the data plot shows a flow with a normal line therefore a high level of normality.



**Figure 4.6:** Normality P-P plot of regression standardized

Source: Research Data (2017)

**4.5 Multiple regression analysis for the independent variables on dependent variable**

The researcher carried out multiple regression analysis between the independent and dependent variables of the study. In order to conduct multiple regression analysis the set of items that measured each independent variable were aggregated by computing the average. Multiple regression analysis was then used to test whether there existed interdependency between independent variables (compensation, leadership, employee communication and career advancement opportunities) and dependent variable (employee engagement in credit only MFIs). The findings of the multiple regression analysis for each of the four independent variables are as indicated below.

**4.5.1 Model Summary**

The study used a multiple regression model to determine the correlation coefficient (R) and coefficient of determination (R<sup>2</sup>) of independent variables on the dependent variable.

**Table 4.13: Multiple regression model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.526 <sup>a</sup>	.277	.239	1.02752

a. Predictors (Constant), Career advancement, Communication, Leadership, Compensation

From the regression results above, the R value was 0.526 indicating that there is a positive relationship between factors affecting employee engagement in credit only MFIs in Mt. Kenya region. The R squared (R<sup>2</sup>) value of 0.277 shows that 27.7 percent of employee engagement in credit only MFIs is explained by factors considered under this study. The remaining 72.3 percent is explained by other factors not put into consideration in this study.

**4.5.2 Test of ANOVA**

Analysis of variance (ANOVA) was used to evaluate whether statistical model could fitted to a data set from which the data were sampled.

**Table 4.14 Regression analysis ANOVA table**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	31.093	4	7.773	7.362	.000 <sup>b</sup>
Residual	81.297	77	1.056		
Total	112.390	81			

a. Dependent Variable: Employee engagement

b. Predictors: (Constant), Career advancement, Communication, Leadership, Compensation

The model was significant with the F ratio = 7.362 at p value 0.000 < 0.05. This is an indication that compensation, leadership, communication and career advancement opportunities factors had positive and significant effect on employee engagement in credit only MFIs.

**4.5.3 Beta Coefficients**

Beta coefficients were used to determine the causal effect of the independent variables on the dependent variable. Table 4:15 below shows the values as extracted from SPSS.

**Table 4.15: Regression analysis Coefficient table**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	.164	.791		.208	.836
Compensation	.335	.105	.336	3.179	.002
Leadership	.398	.099	.414	4.027	.000
Communication	.128	.125	.105	1.029	.307
Career advancement	.346	.166	.217	2.089	.040

a. Dependent Variable: Employee engagement

Compensation, leadership and employee career advancement opportunities had a positive and significant effect on employee engagement in credit only MFIs with β=0.335 at p value 0.002, β=0.398 at p value 0.000 and β = 0.346 at p value 0.040 respectively. Communication was found to have positive but insignificant effect on employee engagement in credit only MFIs with β = 0.128 at p value 0.307.

A regression model adopted by this study was

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

The regression equation established by this study can be stated as:

$Y = 0.164 + 0.335X_1 + 0.398X_2 + 0.128X_3 + 0.346X_4 + 0.791$ . This implies that holding all factors constant, employee engagement in credit only MFIs would be 0.164.

Whereby Y = the dependent variable (Employee engagement)  $X_1$  = Compensation,  $X_2$  = Leadership,  $X_3$  = Communication,  $X_4$  = Career advancement,  $\alpha$  = error term.

#### 4.6 Hypothesis Testing

The study sought to test four null hypotheses. The first hypothesis stated that employee compensation does not significantly determine employee engagement in credit-only MFIs in Mt. Kenya Region. The regression of the employee compensation against employee engagement indicated positive and significant relationship with p-value is less than 0.05, this means that increase in compensation increases employee engagement of credit-only MFIs positively. Hence the null hypothesis is rejected. The findings concurred with earlier study by Osibanjo (2014), who carried out a study to examine the effect of compensation packages on employees' job performance and retention in a selected private bank in Ogun State, South-West Nigeria. The results showed strong relationship between compensation packages and employees' performance and retention.

The second hypothesis stated that leadership does not determine employee engagement in credit-only MFIs in Mt. Kenya Region. The regression of the leadership against employee engagement indicated positive and significant relationship with p-value is less than 0.05. Hence the null hypothesis is rejected. The findings concur with earlier study done by Rochelle (2013), who conducted a study to determine the effect of leadership on employee job satisfaction and job performance. Rochelle noted that transformational leadership was seen to have a positive effect on various facets of employee job satisfaction. Therefore, the expected leadership is where the leaders offers individualized support and foster cooperation and teamwork within the organization. More specifically, dimensions of leadership depict the way in which a leader, attempts to influence the behavior of subordinates, makes decisions regarding the direction of the firm.

The third hypothesis stated that communication does not determine employee engagement in credit-only MFIs in Mt. Kenya Region. The regression of the communication against employee engagement indicated positive but insignificant relationship with p-value greater than 0.05. Hence the null hypothesis is accepted. The findings of this study contradicts earlier study by Femi, F. (2014), who conducted a study to examine the relationship between communication and workers' performance in some selected organizations in Lagos State, Nigeria. The study reveals a positive and significant relationship between communication and workers' performance. This means that credit-only MFIs should review its mode of internal communication, employees' engagement by immediate supervisor in decision making and feedback system from the immediate supervisors as they were found to have major impact on employee engagement

The fourth hypothesis stated that career development opportunity does not determine employee engagement in credit-only MFIs in Mt. Kenya Region. The regression of the career development against employee engagement indicated positive and significant relationship with p-value is less than 0.05. Hence the null hypothesis is rejected. This means that availability of career development opportunity and provision of financial support for career advancement greatly enhances employee engagement. The findings of this study is in agreement with Kraimer, Seibert, Wayne, Liden, and Bravo (2011) who found out that lack of career advancement opportunities lead to low morale which lead to disengagement on best and experienced employees who eventually leaves for greener pastures.

#### 4.7 Other factors that can enhance employee engagement

The study sought to establish other factors that can affect employee engagement in credit-only MFIs.

**Table 4.16** Other factors that may enhance employee engagement

	Frequency	Percent
Personal counseling	12	14.6
Ability to achieve a desirable work life balance	12	14.6
Permission to attend to personal responsibilities	20	24.4
On-site day care	8	9.8
Promotion based on career development	8	9.8
Incentives for working unusual hours	8	9.8
Financial rewards for outstanding performers	7	8.5
Equitable distribution of work	7	8.5
Total	82	100.0

Majority of the respondents indicated that permission to attend to personal responsibilities, personal counseling and ability to achieve a desirable work life balance was rated high while other factors that were found to enhance employee engagement in credit-only MFIs were on-site day care, promotion based on career development, incentives for working unusual hours, financial rewards for outstanding performers and equitable

distribution of work. This is an indication that future researcher may consider some of these factors revealed by the study to establish their effect on employee engagement of credit only MFIs.

## **V. Summary of Major Findings, Conclusion and Recommendations**

### **5.1 Introduction**

This chapter is a synthesis of the entire report and contains the summary of the findings, conclusion arrived at and policy recommendations arising from the study. Research gaps identified during the study are also identified as basis for future studies.

### **5.2 Summary of major findings**

This study aimed at carrying out an analysis of determinants of employee engagement in credit-only MFIs in Mt. Kenya Region. The specific objectives of the study were to investigate to what extent compensation, leadership, communication style and career development opportunity determines employee engagement in credit-only MFIs in Mt. Kenya Region. Overall, the findings of the study revealed that the compensation, leadership and career development opportunity greatly influence employee engagement.

#### **5.2.1 Compensation**

Objective one of the study sought to investigate the extent compensation determines employee engagement in credit-only MFIs in Mt. Kenya Region. The findings of the descriptive statistic indicated that salary and allowances offered by the institution, other non financial benefits and organizational policies that allow promotions within the organizations were found to have great impact on employee engagement. In order to ascertain the relationship between compensation and employee engagement in credit-only MFIs in the cooperative societies, the researcher tested the relationship between the two variables using multiple regression analysis. At 5% level of significance the regression results indicated a positive and significant relationship between compensation and employee engagement in credit-only MFIs at  $\beta = 0.525$  at  $p$  value  $0.000 < 0.05$ . It is on this basis that null hypothesis is rejected that stated that employee compensation does not determine employee engagement in credit-only MFIs in Mt. Kenya Region.

#### **5.2.2 Leadership**

Objective two of the study sought to find out the extent leadership determines employee engagement in credit-only MFIs in Mt. Kenya Region. Descriptive statistic indicated that leadership style that offers individualized support and that promotes cooperation and teamwork were rated to have major impact on employee engagement. In addition Leadership that promotes intellectual stimulation and that drive employees to be committed at work place was also paramount. In order to ascertain the relationship between leadership style and employee engagement in credit-only MFIs in Mt. Kenya, the researcher regressed the two variables. At 95% confidence level the results of regression analysis indicated a positive and significant relationship between leadership style and employee engagement at  $\beta = 0.163$  at  $p$  value  $0.545 < 0.05$ . It is on this basis that null hypothesis is rejected that stated that leadership does not determine employee engagement in credit-only MFIs in Mt. Kenya Region.

#### **5.2.3 Communication**

Objective three of the study sought to explore the extent communication determines employee engagement in credit-only MFIs in Mt. Kenya Region. The findings of the descriptive statistic further indicated that mode of communication, employees' engagement by immediate supervisor in decision making and feedback system from the immediate supervisors were found to have major impact on employee engagement. In order to ascertain the relationship between communication style and employee engagement in credit-only MFIs in the cooperative societies, the researcher tested the relationship between the two variables. At 5% level of significance the regression results indicated a positive and significant relationship between communication style factors and employee with  $\beta = 0.134$  at  $p$  value  $0.366$ . It is on this basis that null hypothesis is failed to be rejected that stated that communication style does not determine employee engagement in credit-only MFIs in Mt. Kenya Region.

#### **5.2.4 Career development opportunities**

Objective four of the study sought to examine the extent career development opportunity determines employee engagement in credit-only MFIs in Mt. Kenya Region. The findings of the descriptive statistic indicated that Availability of career development opportunities, Provision of financial support for career advancement and organizational policies that stipulates training and development guidelines were found to have great impact on employee engagement. At 95% confidence level the results of regression analysis indicated a positive and significant relationship between career development opportunity and employee engagement at  $\beta = -$

0.163 at p value  $0.545 < 0.05$ . It is on this basis that null hypothesis is rejected that stated that employee career development opportunity does not determine employee engagement in credit-only MFIs in Mt. Kenya Region.

### **5.3 Conclusion**

The general objective of the study was to carry out an analysis of determinants of employee engagement in credit-only MFIs in Mt. Kenya Region. The study findings revealed that there is a positive and significant relationship between employees compensation and employee engagement in credit only MFIs. The procedures used to make compensation related decisions, and the manner in which compensation related information is communicated play an integral role in shaping reactions to critical elements of the compensation system. Therefore MFIs should ensure that remuneration of the employees is looked into as it enhances to employees engagement.

Leadership had a positive and significant effect on employee engagement in credit only MFIs. Leadership being the manner in which a leader interacts with his or her subordinates it creates an emotional attachment between leaders and employees. This study reaffirmed that leadership that offers individualized support and that promotes cooperation and teamwork impact employee engagement in credit-only MFIs positively.

Communication had a positive but insignificant effect on employee engagement in credit only MFIs. Communication is simply a way or an approach via which messages are passed across from one person to the other. Thus, effective communication is the process in which intended meaning of what is being said is transmitted in way that the hearer makes sense of that. The study confirms that mode of communication, feedback system from the immediate supervisors and employees' engagement by immediate supervisor in decision making had a great impact on employee engagement in credit-only MFIs

Career advancement opportunities had a positive and significant effect on employee engagement in credit only MFIs. Career advancement opportunities leads to organizational loyalty among employees, result in higher levels of job satisfaction, fewer employee complaints, and hence highly engaged employees. The study found out that availability of career development opportunity and provision of financial support for career advancement has a major effect on employee engagement in credit-only MFIs.

Salary and allowances offered by the institution, organizational policies that allows promotions within the organizations, employee leadership that offers individualized support, employee leadership that promotes cooperation and teamwork, feedback system from the immediate supervisors, employees engagement by immediate supervisor in decision making, availability of career development opportunity and provision of financial support for career advancement were parameters found to have greater impact on employee engagement in credit only MFIs.

### **5.4 Recommendations**

Following the findings of this study, a number of recommendations can be made. To start with, the findings of study clearly show that Compensation had positive and significant effect on employee engagement in credit only MFIs in Mt. Kenya region. Following these findings, this study recommends that MFIs should consider reviewing staff salaries and other benefits with the intention to increase their retention to enhance employee engagement. This could motivate employees working in credit only MFIs to offer quality service to their clients. The MFIs should also come up with promotion policy or criteria that have to be communicated to all employees as it significantly influence employee engagement.

Leadership had a positive and significant effect on employee engagement in credit only MFIs. Following these findings, this study recommends that credit only MFIs should also evaluate the employee leadership to ensure that it promotes individual support and embrace team work and cooperation. Communication had a positive but insignificant effect on employee engagement in credit only MFIs. Following these findings, this study recommends that credit only MFIs should ensure that there is effective communication between the supervisor and the junior staff where they should also be involved in decision making process. Based on the finding that career development opportunities had positive and significant effect on employee engagement in credit only MFIs in Mt. Kenya region, this research suggests that credit MFIs should revise their training and development policies to ensure fairness and accountability in their implementation. It is also recommends that management of MFIs should come up with policy on how to provide financial support for further studies. The study revealed that there were other factors that were identified by this study such as permission to attend to personal responsibilities, personal counseling and ability to achieve a desirable work life balance was rated high while other factors that were found to enhance employee engagement in credit-only MFIs in Mt. Kenya region were on-site day care, promotion based career development, incentives for working unusual hours, financial rewards for outstanding performers and equitable distribution of work which the management of credit only MFIs should put into consideration in order to enhance employee engagement.

### **5.5 Suggestions for further research**

This study makes an important contribution in our understanding of the determinants of employee engagement in credit-only MFIs in Kenya. It further brings out the specific parameters that have significant effect on employee engagement in credit-only MFIs. Arising from this study, the researcher makes a number of recommendations for further research. A study focusing on the challenges credit-only MFIs face when implementing determinants of employee engagement.

Future researchers may adopt a case study research design for deposit taking MFIs (DTM) so as to establish whether the determinants of employee engagement in credit-only MFIs would still apply to DTMs.

This study considered four variables, namely compensation, leadership, communication and career advancement opportunity. Future researchers should also focus on other determinants of employee engagement.

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**APPENDICES**

**Appendix I: Introduction Letter**

**Dear Sir/Madam;**

**REF: A QUESTIONNAIRE ON THE ANALYSIS OF DETERMINANTS OF EMPLOYEE ENGAGEMENT IN CREDIT-ONLY MFIs.**

I am a postgraduate student at Kenya Methodist University pursuing a Masters Degree in Business Administration, Human Resource Management option. I am currently carrying out a research on the effect of factors of employee engagement on labour turnover in institutions. Your assistant in responding honestly to all the items in the questionnaire will help to generate data that will be used.

Your responses will be treated confidentially; therefore do not write your name on the questionnaire. Please complete all the items in the questionnaire. Thank you for your cooperation.

Yours Faithfully,

.....  
Eunice Nkatha Muriuki

**Appendix II: Questionnaire**

**Serial No.....**

This questionnaire is meant to collect information to perform a study on the analysis of determinants of employee engagement in credit-only MFIs. Kindly answer the questions by writing a brief statement or ticking in the boxes provided as will be applicable. The information you give will be treated as strictly confidential.

**SECTION A: Background Information**

1. What is your gender.  

Male	[ ]	Female	[ ]
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2. How many years have you worked in this institution?  

Less than one year	[ ]	1-5 years	[ ]	
6-10 years	[ ]	11-15 years	[ ]	
Above 15 years	[ ]			
3. Indicate your age bracket  

Less than 20 years	[ ]	20 – 30 years	[ ]	
31 – 40 years	[ ]	41 – 50 years	[ ]	
Above 50 years	[ ]			
4. State your highest level of Education.  

Certificate/Diploma	[ ]	Undegraduate/ Degree	[ ]
Postgraduate	[ ]	Others (specify).....	
5. What is your terms of service  

Contract	[ ]	Permanent	[ ]
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6. Indicate your work station / department  

Field staff	[ ]	Office staff	[ ]
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In this section you are provided with four factors that can determine employee engagement in credit-only MFIs. Each factor is divided into a number of sub items. You are requested to rate each sub item by ticking the appropriate option as indicated.

**SECTION B: COMPENSATION**

7. Staff are satisfied with the compensation offered in this organization  
 Strongly agree [ ] Agree [ ]  
 Neutral [ ] Disagree [ ]  
 Strongly disagree [ ]
8. What are the non financial benefits provided?  
 On-site day care [ ] Picnics / team building [ ]  
 Sick leave [ ] Study leave [ ]  
 Personal Counseling [ ]  
 Other intangible benefits: Specify.....
9. To what extent do the following factors of employee compensation affect employee engagement in credit-only MFIs.

	Very great extent	great extent	Moderate extent	Small extent	No extent
Salary and allowances offered by the institution					
Organizational policies that allows promotions within the organizations					
Salary annual increments					
Other non financial benefits provided					

10. What other employees compensation factors should your organization consider in order to improve employee engagement .....

**SECTION C: COMMUNICATION**

11. How is communication done internally?  
 Notice board [ ] Emails [ ]  
 Office telephone lines [ ] Social Media platform [ ]  
 Mobile handset phones [ ] Memos and Circulars [ ]  
 Others (specify).....
12. Staff are satisfied with the communication style in this organization  
 Strongly agree [ ] Agree [ ]  
 Neutral [ ] Disagree [ ]  
 Strongly disagree [ ]
13. To what extent do the following communication style factors affect employee engagement in credit-only MFIs.

	Very great extent	great extent	Moderate extent	Small extent	No extent
Mode of communication					
Feedback system from the immediate supervisors					
Employees engagement by immediate supervisor in decision making					
Communication that engage employees to work.					

14. What other leadership factors should your organisation consider in order to improve employee engagement .....

**SECTION D: LEADERSHIP**

15. Staff working in this organization are satisfied with the current leadership  
 Strongly agree [ ] Agree [ ]  
 Neutral [ ] Disagree [ ]  
 Strongly disagree [ ]
16. To what extent do the following factors of leadership affect employee engagement in credit-only MFIs.

	Very great extent	great extent	Moderate extent	Small extent	No extent
Leadership style that drive employees to be committed at work place					
Leadership style that offers individualized support					
Leadership that promotes intellectual stimulation					
Leadership style that promotes cooperation and					

teamwork					
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17. What other leadership style factors should your organisation consider in order to improve employee engagement .....

**SECTION E: CAREER ADVANCEMENT**

18. Staff are satisfied with the career advancement opportunity in this organization

Strongly agree [ ] Agree [ ]  
 Neutral [ ] Disagree [ ]  
 Strongly disagree [ ]

19. To what extent do the following factors of career advancement affect employee engagement in credit-only MFIs.

	Very great extent	great extent	Moderate extent	Small extent	No extent
Availability of career development opportunity					
Organizational policies that stipulates training and development guidelines					
Provision of financial support for career advancement					
Management recognition and appreciation of career advancement					

20. What other career advancement factors should your organisation consider in order to improve employee engagement .....

**SECTION F: EMPLOYEE ENGAGEMENT**

21. Using the likert type scale below, indicate how you would rate the following indicators of employees' engagement in credit-only MFIs.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Engaged employees goes an extra mile while executing their duties					
Engaged employees are motivated					
Engaged employees are innovative and creative					
Employee satisfaction improves their engagement					

*Thank you for taking your time to answer this questionnaire*

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