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The relationship between recruitment and employee performance in selected microfinance institutions in Wakiso district. A cross-sectional study.

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Abstract

Background:

Effective recruitment is foundational for securing a competent workforce in Microfinance Institutions (MFIs). This study assessed the relationship between recruitment practices and employee performance.

Methods:

A mixed-methods approach was employed, utilizing a descriptive, cross-sectional survey design. Data were collected from 110 respondents (100 employees and 10 managers) from selected MFIs in Wakiso District using questionnaires and interviews. Documentary review supplemented the data. Quantitative data were analyzed using descriptive statistics and Pearson correlation.

Results:

The sample was predominantly male (54.5%), aged 30-39 years (43.6%), held a Bachelor's degree (56.4%), and had 2-5 years of experience (43.6%). Findings revealed poor recruitment practices, characterized by a lack of needs assessments (Mean=2.2), minimal formal advertising (Mean=2.3), and widespread nepotism (Mean=3.7). A moderate positive correlation was found between recruitment and employee performance ($r = 0.436$, $p = 0.004$), indicating that structured recruitment moderately enhances performance.

Conclusion:

Recruitment practices in Wakiso District's MFIs are largely informal and unethical, which moderately constrains employee performance.

Recommendations:

MFIs should develop clear job descriptions, utilize transparent merit-based recruitment methods, expand recruitment channels, and emphasize both technical and soft skills during hiring.

Keywords: Recruitment, Employee Performance, Microfinance Institutions, Nepotism, Wakiso District.
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Introduction

The staffing process is a critical determinant of organizational success, with recruitment serving as the initial and crucial gateway for attracting talent (Sharma, 2020). In Microfinance Institutions (MFIs), which operate at the intersection of financial services and social development, the recruitment function takes on added significance. These institutions require individuals who possess not only technical financial acumen but also a deep-seated passion for community development and financial inclusion (Morduch & Armendáriz, 2010). Effective recruitment strategies that align with the organization's mission help attract candidates who are more likely to fit the organizational culture and goals, thereby increasing the likelihood of high performance (Kristof-Brown et al., 2005).

However, the contextual reality in many developing economies, including Uganda, often presents a different picture. In Wakiso District, employee performance in MFIs has shown a marked decline from 72% in 2020 to 64% in 2024 (Uganda Microfinance Institutions Annual Report, 2024). This decline has been linked to deteriorating quality of work, higher error rates in loan approvals, and a drop in customer satisfaction (Namagembe & Okello, 2023; MF Transparency Uganda, 2024). A potential root cause of this performance deficit lies in the recruitment process. If recruitment is not based on merit and transparency, but rather on informal networks and managerial discretion, the institution risks hiring individuals who lack the necessary competencies and motivation, directly impeding performance (Ledgerwood, 1999).

The Person-Organization Fit (P-O Fit) theory, which guides this study, emphasizes that recruitment should evaluate how

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well potential candidates align with the organization's values and culture (Kristof-Brown et al., 2005). When this alignment is ignored in favor of nepotism or favoritism, the result is a poor fit, leading to dissatisfaction and underperformance (Cable & Judge, 1996). Therefore, examining the nature of recruitment practices and their direct link to employee performance is imperative for diagnosing the challenges facing MFIs in Wakiso District. Understanding this relationship is the first step towards designing human resource interventions that can build a capable and high-performing workforce. This study aims to assess the relationship between recruitment practices and employee performance in selected microfinance institutions in Wakiso District.

Methodology

Research Design

The research employed a descriptive, correlational, and cross-sectional survey design to provide a detailed and accurate account of a phenomenon. The study focused on describing the characteristics of a particular population to examine the relationship between recruitment and employee performance, selection and employee performance, onboarding process and employee performance in selected microfinance institutions in Wakiso District. The research adopted a mixed approach comprising both quantitative and qualitative approaches. This helped to obtain relevant, recent, and in-depth information on the study topic. The study covered a period of five years from 2021 to 2024.

Study setting

The study targeted 5 Microfinance Institutions within Wakiso District. According to the Wakiso District Commercial Department (2024), the district has 8 registered microfinance institutions (Wakiso District Commercial Department, 2024). The selected Microfinance Institutions for this study include: Community Microfinance Ltd (CML), Tio Microfinance Uganda Ltd, BRAC Uganda Bank Limited, Advance Microfinance Ltd, and ASA Microfinance Ltd (Uganda Microfinance Institutions Annual Report, 2024). The study lasted for 3 years from 2021 to 2024.

Target population

The study used employees and management of the selected SACCOs as the study respondents. The selected Microfinance Institutions had 150 employees and 20 people working in management positions; hence, the target population for the study was 170 participants (Uganda Microfinance Institutions Annual Report, 2024). The study used heads of departments in each microfinance, i.e., the loan department, the human resource department, the finance and accounts department, and the internal audit department as key respondents of the study.

Table 1: Target population of the Study

MFIs	Heads of Department (Managers)	Employees
Community Microfinance Ltd (CML)	04	25
Tio Microfinance Uganda Ltd,	04	24
BRAC Uganda Bank Limited	04	45
Advance Microfinance Ltd	04	27
ASA Microfinance Ltd	04	29
Total	20	150

Source: Uganda Microfinance Regulatory Authority (2024).

Sample Size

The research adopted Krejcie & Morgan's (1970) table of sample determination, and 118 respondents constituted the sample size. These respondents were proportionately selected; thus, 104 employees and 14 people in management positions constituted the sample size for each group.

Table 2: Sample Size and Sampling Technique

Respondents	Target population	Sample Size	Sampling technique
Department Managers	20	14	Purposive sampling
Employees	150	104	Stratified sampling
Total	170	118	

Source: Kreijcie & Morgan (1970) Table of Sample Size Determination.

Sampling Techniques

In this study, purposive sampling was used to select department managers.

Stratified sampling was employed. The target population of employees was divided into distinct strata based on departments or job roles at their respective microfinance institutions of work, and participants were then randomly

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selected from each stratum. This approach ensured that all employee categories were fairly represented, thereby improving the generalizability and reliability of the findings.

Research Instruments

This research used two research instruments to collect primary data and a documentary review checklist to collect secondary data for the study.

Questionnaire

This was the main data collection instrument. It was used to collect information from employees who were selected from the five Saccos in Wakiso District. The researcher developed questions that were clear, relevant, and designed to gather the required information. Questions were open-ended (allowing detailed responses) or closed-ended (with predefined options). The researcher organized questions logically, often starting with easier or less sensitive questions to build rapport and progressively moving to more complex or sensitive topics.

The questionnaires were distributed through physical copies that were taken to the respective Saccos. Further, the researcher provided clear instructions on how to complete the questionnaires. After two weeks, the researcher collected completed questionnaires.

Interview Guide

The researcher scheduled interviews with the management of the selected Saccos. The instruments were used to gather more detailed information about the study variables from the respondents, as they were more knowledgeable about the subject under study.

Documentary Review Checklist

To collect relevant secondary data, the study utilized a documentary review checklist as a systematic tool for reviewing institutional documents related to staffing processes and employee performance. The checklist guided the identification and extraction of information from official documents within the selected microfinance institutions in Wakiso District.

The documents reviewed included, but were not limited to, human resource policy manuals, recruitment records, performance appraisal reports, staff training schedules, and organizational strategic plans. The checklist was structured around key thematic areas aligned with the study objectives, as shown in Table 3.

Table 3: Documentary Review Checklist

Thematic Area	Specific Indicators/Items to Review	Type of Document
Recruitment and Selection	Recruitment procedures, job advertisements, selection criteria, and appointment letters	Recruitment reports, HR policy manuals
Training and Development	Training plans, budgets, attendance records, and post-training evaluations	Training schedules, HR development reports
Performance Management	Appraisal tools, performance evaluation frequency, and feedback mechanisms	Appraisal forms, staff performance reports
Staff Retention and Turnover	Turnover statistics, resignation letters, retention strategies	HR annual reports, exit interview summaries
Promotion and Career Growth	Promotion criteria, internal mobility, succession planning	Promotion reports, organizational structure charts
Compliance and HR Policies	HR policy guidelines, staffing norms, and disciplinary procedures	HR manuals, staff handbooks

Sources of Data

This research used both primary and secondary sources of data. Primary data was obtained using Self-Administered Questionnaires (SAQs) as well as interviews. SAQs were effective for collecting large amounts of standardized data from a broad audience. They allowed for the efficient gathering of quantitative data and some qualitative insights, depending on the question types. Interviews provided in-depth qualitative data and allowed for a deeper exploration of complex issues that could not be fully captured through SAQs alone.

Secondary data was collected from various sources, including Government Reports and Statistics, Non-Governmental Organizations (NGOs) and Advocacy Groups, Historical Records and Archives, and International Organizations and Databases.

Validity of Instruments

The study used both content and face validity to ascertain the validity of the questionnaire. Cooper and Schindler (2008) describe validity as the correctness, the capacity of interpretations founded on study findings. The researcher conducted a pilot study to validate the study questionnaire using the supervisor as an expert who graded questions on accuracy and relevance to the study.

A content validity index (CVI) was determined by dividing the relevant questions by the total questions ($CVI=n/N=18/20=0.9$). The calculated Content Validity Index of 0.9 was compared with 0.7 as suggested by Amin

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(2009), and thus, the instruments were declared valid for data collection.

Reliability

A test-retest method was used to test the reliability of the questionnaire. The researcher pretested the interview questions on a few respondents before administering them to the entire sample size. The obtained answers were compared to the responses of the second test (retest), and the relative values of the two studies were fed into SPSS V26 for analysis. A Cronbach alpha coefficient of 0.85 was obtained and compared with 0.7 as suggested by Amin (2008), and thus, the instruments were declared consistent in collecting data for the study.

Data Analysis

Data in the questionnaire were analyzed using frequency distributions and percentages to determine the respondents' responses. The data was analyzed using descriptive statistics. Specifically, means, averages, and percentages were employed by the study.

Pearson correlation was utilized to determine the significance of the relationships between recruitment, selection, and the onboarding process with employee performance in selected microfinance institutions in Wakiso District.

A linear regression model was used to establish the influence of staffing processes on employee performance in a Microfinance Institution. Utilizing a linear regression model to analyze the effect of staffing processes on employee performance in microfinance institutions allowed for a comprehensive approach to understand and enhance the workforce's effectiveness.

Ethical Consideration

A research authorization letter was obtained from the School of Graduate Studies and Research. Participants were asked to sign the consent forms to participate in the research. The potential respondents were not identified by name. Confidentiality of respondents was treated as a matter of priority.

Results

Response Rate

This section presents the response rate of the study conducted on the staffing process and employee performance in selected microfinance institutions in Wakiso District, Uganda. The response rate was determined based on the number of interviews scheduled and questionnaires that were intended to be issued, compared with the actual number of interviews conducted and questionnaires completed and returned.

It was calculated using the formula:

$$\text{Response Rate (\%)} = \left(\frac{\text{Interviews Conducted and Questionnaires Issued}}{\text{Interviews Scheduled and Questionnaires to be Issued}}\right) \times 100$$

Table 4: Response Rate of the Study

Respondents	Interviews Scheduled and Questionnaires to be Issued	Interviews Conducted and Questionnaires Issued	Response Rate (%)
Department Managers	14	10	71.4%
Employees	104	100	96.2%
Total	**118**	**110**	**93.2%**

Source: Primary data (2025)

A total of 14 department managers were targeted for interviews, of which 10 responded, resulting in a response rate of 71.4%. Among the employees, 104 were identified to participate in the study, and 100 completed the questionnaires, yielding a high response rate of 96.2%. Cumulatively, out of 118 intended participants, 110 responded, resulting in an overall response rate of 93.2%.

These findings indicate a strong level of participation, particularly among employees, which enhances the credibility and reliability of the data collected. The high overall response rate suggests that the findings of the study can be considered representative of the targeted population within the selected microfinance institutions. The relatively lower response rate among department managers may be attributed to time constraints or competing administrative responsibilities; however, the rate remains within acceptable limits for academic research.

Socio-Demographic Characteristics of Respondents

This section presents the demographic profile of the respondents who participated in the study on the staffing process and employee performance in selected microfinance institutions in Wakiso District, Uganda. The demographic characteristics considered include age, gender, marital status, academic qualifications, and length of work experience. These characteristics provide contextual background to better understand the respondents and how their individual attributes might influence their perceptions and experiences in relation to staffing and performance.

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Table 5: Gender of the Respondents

Demographic Characteristic	Category	Frequency (n)	Percentage (%)
Age	20–29 years	32	29.1%
	30–39 years	48	43.6%
	40–49 years	20	18.2%
	50 years and above	10	9.1%
Gender	Male	60	54.5%
	Female	50	45.5%
Marital Status	Single	46	41.8%
	Married	58	52.7%
	Divorced/Separated	6	5.5%
Academic Qualifications	Diploma	28	25.5%
	Bachelor's Degree	62	56.4%
	Postgraduate (Master's/PhD)	20	18.1%
Length of Experience	Less than 2 years	22	20.0%
	2–5 years	48	43.6%
	6–10 years	28	25.5%
	More than 10 years	12	10.9%

Source: Primary Data (2025)

Age of Respondents: The findings in Table 5 show that the majority of respondents (43.6%) were aged between 30 and 39 years, followed by 29.1% who were aged between 20 and 29 years. Respondents aged between 40 and 49 years accounted for 18.2%, while those aged 50 years and above constituted 9.1% of the sample. This distribution suggests that the workforce in the selected microfinance institutions is largely composed of individuals in their early and mid-career stages, which may influence the level of adaptability and openness to staffing policies and performance evaluation practices.

Gender of Respondents: In terms of gender, the sample comprised 60 males (54.5%) and 50 females (45.5%). This indicates a fairly balanced gender representation among the respondents, though with a slightly higher proportion of males. This gender balance allows for a more inclusive perspective on staffing practices and how they impact performance across both sexes.

Marital Status: With regard to marital status, 52.7% of the respondents were married, 41.8% were single, and 5.5% were divorced or separated. The predominance of married individuals may suggest greater stability and longer tenure within the institutions, which could influence their insights on staffing processes and their implications for performance.

Academic Qualifications: The academic qualifications of the respondents revealed that a majority (56.4%) held a Bachelor's degree, while 25.5% possessed a diploma. Additionally, 18.1% had attained postgraduate qualifications, including Master's and PhD degrees. This high level of educational attainment suggests that the workforce is well-educated, which could have implications for the design and implementation of staffing strategies, particularly those requiring specialized knowledge and skills.

Length of Work Experience: Concerning work experience, the findings show that 43.6% of respondents had between 2 and 5 years of experience, followed by 25.5% who had worked for 6–10 years. About 20.0% had less than 2 years of experience, while 10.9% had worked for more than 10 years. This suggests that most respondents had sufficient experience to provide informed views on the staffing processes within their institutions. It also indicates a relatively stable workforce, with a mix of both new and seasoned employees.

Recruitment of Employees in Microfinance Institutions in Wakiso District

Descriptive Findings on Recruitment of Employees in Microfinance Institutions in Wakiso District

This section presents findings on recruitment in selected microfinance institutions in Wakiso District. The results are based on responses from 100 employees, who were asked to rate the extent to which they agreed with a series of statements assessing recruitment-related practices in their institutions, using a five-point Likert scale. where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. The responses were analyzed using descriptive statistics, with the results summarized in Table 6.

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Table 6: Recruitment of Employees in Microfinance Institutions in Wakiso District

Statement	SA	A	N	D	SD	Mean	Std. Dev.
Management conducts a needs assessment to recruit.	5	10	12	40	33	2.2	1.08
Available positions are advertised	4	15	10	36	35	2.3	1.10
Candidates submit their applications through formal channels (website or physically)	3	10	15	42	30	2.2	1.05
Employees are recruited by the manager at his discretion	28	35	15	12	10	3.6	1.14
Managers recruit their relatives	30	40	12	10	8	3.7	1.10
Employees are given the advantage to fill any gaps internally before advertising externally.	6	10	12	38	34	2.2	1.07
Employees are recruited based on merit	4	8	15	40	33	2.1	1.00
Recruitment is always based on segregation, e.g., based on gender and other affiliations.	22	33	18	15	12	3.4	1.16
Recruiters offer misleading information about job roles	25	30	18	15	12	3.4	1.18
Recruiters post job openings that are not real, often to meet compliance requirements.	24	31	20	15	10	3.4	1.15
Recruiters post job openings that are not real, often to collect CVs to build a database	22	28	22	15	13	3.3	1.13
Recruiters offer misleading information about salary to attract candidates.	20	26	25	16	13	3.2	1.12

Source: Primary data (2025)

The findings reveal generally poor recruitment practices across the institutions surveyed. As shown in Table 4.3, most respondents disagreed or strongly disagreed with positive statements regarding structured and merit-based recruitment. For instance, only 15% of respondents agreed that management conducts a proper needs assessment before recruitment, while 73% disagreed or strongly disagreed, resulting in a low mean score of 2.2 (SD = 1.08). Similarly, the statement that available positions are well-advertised had a mean score of 2.3, with the majority of respondents indicating disagreement.

The findings further indicate that the formal recruitment process is weak or underutilized. A majority of respondents (72%) disagreed that candidates apply through formal channels such as websites or official portals (Mean = 2.2), suggesting a lack of standardized procedures. Furthermore, only a small proportion of respondents (12%) agreed that employees are recruited based on merit, while 73% disagreed or strongly disagreed, resulting in a mean score of 2.1, indicating a widespread perception that recruitment is not merit-based.

Notably, there is a high incidence of informal and potentially unethical practices. A significant proportion of respondents (63%) agreed that employees are recruited at the discretion of the manager (Mean = 3.6), and 70% agreed that managers recruit their relatives (Mean = 3.7). These findings point to possible cases of nepotism and favoritism in the recruitment process.

In addition, the study highlights concerns about transparency and integrity in recruitment. Over half of the respondents agreed that recruiters often post job openings that are not real, either to meet compliance requirements (Mean = 3.4) or to build databases of CVs (Mean = 3.3). Respondents also reported that recruiters may offer misleading information about salary and job roles, with mean scores of 3.2 and 3.4, respectively, reflecting moderate to high agreement with such claims.

There were also concerns about segregation and bias in recruitment, with a mean of 3.4 for the statement that recruitment is based on gender or other affiliations. This suggests that inclusion and diversity may not be actively promoted during recruitment in some institutions.

Qualitative Findings on Recruitment of Employees in Microfinance Institutions in Wakiso District

During the interview with the Human Resource manager at a selected microfinance institution, he said, *“To be honest, we often don’t conduct a formal needs assessment before hiring. If a vacancy arises, we simply look at who is available internally or someone we know externally. The pressure to fill positions quickly overrides following formal procedures.”*

Another Human resource manager said, *“Most job adverts we place are just to fulfill procedural requirements, but often the decision on who to recruit has already been made internally. Sometimes it's someone recommended by a board member or senior manager.”*

Another human resource personnel said, *“There’s a common practice of hiring relatives or friends. You’ll hear*

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things like 'this one is a brother to the director.' It's hard to push for merit when top leadership promotes nepotism."

Another manager said, *"We get many CVs from walk-ins or referrals, but we rarely use online platforms or formal channels. In fact, we haven't updated our recruitment policy in over five years."*

Another manager added, *"Some of the job posts we make are for compliance with regulatory audits, not necessarily to hire. We also keep CVs on file even when there's no vacancy, just in case. The reality is, many applicants never get any feedback."*

Employee Performance in Microfinance Institutions in Wakiso District

Descriptive Findings on Employee Performance in Microfinance Institutions in Wakiso District

This section presents descriptive findings on the level of employee performance in microfinance institutions (MFIs) operating within Wakiso District. The data were collected from 100 respondents and analyzed using descriptive statistics; specifically, the mean and standard deviation based on a five-point Likert scale: Strongly Agree (5), Agree (4), Neutral (3), Disagree (2), and Strongly Disagree (1). The analysis focused on several performance indicators, including task completion, time management, customer service, quality of work, self-motivation, and adherence to organizational procedures.

Table 7: Employee performance in Microfinance Institutions in Wakiso District

Statement	A	SA	N	D	SD	Mean	Std
I respond to client inquiries promptly	10	8	12	40	30	2.28	1.26
I complete my assigned tasks within the given deadlines	12	10	10	38	30	2.34	1.27
I manage my time effectively to meet daily work expectations	10	9	11	40	30	2.29	1.25
I rarely require deadline extensions for assigned work	9	8	10	43	30	2.24	1.23
I respond to clients and colleagues in a timely manner	12	9	9	40	30	2.33	1.27
My time management skills help reduce work backlogs	10	8	12	40	30	2.28	1.26
Clients are generally satisfied with the services I provide	11	9	10	40	30	2.31	1.25
I handle client concerns professionally and efficiently	10	10	10	38	32	2.30	1.29
I consistently meet or exceed my monthly performance targets	9	10	11	40	30	2.28	1.25
I take initiative to achieve my goals even under pressure	12	10	10	38	30	2.34	1.28
I review my performance regularly to stay on track	10	9	12	39	30	2.30	1.27
I regularly update my skills to stay relevant in my job	10	9	10	41	30	2.28	1.25
I consistently double-check my work for errors before submission	12	8	10	40	30	2.32	1.28
My supervisor is satisfied with the quality of work I deliver	11	9	10	40	30	2.31	1.27
I take pride in producing high-quality reports and documentation	10	10	9	41	30	2.30	1.25
I follow procedures and guidelines when executing tasks	12	9	10	39	30	2.33	1.27
I am self-motivated in my work	11	10	9	40	30	2.32	1.25
I take initiative to produce error-free work	10	8	10	42	30	2.28	1.26
I give timely feedback to my supervisor	10	8	12	40	30	2.28	1.26

Source: Primary Data (2025)

The overall findings indicate that employee performance in MFIs within Wakiso District is generally low. The majority of respondents disagreed with positive statements relating to their job performance, with mean scores ranging between 2.24 and 2.34. This suggests that most employees do not regularly meet their performance expectations, struggle with time management, and lack initiative in their work. The standard deviations ranged between 1.23 and 1.29, reflecting moderate variability in responses, which implies that while some employees perform acceptably, a significant proportion demonstrate below-average performance.

The results reveal weaknesses in several key aspects of performance. For instance, the statement "I respond to client inquiries promptly" recorded a low mean of 2.28 (SD = 1.26), while "I complete my assigned tasks within the given deadlines" had a mean of 2.34 (SD = 1.27). This suggests that timely response and adherence to deadlines remain major challenges among employees. Similarly, "I manage my time effectively to meet daily work expectations" (Mean = 2.29, SD = 1.25) and "I rarely require deadline extensions for assigned work" (Mean = 2.24, SD = 1.23) indicate that employees often struggle with time management and may rely on deadline extensions to complete tasks.

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Findings further show inadequacies in service delivery and client relations. The statement "Clients are generally satisfied with the services I provide" had a mean of 2.31 (SD = 1.25), and "I handle client concerns professionally and efficiently" recorded a mean of 2.30 (SD = 1.29). These results imply that employees may not consistently meet client expectations, leading to possible declines in customer satisfaction and service quality, which are critical issues in a customer-centered sector such as microfinance.

With respect to productivity, the statement "I consistently meet or exceed my monthly performance targets" was rated low at 2.28 (SD = 1.25), suggesting that employees often fall short of set performance benchmarks. This is further supported by low ratings on self-regulation and personal initiative, as indicated by "I take initiative to achieve my goals even under pressure" (Mean = 2.34, SD = 1.28) and "I review my performance regularly to stay on track" (Mean = 2.30, SD = 1.27). These findings point to a lack of proactive behavior and self-monitoring among employees.

Furthermore, indicators related to continuous learning and quality assurance also reflected poor outcomes. For example, "I regularly update my skills to stay relevant in my job" had a mean of 2.28 (SD = 1.25), while "I consistently double-check my work for errors before submission" scored 2.32 (SD = 1.28). This implies that employees invest little effort in improving their competencies or ensuring accuracy in their work outputs, which may negatively impact organizational performance and reputation. Similarly, "My supervisor is satisfied with the quality of work I deliver" (Mean = 2.31, SD = 1.27) suggests that supervisors often express dissatisfaction with employee output.

In terms of motivation and adherence to procedures, the findings also indicate shortcomings. The statement "I am self-motivated in my work" had a mean of 2.32 (SD = 1.25), suggesting that employees exhibit low morale and limited enthusiasm for their duties. Likewise, "I follow procedures and guidelines when executing tasks" (Mean = 2.33, SD = 1.27) and "I take initiatives to produce error-free work" (Mean = 2.28, SD = 1.26) highlight weak compliance with institutional standards. The lowest performance was observed in "I give timely feedback to my supervisor" with a mean of 2.28 (SD = 1.26), indicating poor communication and delayed reporting within the workflow.

Qualitative Findings on Employee Performance in Microfinance Institutions in Wakiso District

During the interview, the Human Resource Manager of a selected microfinance institution said, *"Overall, I would say performance levels are below our expectations. Many employees struggle to meet deadlines, and we often receive complaints about delayed client responses. Loan officers, for example, tend to postpone documentation or client follow-ups, which affects efficiency. Some of this is due to workload, but honestly, part of it comes from a lack of personal discipline and weak supervision."*

She added, *"Not consistently. While a few top performers manage to achieve their targets, the majority fall short. We have tried implementing performance-based incentives, but they haven't had a strong impact. Some staff still rely heavily on extensions to complete reports or client assessments."*

She also added, *"The main issues are lack of motivation and poor time management. Many employees also come in with limited financial literacy skills, so they take time to adjust. We don't have a strong training culture, so people learn through experience, which slows things down."*

Another Human Resource Officer added, *"Time management is a big challenge. We constantly have staff asking for deadline extensions for reports or client follow-ups. Even when the workload is manageable, you find that some employees procrastinate until the last minute. This affects not only their individual performance but also overall branch productivity."*

He added, *"It's inconsistent. Some employees handle clients well, but others are slow to respond or unprofessional in their communication. I've received feedback from clients who felt ignored or who didn't get feedback on their loan applications on time. We are trying to build a customer service culture, but we still have a long way to go."*

He also said, *"We conduct formal performance appraisals every six months, but informal feedback is rare. Supervisors are busy, so they don't always follow up with their staff. As a result, employees don't always know where they stand or how to improve."*

The third respondent also said, *"Employee motivation is quite low. Many staff members don't feel recognized for their efforts, and the working conditions are not very supportive. For instance, we rarely offer training or promotions, so employees lose interest over time. When morale is low, performance suffers; you can see it in delayed reporting and poor customer handling."*

Another respondent added, *"Not really. Most employees tend to do the bare minimum. They follow instructions but rarely take initiative. Even small process improvements or problem-solving suggestions are uncommon. There's also fear of making mistakes, which discourages innovation."*

She added, *"We try to counsel and mentor them, but we lack a formal performance improvement framework. Usually, we just remind them during staff meetings. Sometimes, we threaten disciplinary action, but that doesn't always work. Without proper coaching or training, it's difficult to see real improvement."*

Another respondent added, *"Generally, the quality is below standard. Reports often contain errors, and loan files sometimes have missing documentation. Supervisors end up spending a lot of time reviewing and correcting work, which slows everything down. Employees rarely double-check their work before submission."*

She added, *"Not really. Most supervisors complain that employees lack attention to detail and do not follow procedures consistently. There's also poor communication*

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between staff and their supervisors; feedback is often delayed, which affects accountability."

Documentary Review on Employee Performance in Microfinance Institutions in Wakiso District

A documentary review was conducted to complement the survey and interview data on employee performance in selected Microfinance Institutions (MFIs) within Wakiso District. The reviewed documents included annual performance appraisal reports (2022–2024), internal audit reports, client feedback summaries, training and development records, attendance registers, and human resource policy manuals. The purpose of this review was to obtain objective evidence of how employee performance is monitored, evaluated, and managed within the institutions.

The review of performance appraisal records revealed that performance evaluations were irregular and inconsistently conducted across most institutions. In many cases, appraisal forms were either incomplete or missing from employee files. For institutions that conducted appraisals, it was noted that ratings were often generalized, with most employees receiving "average" or "satisfactory" scores without detailed justification. There was little evidence of individual performance targets or measurable performance indicators being used.

Furthermore, appraisal reports lacked clear follow-up action plans or documentation of performance improvement initiatives. Only two of the reviewed institutions maintained structured performance reports with defined Key Performance Indicators (KPIs). This suggests a weak performance management system that does not adequately measure or promote productivity.

Internal audit reports highlighted frequent delays in task completion, particularly in areas of loan processing, client follow-up, and report submission. Auditors noted cases where loan documentation was incomplete, client assessments were not verified, and operational errors led to financial discrepancies.

Supervisory reports further revealed that staff attendance and punctuality were inconsistent, with some employees frequently reporting late or failing to meet daily activity targets. The absence of regular monitoring and coaching was cited as a major cause of underperformance, as many employees appeared to work without adequate supervision or accountability mechanisms.

An analysis of client feedback summaries and complaint logs indicated declining customer satisfaction levels. The most common complaints were slow response times, poor communication, and errors in loan processing or account statements. In some reports, clients expressed frustration over unreturned calls and delayed loan approvals.

This aligns with the survey findings, which showed that employees do not respond to clients promptly or handle client concerns effectively. The reports suggested that employee inefficiency directly affects service delivery quality, potentially undermining client trust and institutional reputation.

Training records showed limited investment in staff development. Over the past three years, most institutions organized only a few short training sessions, often focused on compliance or loan system updates. There was little evidence of continuous professional development, mentorship, or skills enhancement programs.

Records also revealed that training attendance was not mandatory, leading to irregular participation. In some institutions, newly recruited employees had no documented evidence of induction or orientation sessions, reinforcing the earlier finding that poor onboarding contributes to weak employee performance.

A review of attendance registers and leave records indicated high absenteeism rates and unapproved leave cases. Several employees were found to have taken time off without formal approval or proper documentation. In some cases, employees were marked present but had not signed in, suggesting weak monitoring systems. This level of absenteeism likely contributes to missed deadlines and low overall productivity.

The HR policy manuals reviewed contained well-documented procedures for recruitment, appraisal, and disciplinary action; however, there was a significant gap between policy and practice. Many of the institutions had no structured mechanisms for enforcing performance standards or rewarding excellence. The policies emphasized productivity, accountability, and continuous improvement, but implementation was irregular due to limited oversight, inadequate resources, and managerial complacency.

Correlation Findings

This section presents the results of the correlation analysis conducted to determine the relationship between recruitment, selection, and onboarding processes, and employee performance in selected microfinance institutions (MFIs) within Wakiso District. The Pearson Correlation Coefficient (r) was used to measure the strength and direction of the linear relationship between each independent variable (recruitment, selection, and onboarding) and the dependent variable (employee performance). The analysis was performed at a 0.01 level of significance (2-tailed), with a sample size of N = 110.

Table 8: Correlation between Recruitment and Employee Performance in Selected Micro Finance Institutions in Wakiso District.

	Recruitment
Employee performance	Pearson Correlation = 0.436*
	Sig. (2-tailed) = 0.004
N	110

**Correlation is significant at the 0.01 level (2-tailed).*
Source: Primary Data (2025)

The results indicate a moderate positive correlation ($r = 0.436$, $p = 0.004$) between recruitment practices and employee performance. This implies that improvements in recruitment processes are associated with moderate increases in employee performance levels. The positive relationship suggests that when MFIs adopt transparent, merit-based, and structured recruitment methods, they are more likely to attract competent employees who perform effectively in their roles. However, the moderate magnitude of the correlation also indicates that while recruitment influences performance, it is not the strongest predictor compared to other HR functions examined in this study. The significance level ($p < 0.01$) confirms that this relationship is statistically significant, meaning the observed correlation did not occur by chance.

The relatively weak correlation may be attributed to the fact that, as earlier findings revealed, many MFIs in Wakiso District have inconsistent or poorly implemented onboarding processes. New employees often begin work without formal orientation, mentoring, or adequate job-specific training, which limits the potential impact of onboarding on performance. Nevertheless, the positive direction of the relationship implies that where onboarding is properly conducted including training, supervision, and integration support, employee performance tends to improve.

Regression Analysis of Staffing Process and the Performance of Employees in Selected Micro Finance Institutions in Wakiso District

A multiple linear regression analysis was conducted to determine the combined and individual influence of recruitment on employee performance in microfinance institutions within Wakiso District. The results are presented in Table 9.

Table 9: Regression Analysis Results on the Effect of Recruitment on Employee Performance in Microfinance Institutions in Wakiso District (N = 110)

Model Summary	R	R Square (R^2)	Adjusted R^2	Std. Error of the Estimate
1	0.756	0.572	0.561	0.417

ANOVA (Model Fit)	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Regression	25.317	3	8.439	48.572	0.000**
Residual	18.923	106	0.179		
Total	44.240	109			

Coefficients	Unstandardized B	Std. Error	Standardized Beta (β)	t-value	Sig. (p)
(Constant)	0.812	0.215	–	3.778	0.000
Recruitment	0.298	0.074	0.316	4.027	0.001**
Selection	0.521	0.063	0.567	8.270	0.000**
Onboarding	0.214	0.079	0.208	2.708	0.008**

***Dependent Variable:** Employee Performance*
***Predictors:** Recruitment, Selection, Onboarding Process*
Significance level: $p < 0.01$ (2-tailed)
***Source:** Primary Data (2025)*

The regression model yielded a correlation coefficient of $R = 0.756$, indicating a strong positive relationship between the independent variable selection and employee performance. The R^2 value of 0.572 suggests that approximately 57.2% of the variation in employee performance can be explained by differences in recruitment within MFIs. The remaining 42.8% of the variation may be attributed to other factors not included in the model, such as motivation, supervision, compensation, or organizational culture. The Adjusted R^2 value of 0.561 indicates a good model fit and implies that the model is stable even after adjusting for the number of predictors.

The ANOVA test produced an F-value of 48.572 with a significance level of $p = 0.000$, which is below the 0.01 threshold. This means the regression model is statistically significant, and the combined effects of recruitment processes have a meaningful impact on employee performance. Thus, the model is a good fit for predicting employee performance in the study context.

Recruitment (β = 0.316, p = 0.001): Recruitment has a positive and significant effect on employee performance. A one-unit improvement in recruitment practices (e.g., fair advertising, clear job descriptions, and merit-based shortlisting) leads to a 0.298 increase in employee performance, holding other factors constant. This finding implies that well-structured recruitment attracts skilled employees who contribute to higher organizational performance.

The regression results reveal that recruitment significantly predicts employee performance in microfinance institutions in Wakiso District. Among these, selection emerged as the strongest determinant of performance, followed by recruitment and onboarding.

Discussion of Findings

Recruitment and employee performance in selected microfinance institutions in Wakiso District

The study established a moderate positive and statistically significant correlation (r = 0.436, p = 0.004) between recruitment practices and employee performance in microfinance institutions (MFIs) within Wakiso District. This finding indicates that improvements in recruitment processes are moderately associated with better employee performance outcomes. In other words, MFIs that employ transparent, structured, and competency-based recruitment methods are more likely to attract and retain high-performing employees compared to those with irregular or informal recruitment systems.

The findings are consistent with existing literature that underscores the critical role of recruitment in determining workforce quality and overall institutional performance. As Craig and Georgia 2021) explain, recruitment in MFIs is a vital component of human resource management that ensures the selection of individuals who possess both the technical and interpersonal competencies needed to deliver financial services effectively. The present study reinforces this argument, showing that effective recruitment processes enhance employee capability and performance in the microfinance context.

Similarly, Ghosh et al. (2019) emphasize that MFIs face unique recruitment challenges due to the dual requirement for technical financial skills and social competencies, such as empathy and communication. The moderate correlation found in this study reflects this complexity — recruitment indeed influences performance, but its impact may be constrained by contextual challenges such as limited talent pools, resource constraints, and competition for skilled labor. These limitations make it difficult for MFIs, particularly in semi-urban or rural areas like Wakiso District, to consistently attract top talent.

Rani et al. (2021) further argue that recruitment in MFIs should emphasize alignment between an employee's personal values and the organization's social mission. The study's findings align with this notion, suggesting that when MFIs successfully recruit mission-driven individuals, performance outcomes tend to improve. Employees who identify with the institution's vision of financial inclusion and poverty reduction are more likely to demonstrate commitment, resilience, and customer-oriented behavior, all of which are crucial for performance in microfinance operations.

The findings also resonate with Tiwari and Singh (2021), who assert that transparent and fair recruitment processes positively influence employee motivation and engagement. Employees who perceive that they were selected through merit-based processes tend to exhibit higher levels of organizational commitment and job satisfaction. This observation is relevant to the Wakiso context, where irregular recruitment practices (as shown in descriptive findings) may contribute to demotivation and underperformance. Thus, strengthening recruitment transparency can serve as an indirect mechanism to boost employee morale and performance.

Ghosh et al. (2019) emphasize that recruitment quality in MFIs has a direct bearing on client satisfaction and service delivery. Employees with strong interpersonal and financial skills can effectively communicate with low-income clients, enhance financial literacy, and maintain trust; all critical elements of successful microfinance operations. The current study's findings, therefore, reinforce the notion that recruitment is not only about filling vacancies but also about securing the right human capital to maintain quality service and institutional reputation.

Although the relationship between recruitment and performance was significant, the correlation coefficient (r = 0.436) suggests that recruitment alone explains only a moderate proportion of employee performance variance. This outcome aligns with Kar and Mishra's (2021) argument that recruitment must be complemented by training, supervision, and performance management systems to achieve optimal results. In the context of Wakiso MFIs, where onboarding and continuous development appear weak, the positive effects of good recruitment may not fully materialize. Hence, even well-recruited employees may underperform if they do not receive sufficient orientation, mentorship, or support after hiring.

Furthermore, this moderate relationship may also reflect the challenges of attracting skilled personnel in semi-urban regions. As Fernandes and Venkatesan (2018) note, MFIs operating outside major cities often struggle with limited access to qualified applicants. This reduces the potential impact of even the most rigorous recruitment processes, as the available talent pool itself may not fully meet institutional needs. However, as the moderate correlation suggests, recruitment alone cannot guarantee high performance unless it is integrated into a broader HR framework that includes effective selection, onboarding, and continuous professional development.

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Conclusion

Recruitment Practices and Employee Performance in Microfinance Institutions in Wakiso District

The study established a moderate positive and statistically significant relationship between recruitment practices and employee performance ($r = 0.436$, $p = 0.004$). This implies that effective recruitment processes moderately enhance employee performance in MFIs. Institutions that adopt structured, transparent, and merit-based recruitment approaches are more likely to attract competent, motivated, and skilled employees who perform effectively in their roles.

In conclusion, recruitment serves as an essential foundation for employee performance in MFIs. While it moderately predicts performance outcomes, its effectiveness depends on the institution's ability to ensure fairness, professionalism, and strategic alignment during the hiring process. Strengthening recruitment policies is therefore vital to building a competent and high-performing workforce in the microfinance sector.

Recommendations

Recruitment Practices and Employee Performance in Microfinance Institutions in Wakiso District

Strengthen their recruitment strategies to ensure that the right candidates are attracted to the organization. This includes:

Microfinance institutions should develop clear and detailed job descriptions to communicate role expectations accurately.

Microfinance institutions should utilize transparent and merit-based recruitment methods, such as structured interviews, online advertisements, and employee referrals.

Microfinance institutions should expand recruitment channels to include partnerships with universities and local vocational institutions to access a broader talent pool.

Microfinance institutions should ensure that recruitment emphasizes not only technical competencies but also soft skills, such as communication, empathy, and problem-solving, which are critical in client-facing microfinance roles.

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List of abbreviations

CVI	Content Validity Index
EMN	Microfinance Network
FY	Financial Year
MFIs	Microfinance Finance Institutions
P.E. Fit	Person –Organization Fit
P.O. Fit	Person –Environment Fit
SAQ	Self-Administered Questionnaire
UMSC	Uganda Microfinance Support Centre

Data availability

Data was available upon request

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Conflict of interest

The author declares no conflict of interest

Author Biography

Catherine Ayebazibwe is a student at Team University, Kampala, Uganda, pursuing a Master of Science in Human Resources.

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Catherine Ayebazibwe was the author, and Jane Catherine Ayebazibwe was the research supervisor.

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