



**The Role of Human Resource Management Practices on the Performance of
Microfinance Institutions: A Case Study of PEACE Microfinance S.C**

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EXAMINERS' APPROVAL SHEET

This research project, written by Bedada Tesfaye and titled "**The Role of Human Resource Management Practices on the Performance of Microfinance Institutions: The Case study of PEACE Microfinance S.C.,**" has been turned in as partial fulfillment of the requirements for the degree of Executive Master of Business Administration. It complies with university regulations and meets acceptable standards for originality and quality.

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DECLARATION

I certify that the research project "**The Role of Human Resource Management Practices on the Performance of Microfinance Institutions: The Case Study of PEACE Microfinance S.C**" is entirely my own original work and has not been used by anyone else to satisfy any requirements at any other university. All information sources used in the study have also been properly cited.



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Statement of Certification

I thus attest that Bedada Tesfaye has successfully completed his research project work on "**The Role of Human Resource Management Practices on the Performance of Microfinance Institutions: The Case Study of PEACE Microfinance S.C.**" under my supervision. This work is acceptable for submission as a partial fulfillment of the requirements for the Executive Master of Business Administration master's degree.



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Acronyms

HRM: Human Resource Management

HRP: Human Resource Planning

HR: Human Resource

MFI: Microfinance Institution

SPSS: Statistical Packages for Social Science

ANOVA: Analysis of variance

S.C: Share Company

Abstract

The aim of this paper was to examine the role of human resource management practices on the performance of Microfinance Institutions the case study of PEACE Microfinance S.C. Relevant literatures were reviewed on the subject area and conceptual framework was developed. Explanatory research design was applied and questionnaires were prepared to gather primary data from target respondents. The total population at the time of this research plan was 73 selected judgmentally and all of them were employed using census sampling method. Out of which 72 (98.63%) were collected. The model summary indicated the presence of a significant positive correlation ($R=.813$) between the independent variables (human resource planning, recruitment & selection, training & development, reward management and compensation, performance appraisal and employee relation) and the dependent variable – organizational performance. Further, the R-squared value of 0.661 indicated that the independent variables accounted for 66.1% of the total variance in organizational performance (dependent variable). In general, the findings of this study revealed that Human Resources Management Practices has a positive effect on Organizational performance. Thus it is recommended that managers of the company have to give more attention in their managerial function to successful implementation of HRM practices to improve organizational performance.

Key terms: *Human Resource Management Practices, Human Resource Planning, Recruitment and Selection, Training and Development, Reward Management and Compensation, Performance appraisal, Employee Relations.*

CHAPTER ONE INTRODUCTION

1.1 Background of the study

The global dynamic of a hyper-competitive work environment has created the need for more effective management of human resources, as service requirements increase and economic factors decrease the workforce's size. The field of human resource management is a relatively new discipline focused on managing people and resources in any organization. The people dimensions of the organization are considered the key assets in the HRM field of study. According to Armstrong (2014), HRM is concerned with the management of the most valued assets i.e., people towards the achievement of organizational objectives. HRM practices are a set of organizational policies and activities required to perform the routines of human resources in an organization, e.g., HR planning, recruitment and selection, training and development, performance appraisal and management, compensation management, career management as well as employee relations management in an organization (Armstrong, 2014).

HRM practices are a set of activities, policies, and procedures comprehended with the HR management function towards the management of people resources in an organization. HRM practice consists of all managerial activities and decisions about people, such as HRP, staffing, performance management, employee training & development, compensation management, employment relations, and maintaining health and well-being (Armstrong and Taylor, 2020 and Ayanaw. Y Page 2 Collings, 2018). HRM practice includes all those managerial decisions and activities about the employment affairs of organizations (Boxall and Purcell, 2016).

The major contribution of HRM is related to enhancing organizational performance by providing insight into the performance issues affecting the organization and its employees (Armstrong, 2014). The notion behind the practice of HRM makes an impact is that people are the organization's key resource and organizational performance largely depends on them. This implies that good human resource policies affect human resource management practices and influence staff attitudes and behaviors as well as organizational performance (Storey, 2009). HRM practices are

designed and implemented in such a way that human resource plays a significant role in achieving the goals of the organization (Delery and Doty, 1996).

Armstrong (2014) argued that HR can contribute to enhancing organizational performance by providing insight on the performance issues affecting the organization and its employees. Armstrong, (2016), illustrated that getting the best out of people is primarily the responsibility of managers and HR specialists to exercise effective leadership and create conducive work environment to achieve high organizational and employee performance as well as encourage people to do everything expected of them. It links HR practices with the management process of the firm vertically and horizontally, it emphasizes that HR practices are integrated and support each other. According to Werbel and DeMarie (2005), HRM creates procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizational competencies which support competitive advantage.

Therefore, the study examines the contribution of Human Resource Management (HRM) on performance of Microfinance Institutions using PEACE Microfinance S.C as the case study. HR Management was analyzed using HR planning, Recruitment and Selection, training and development, reward management and compensation, Performance appraisal Employee relation on firm performance.

1.2 Background of the Company

PEACE Microfinance S.C is one of a pioneer financial institution which was founded in November 1999 G.C in accordance with Microfinance Business /Amendment/ Proclamation No 1164/2019 and Microfinance Business Proclamation No. 626/2009. The company has 32 branches in Ethiopia. It is the Microfinance Institution, which plays an important role in providing access to financial services to rural farmers and small scale rural and urban entrepreneurs (PEACE Microfinance S.C, 2023). PEACE Microfinance S.C aspires to be a leading Microfinance Company in Ethiopia by the year 2030. And set the mission to serve entrepreneurs and economically active people by providing environmentally suitable, innovative, sustainable, women focused, and quality financial and non-financial services to improve the livelihood of the society by bridging the gap in financial inclusion.

The objectives of the company are provide increased access to financial services to the productive poor, empower them through viable activities, and attain food security at the household level; contribute to transformational and sustainable development by working towards permanent job creation and profitable productive activities with integration to rural development programs; promote saving mobilization; create an enabling environment for more positive impacts, provide competitive quality and efficient services and a continuous bases and mature financial intermediary by charging appropriate fees and interest.

Women economic empowerment, quality service, rural focused, client's centricity, teamwork, social responsibility, transparency, accountability, commitment, saving led and child and youth inclusive are the core values of the company (PEACE Microfinance S.C, 2023).The company set strategic plan to achieve these vision, mission and objectives by organizing different functional department like finance & investment, Human Resource Development and Administration, Credit and follow-up, Saving and deposit mobilization, Business Development marketing and planning, Audit, Risk management and Compliance, Legal Service and IT services in line with the strategic plan of the company.

For organizations, to fulfill their mission and visions, to make the most of their efficiency in the existing market and to assure their sustainability, they need to increase their organizational performance. Many researches also revealed that the performance of the organization will be impacted by the various conditions. Among these variables Human resource management practices are the most valuable conditions to impact the performance of the organizations. As there are indications those effective implementations of HRM benefit the organization by improving their performance. To apply HRM practices as a tool, it is very importance to study the relationship between HRM practices and organizational performance. Thus this study intended to investigate the role of Human Resource Management Practices on the Performance of Microfinance Institutions. And develop a model that shows integrated HRM practiced for improving performance of the origination. This research also fulfills the literature gap for applying HRM practice for successful organizational performance.

1.3 Statement of the Problem

Today's business development and performance do not only depend on a good business strategy. Many companies from different business sectors are continuously developing their marketing divisions to produce the most up-to-date and effective marketing strategies. However, the reality is that market winners in business are not only those who have a good marketing strategy but also thanks to the human empowerment system that exists within the company. For this reason, companies need to practice proper human resource management (HRM), one of which is in the form of HRM Practice. HRM Practice refers to any framework human resources and managers use to meet organizational objectives (Watson, 2010). This is also in accordance with the opinion of Rehman (2011) that organizations will achieve high performance if they are able to manage HRM Practice in a competitive environment. Similarly, Mehmood et al. (2017) noted that HRM Practice is required since an organization's performance depends on the quality of its employees and will influence the results of its employees.

To ensure that the business is able to compete effectively in the future, organizational HRM focuses primarily on absorbing organizational transformation and the organization's talent base (Osabiya, 2015). In order to accomplish the goals and missions of the company, HRM promotes the development of human resources that are in line with a competitive business strategy. A key component of the company strategy is the human resource management practices.

PEACE Microfinance S.C is one of a pioneer financial institution which aspires to be a leading Microfinance Company in Ethiopia by the year 2030. And set the mission to serve entrepreneurs and economically active people by providing environmentally suitable, innovative, sustainable, women focused, and quality financial and non-financial services to improve the livelihood of the society by bridging the gap in financial inclusion.

The company set business and company strategy to achieve these vision, mission and objectives by organizing different functional department like finance & investment, Human Resource Development and Administration, Credit and follow-up, Saving and deposit mobilization, Business Development marketing and planning, Audit, Risk management and Compliance, Legal Service and IT services in line with the strategic plan of the company. One of the main strategies to

achieve the aforementioned vision, mission, objectives and Organizational performance is by implementing of Human Resource Management practices.

Through good business strategy was in place, there was a problem in the company with respect to the concept of HRM practices. And also the significant and level of human resource management strategies were not coinciding with business strategy and strategic plan of the company as observation and discussion made with functional department managers of PEACE Microfinance S.C. Therefore, this study focus on roles of human resource management Practices on the company performance through diagnoses plan and procedures of human resource strategy with line managers using HR planning, Recruitment and Selection, Training and Development, Performance appraisal, compensation and reward, and Employee relation with firm performance. Thus, the purpose of the research is designed to address this problem by providing answers the role of HRM practice on the performance of Microfinance Institutions; in the case study of PEACE Microfinance S.C to the following research question.

1.4 Research Question

This study was guided by the following research question:

1. To what extent HR planning as HRM practice related to the performance of PEACE Microfinance S.C?
2. How does recruitment and selection as HRM practice affect the performance of PEACE Microfinance S.C?
3. To what extent is training and development as HRM practice related to the performance of PEACE Microfinance S.C?
4. How does reward management and compensation as HRM practice affect the performance of PEACE Microfinance S.C?
5. To what extent is performance appraisal as HRM practice related to the performance of PEACE Microfinance S.C?
6. What is the relationship between employee relations as HRM practice and the performance of PEACE Microfinance S.C?
7. How does HRM practice affect the performance of PEACE Microfinance S.C?

1.5 Objectives of the study

1.5.1 General objective

The general objective of the study was to examine the role of human resource management practices on the performance of Microfinance Institutions in the case of PEACE Microfinance S.C.

1.5.2 Specific objectives

The study was guided by the following specific objectives:

- i. To examine the role of Human Resource planning practice on the performance of PEACE Microfinance S.C
- ii. To analyze the influence of Recruitment and Selection practice on the performance of PEACE Microfinance S.C
- iii. To determine the effect of training and development practice on the performance of PEACE Microfinance S.C
- iv. To determine the influence of reward management and compensation practice on the performance of PEACE Microfinance S.C
- v. To examine the role of performance appraisal practice on the performance of PEACE Microfinance S.C
- vi. To examine the role of employee relations practice on the performance of PEACE Microfinance S.C

1.6 Significance of the study

The study examined the role of Human Resource Management practices on the performance of Microfinance Institutions: The case study of PEACE Microfinance S.C. The study equips the researcher with knowledge and skills in human resource management which could be transformed into organizational assets at the workplace. The study would be significant to identify key HRM practices that enable the improvement of the organization's performance and empower the managers of the organization to easily identify these key HRM practices and make decisions for the successful improvement of performance.

The findings of the study might help the organization identify areas of potential problems related to the organization's human resource practices: mainly human resource planning policies, recruitment and selection policies, training and development policies, performance management systems, and compensation and reward which directly impact Microfinance institution's performance. The recommendations described based on the conclusions of the research findings help the company improve the existing HR strategic approach.

The study could help other governmental and non-governmental organizations as a tool to customize the suggested model into organizational context to improve their HR-related strategic problems. This study may help other academics/scientists to conduct similar studies based on the results and recommendations. This study aims to conduct and encourage further research on similar topics related to the role of HRM in performance.

The final copy of the research project will be deposited in the Addis Ababa University Library. This contributes to the university's academic resources and can enhance knowledge in academic disciplines.

1.7 Scope of the study

The scope of the study was limited to PEACE Microfinance S.C due to many factors including time bounded of the research project, resource availability and other social activities. The study was delimited to the whole company's geographical location to involve all management groups and senior officers in thirty-two branches of the company and the head office. To collect the required data for analysis questioner was used through an electronic data collection tool (Google form) and analyzed by applying descriptive and inferential analysis.

The research examined the contributions of strategic human resource management practices on the performance of PEACE Microfinance S.C. focusing the existing practice.

1.8 Limitation of the study

The explanatory research design was employed in the study to evaluate the HRM practices of PEACE Microfinance S.C and not included other Microfinance Institutions in Ethiopia. As a result, the research's results and conclusions may not be applied to all microfinance institutions. The study has been restricted to using just primary data and a qualitative technique, rather than secondary data. There is not enough empirical research literature to fully assess the relationship between independent and dependent variables (i.e., strategic HRM practices and organizational performance, respectively) because the field is still in its infancy. Due to the lack of comparable studies across the country with similar names, the researcher found it challenging to contextualize the topic.

1.9 Operational definitions of Key Terms

The following key terms are operationally used in this research and briefly explained as follows:

Human resource Management (HRM): is an approach that defines how organization's goal will be achieved through people by means of HR strategies and integrated HR policies and practices.

HR planning: is the process by which an organization ensures that it has the right number and kind of people at the right place at the right time. human resource planning focuses on analyzing an organization's HR needs as the organization's conditions change, and then supplying strategies to help respond proactively to those changes over time.

Recruitment and Selection: is the process of identifying the need for a job, defining the requirements of the position and job holder, advertising the position, and choosing the most appropriate person for the job.

Employee relations: are concerned with generally managing the employment relationship and developing a positive psychological contract. In particular, they deal with the terms and conditions of employment, and issues arising from employment, provide employees with a voice, and communicate with employees.

Training and Development is the framework for helping employees to develop their personal skills, knowledge, abilities, and attitude.

Performance appraisal (PA): refers to the methods and processes used by organizations to assess the level of performance of their employees and provide them with feedback. This is the process can be used for both developmental and administrative.

Reward management & Compensation: is a strategic matter. Compensation would include rewards when you offer monetary payments such as incentives, various bonuses and performance bonus.

1.10 Organization of the Study

The study is organized in to five chapters. Chapter one discusses the introductory part which comprises the Background of the study, Statement of the problem, Objectives of the study, the significance of the study, the scope of the study, limitations of the study, Operational definition of key terms and organization of the study. The second chapter is the review of related literature which contains the relevant theoretical, conceptual and empirical literature compiled as a related study. The third chapter describes the methods of the study, which covers design, the population and sampling techniques applied the types of data used, and the tools/instruments adapted to collect the data collection and methods of data analysis. The fourth chapter is about the dissemination of the research results/findings and discussion of these results. And the final chapter is about the conclusion of the research findings and recommendations which address the research hypothesis posed based on the statement of the problem.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

INTRODUCTION

This chapter provides an overview of the literature relevant to this study. In line with research objectives, this chapter sheds further light on HRM concepts, debates over theory, perspectives, various bundles of HR practices, and previous research results. It ends with a conceptual framework for the study.

2.1 Theoretical Literature

Numerous studies have been conducted to demonstrate the importance of human resource management practices to organizational performance. Below are definitions of terms, theories, and perspectives on this subject.

2.1.1 Definition of Terms related to HRM, HRM practices and organization performance

Human resource management (HRM) deals with all aspects of hiring and managing human resources within an organization. It is defined as a strategic and coherent approach to managing an organization's most valuable asset: the people who work in it and contribute individually and collectively to achieving its goals (Hamid, Z., Muzamil, M., & Shah, S. A., 2022)

Human resource management is a strategic, integrated, and coherent approach to hiring, developing, and well-being an organization's people. It has a strong conceptual foundation, drawing on theories of strategic management, human capital, industrial relations, and behavioral science. This foundation was established through various research projects (Armstrong, 2010).

HRM practices are essentially actions taken by organizations that manage their human resources and are responsible for ensuring that those resources contribute to the achievement of organizational goals (Daud 2006).

Performance can be defined as an organization's ability to utilize and effectively manage available resources through a variety of methods to achieve competitive advantage (Sareen, D. (2018). Dyer and Reeves (cited in Quansah 2013) measured HRM performance outcomes in three ways. The first is financial results: profit and sales market. The second is organizational outcomes such as productivity, quality, and efficiency; the third is HR-related outcomes, which

impact employee attitudes and behaviors such as satisfaction, engagement, turnover, and absenteeism.

The concept of achievement includes both what has been achieved and how it has been achieved. Business performance can be measured using key performance indicators, usually related to financial results (profitability), productivity, and quantitative assessments of organizational performance and effectiveness.

2.1.2 Best Practice Human Resources Management Theory

HRM best practices are best practices in the sense that they are best under all circumstances and their implementation improves business performance. A fundamental principle underlying best practices is to evaluate and reward employee performance (Christine, M. M. (2013). Researchers have developed and enumerated a number of best practices. Huselid (1995) lists his 13 “characteristics of high-performing jobs.” Pfeffer (1998a) outlined seven best practices for successful organizations. Delery and Doty (1996) identified seven strategic HR practices related to overall organizational performance.

2.1.3 HRM Practices and Organization Performance Theory

The main goal of all companies is to continuously maximize and improve their bottom line. The impact of HRM policies and practices on an organization's overall performance is of great importance from a human resources management perspective (Huselid 1995).

Human resource is essential to creating a company's unique competitive advantage. Organizations use their HRM practices to motivate employees and encourage participation and collaboration. This theory argues that HRM practices can affect individual employee performance through their impact on employee skills and motivation, and through organizational structures that can improve the way employees work (Huselid 1995).

2.1.4 The Resource Based View (RBV)

The main idea of this theory is that resources, including employee systems and business partners, are combined into scarce, inimitable, valuable, and irreplaceable ways of working, resulting in a competitive advantage (cited by Sean in Christine 2013). This approach focuses on internal resources, which are seen as key drivers of sustained competitive advantage. In fact, the value cre-

ated by human resources is central to this approach, optimizing flexibility to reduce costs and increase efficiency (Armstrong, 2010).

2.1.5 The Universalistic Perspective

They emphasize a correlation between the adoption of specific HRM practices and improved performance. Some HR practices are better than others, and all organizations should adopt these best practices. There is a universal relationship between individual best practices and organizational performance. In addition, HRM practices are believed to influence employee motivation and increased efficiency (Ichniowski quotes from Christine 2013). Scholars and researchers from a Universalist perspective postulate that there is a correlation between the adoption of a particular HRM practice and improved organizational performance (Delery and Doty 1996). They suggest "best practices" that, if adopted and implemented, will make a positive contribution to financial performance, regardless of an organization's strategic goals (Huselid 1995).

2.1.6 The Contingency Perspective

According to this perspective, for an organization to be effective, it must have personnel policies that are consistent with other aspects of the organization. Proponents believe that the most important contingency factor is the organization's strategy. They emphasize that HR strategies must be aligned with the organization's context and circumstances. 'Best fit' can be perceived in terms of vertical integration or alignment between an organization's business and personnel strategies (Armstrong, 2006).

Contingency theorists, like Delery et al. (1996), assume that an organization's personnel policy must be consistent with other aspects of the organization. They sought to show how different HR practices are compatible with different strategic positions and how these practices impact organizational performance.

2.1.7 The Configuration Perspective

It is a holistic approach that emphasizes the importance of patterns in personnel practices and deals with how patterns in this independent variable relate to dependent variables in organizational performance. In a general sense, the composition was defined by Huczynski and Buchanan 2007 (cited in Christine 2013) as follows: "The structures, processes, relationships, and boundaries within which an organization operates." They are based on holistic research principles, usu-

ally on ideal type typologies, and with system assumptions of "equivalence." (Delery et al. 1996).

2.2 Definitions and concepts of Organizational Performance

Organizational performance is stated to be a sign of the capacity of performing various assessments by the employees and the findings in the general aspects such as business performance, financial performance, and effective organization. Another system was developed by the HR researchers that have involved two elements to estimate the market performance of an organization i-e market share to earnings ratio. Similarly, extensive research is available that has explored that the financial ratios are the most appropriate way to assess organizational performance. However, the judgment regarding HR practices and other related issues are evaluated differently. Moreover, a complete set of dimensions are also available for human resource performance, which has been suggested by the research (Alshammari, A. A. 2020).

These are classified into four different categories: intellectual capital, commercial measurements, tangible and intangible profits, and the balanced scorecard (Latham and Pinder 2019). The improved organizational performance is measured by the pattern of integrates, the comprehensive performance of an organization as well as the learning process that can also evaluate the comprehensive organizational performance. There found the least difference between the developing and developed countries regarding the effect HRM practices, organizational learning, and knowledge management capabilities on organizational performance. However, the organizational culture, most of the time, affects differently in different organizations even with in the country. The Saudi organizations are explored to be more sensitive in this context as these organizations have a diverse workforce. So, the organizational culture becomes a key factor for boosting up the morale of employees and get maximum output that leads to improving the organizational performance (Lawrence Lorsch 2019, & Alshammari, A. A. 2020).

2.3 Human Resource Management Practices Selected for the Study

2.3.1 HR planning

One way to improve performance is through strategic workforce planning. Human resource planning is the process of systematic planning to optimize your assets and your employees. This gives companies additional peace of mind that hiring the right candidates will maximize productivity within the company. Strategic workforce planning indirectly leads to employee performance, which in turn leads to overall organizational performance. These are some of the human strategies that lead to business strategies for developing effective organizational performance (Al-Khaled, A. A. S., & Fenn, C. J. 2020).

2.3.2 Recruitment and selection

Highly selective recruits are able to meet diverse job requirements, have the necessary skills and experience to fit the situation well, and at the same time have the necessary skills and qualities to face a dynamic culture and environment useful in finding the right candidate for is selected. It's a simple fact that companies need to hire the right people for their employees. That way, employees are least likely to leave the company and find another job (Anwar, G., Abdullah, N.N. 2021). Furthermore, Anwar and Abd Zebari (2015) pointed out that HRM's key profit-generating strategy can be easily explained as a slow and costly recruitment process. Another study by Zhao & Zhou (2020) found that hiring the right people enables companies to utilize most of their resources, positively impacting overall efficiency and minimizing training and development costs. It turns out that it can be done. University researchers examined the level of stress that implementing high-performing policies imposed on employees, and how such policies reduced stress, and found that stress doubled (Prabhu et al. 2020). Hiring only a few employees for new positions is considered one of the best practices in human resources management. Among these and other equally important characteristics is the wide range of options when choosing workers. It also includes selection criteria such as salary. The focus of the selective recruitment process is said to remain on results, effectiveness, etc. The desire for increased profitability, management support, and efficiency has been prioritized (Anwar & Surarchith, 2015).

2.3.3 Training and Development

Training and development, like other strategic human resource management practices, is another important practice for ensuring that employees fully understand and perform their roles. During this period, people are perceived as a central part of the organization. Employee competencies are considered organizational competencies (Shokat, Shajn & Kumar et al., 2019). Employee core competency motivation theory (Horn, 2014) focuses on skills, knowledge, and learning and is central to strategic management. Employees are trained to support the organization. Companies use this training to achieve productivity, quality, flexibility, and agility. Another author suggests that spending on employee training should be increased to increase organizational efficiency and effectiveness. Proper training design is very important for effective results of organizational training. Training should be planned according to job needs and organizational tasks. The purpose of strategic training is to align employee skills with organizational goals (Adeyi et al., 2018). HR development can also be described as the utilization of human resources to meet economic and environmental challenges. Another focus is on improving employees' interpersonal and personal skills. Helps prepare for future vacancies. Training is a hands-on approach to maximizing the value of knowledge. With all these studies in mind, we can see that organizational performance is related to the training provided by Company (John, Z. A. 2022).

2.3.4 Reward Management and Compensation

Reward management and compensation are fundamental aspects of strategic human resource management. Effectively de-motivating employees reduces reward benefits and limits employee performance. Compensation varies from organization to organization and depends on structure and budget. Compensation is usually based on performance, and employees are assigned specific tasks so that they are rewarded for completing effective tasks. Tasks are associated with company goals and intentions (Onwuka, & Onwu-chekwa, 2018). Organizations should determine their compensation strategy according to their goals and financial situation. Employee dissatisfaction increases when an organization receives no compensation or compensation, which can lead to a decline in the company's strategic position. If not, employees will compare their organization's compensation strategies to those of their competitors and consider a career change.

Recruiting, selecting, and training employees is a significant cost and expense for an organization. Companies risk wasting resources when employees turn over quickly due to a lack of compensation strategy. For this reason, companies with good compensation strategies are likely to have high priority in their HR management processes (Ali, Shen, Rehman & Anjum, 2015). The resource-based view of assets also notes that everything a firm invests in helps create valuable resources that will be rewarded against future competition (Ruiz et al., 2019). Reward and compensation are considered strategic practices that align employee practices with organizational performance. In the workplace, it is necessary to carry out activities that increase motivation and improve performance in order to bring out the full potential of each individual. The most strategic compensation strategies attract more employees and vice versa. Salaries have a great impact on the lives of employees as they are used to meet their needs and maintain a certain standard of living. Even employees choose jobs looking for services that are a long-term part of the employment relationship, such as pensions and tips (John, Z. A. 2022).

2.3.5 Performance Appraisal

One of the most important duties of managers is assessing employee performance. A powerful tool for providing documented feedback on an employee's performance level is the performance appraisal. They enable better communication between managers and employees and assist in determining retention, promotion, transfer, bonuses, and pay raises. When performance appraisals are managed well, they can accomplish and contribute, for instance, performance measurement is transparent, short, medium, and long-term. The actual performance appraisal documents become a permanent part of an employee's record and can have a significant impact on lives and careers.

Clarifying, defining, and redefinition of priorities and objectives; agreement on helpful goals and targets; motivation through accomplishment and feedback; training needs and learning preferences; assessment and agreement; and recognition of individual strengths and trajectories including unused hidden strengths, career and succession planning, personal and organizational, team roles clarification and team building, organizational training needs assessment and analysis, appraised.

All good managers should be able to conduct appraisals effectively because it is a fundamental process. This includes mutual awareness, understanding, and relationship between manager and employees well as resolving misunderstandings and confusions. It also includes reinforcing and cascading organizational philosophies, values, aims, treaties, priorities, delegation, and additional responsibilities (Mahapatro, 2010).

2.3.6 Employee Relation

Employee relations are concerned with managing and maintaining employment relationships, given the implications of the concept of psychological contract. This means that workers can be treated collectively through unions or individually. Employment practices, conditions of employment, and dealing with issues arising from employment. Give employees a voice and communicate with them (Armstrong, M., & Taylor S., 2020)

2.4 Human Resource Management and Organizational Performance

Al-Khaled, A.A.S., & Fenn, C.J. (2020), most businesses face stressful market conditions. Under these circumstances, companies must strive to improve their market strategies in order to gain and maintain a competitive advantage. Companies are increasingly recognizing the potential of their talent as a source of ongoing competitive advantage. A company's organizational performance is determined by its human, organizational, and technical capabilities. People in organizations must have the necessary knowledge and skills to communicate effectively with systems and software. Human resource capability is an important aspect that determines operational efficiency to deliver high-quality services and products in a short period of time. HRM activities such as selection, training, business climate, and performance appraisals can empower employees to achieve higher efficiency (Shehadeh, 2019). Of course, personnel rarely have a direct impact on business performance. This is especially true because HR business logic enables HR departments to improve operational efficiency by contributing to strategic success. HR professionals need to understand that successful strategy execution is the foundation of shareholder value, and that successful strategy execution is a system of indirect outcomes. Strategic Human Resources Management has several key areas that impact organizational productivity. The first is recruiting and retaining qualified employees. This impacts organizations by aligning staff with their strategic and organizational needs (Purce, 2014). In addition, we ensure the recruitment,

growth, and retention of talented employees who can 'fit' the organization's culture and strategic needs and achieve high performance, efficiency, and a high level of social and customer service. Compensation management increases motivation and keeps employees focused on their work. In return, the organization rewards employees according to their productivity and contribution to the organization as a whole. In addition, learning and development also play an important role in a company's performance.

2.5 Empirical literature

Extensive literature on human resource management practices and organizational performance related to HR planning, recruitment and selection, training and development, performance appraisal, reward management and compensation, and employee relations was discussed. Although much research has been done on human resource management, research on the role of human resource management in organizational performance is particularly limited.

MESFIN, B. (2019) from Ethiopia explored the impact of personnel practices on organizational performance. It is intended for workforce planning, training and development performance management, advertising management, and compensation management. The results show that there was a positive correlation between HR management practices of Ethiopian commercial banks and their organizational performance, except that recruitment practices had no significant impact. The findings show that surveyed organizations currently have weak human resource management practices that directly impact organizational performance. Finally, the study suggested that banks should rethink their human resource management in order to provide competitive and advanced services and benefits. A study by San, O. T., Theen, Y. M., & Heng, T. B. (2012) and John, Z.A. (2022) three aspects of strategic talent management: recruiting and selection, training and development, and compensation management and compensation each have a positive impact on organizational performance.

2.5.1 Human Resource Planning and Organizational Performance

Previous research on the effect of Human resource management practice on Organizational performance has varied. However, most researchers conclude that there is a positive correlation.

Khalid, U. et al. (2017), conducted a study on the relationship between HR management planning and organizational performance, which were empirically linked, and found that by measuring indicators such as engagement and control of HR practices, HR planning hypothesized that it would have a significant impact on performance. The results show that organizations diligently applying optimal HR planning perform better than those with completely lax HR planning and that this has a significant impact on organizational performance is showing. In other words, HR planning increases discretionary spend on human capital, that spending increases productivity.

2.5.2 Recruitment Selection and Organizational Performance

Recruitment and selection criteria ensure that an organization has the right people to drive its agenda and achieve its strategic goals, and that recruitment and selection has a positive impact on organizational performance (Anyango, E., Walter, OB., Muya, J., 2018). Saddam, A. K., & Mansor, N. N. A. (2015) argue in their work that recruitment and selection are the first processes in which people are evaluated. This includes identifying, recruiting and selecting the right people to meet the organization's job requirements. This is an important process that needs to be done. Failure to do so will have far-reaching consequences for improper hiring and selection. HR practices are positively correlated with employee performance, but selection and training affect performance more than other practices. Chand & Katau (2007) show that hiring and selection as part of an HRM system are highly correlated with profitability and that organizational management should consider these HRM (recruitment and selection) practices.

2.5.3 Training and Development and Organizational Performance

Training and development is a method that guides the skill and knowledge of staff toward the objectives of the organization. Numerous studies have demonstrated that providing sufficient training to employees is positively correlated with employee contentment, dedication, retention, and overall organizational performance. Companies with exceptional training initiatives are likely to experience lower staff turnover compared to those that overlook employee development. Employees will contribute to the organization's success if they believe that the training and development they receive will also benefit them (Gonchkar, 2012). Other researchers such as (Osman, A., & Saifalislam, K. M. (2014) have examined the impact of training programs on organi-

zational performance, and the results were statistically significant and advantageous for both employees and the organization.

2.5.4 Performance Management and Organizational Performance

Performance Management assists organizations in ensuring the effectiveness of job execution and facilitates the implementation of necessary adjustments in case of discrepancies. It is crucial for an organization to possess sufficient knowledge of its employees' performance in order to effectively manage its operations. Biriowu, C. S., & Ofurum, U. A. (2020) study conducted in the banks of North Cypress demonstrates that Performance Management positively affects organizational performance by offering decision-makers valuable insight into employee performance.

2.5.5 Compensation Management and Organizational Performance

Compensation refers to all forms of financial returns and tangible perks that an employee receives as part of the employment relationship (UMAR, K. 2014) examined the impact of rewards on employees' commitment and found that the reward system plays a crucial role in fostering employee engagement. This engagement is contingent upon employees feeling that they are fairly compensated for their skills, knowledge, and contributions, which in turn determines their willingness to exert effort towards organizational effectiveness. A study conducted by Tangthong, S., Trimetsoontorn, J., & Rojniruntikul, N. (2014) demonstrates that the compensation system, directly and indirectly, influences employee retention, which in turn affects organizational performance.

2.5.6 Employee Relations and Organizational Performance

Research has indicated that there is a correlation between favorable employee connections and employee involvement in improving organizational performance. The performance of an organization is positively related to the quality of interactions between supervisors and staff members (Crim & Seijts, 2006). Osborne and Hammoud (2017) concisely stated that a negative work atmosphere can lead to reduced employee engagement within an organization. In every individual, there exists an inherent longing to be treated with respect, valued, and acknowledged for their abilities and competence, and also to have autonomy or authority in carrying out their tasks. The positive interpersonal connections between employers and employees have been recognized as crucial in enhancing organizational performance. As stated by Almohtaseb, A. A., Shaheen, H.

A. K., Alomari, K. M., & Yousef, M. A. (2020), interpersonal connections focus on the extent to which employees are invested in their work.

2.5.6 Relationship between Human Resource Management Practice and Organizational performance

Previous research on HRM has shown a strong positive correlation between HR practices and organizational performance (Seeman, Upton, Carlson, 2006). They empirically examined the impact of HR practices on performance in a sample of 168 fast-growing, family-owned SMEs. This result suggests that training and development, the use of performance management, and competitive reward systems are closely related to organizational performance. Previous research by Horgan & Mohalu (2006) found that some HR practices are associated with better employee performance and, consequently, better organizational performance. However, when employees alone contribute to organizational performance, HR practices affect organizational performance. Syed & Yan (2012) conducted an original study of four of their HRM practices and showed that training and development, teamwork, workforce planning and performance appraisal have a significant positive impact on organizational performance.

The body of research investigating the relationship between personnel practices and organizational performance has grown exponentially in recent years. This relationship between HR practices and organizational performance has become one of the key areas. Some have said that their main research area is human resource management (Guest 1997).

A number of researchers have so far conducted research on the relationship between personnel practices and organizational performance, especially in the banking sector, and most have found that the more effective and efficient personnel practices are, the more likely organizational performance to improve (Rasheed et al, 2013). According to Guest (1997), if the right people are in place at the right time with the right skill and knowledge and also if employee has the right motivation and commitment the success of organizations performance is high. When appropriate HRM practices in place it taps the motivation and commitments of employees and it simply show the linkage between HRM practice and performance. "Innovative human resource practices are likely to contribute to improved economic performance only when three conditions are met: when employees possess knowledge and skills that managers lack; when employees are motivated to apply this skill and knowledge through discretionary effort; and when the firm's business or

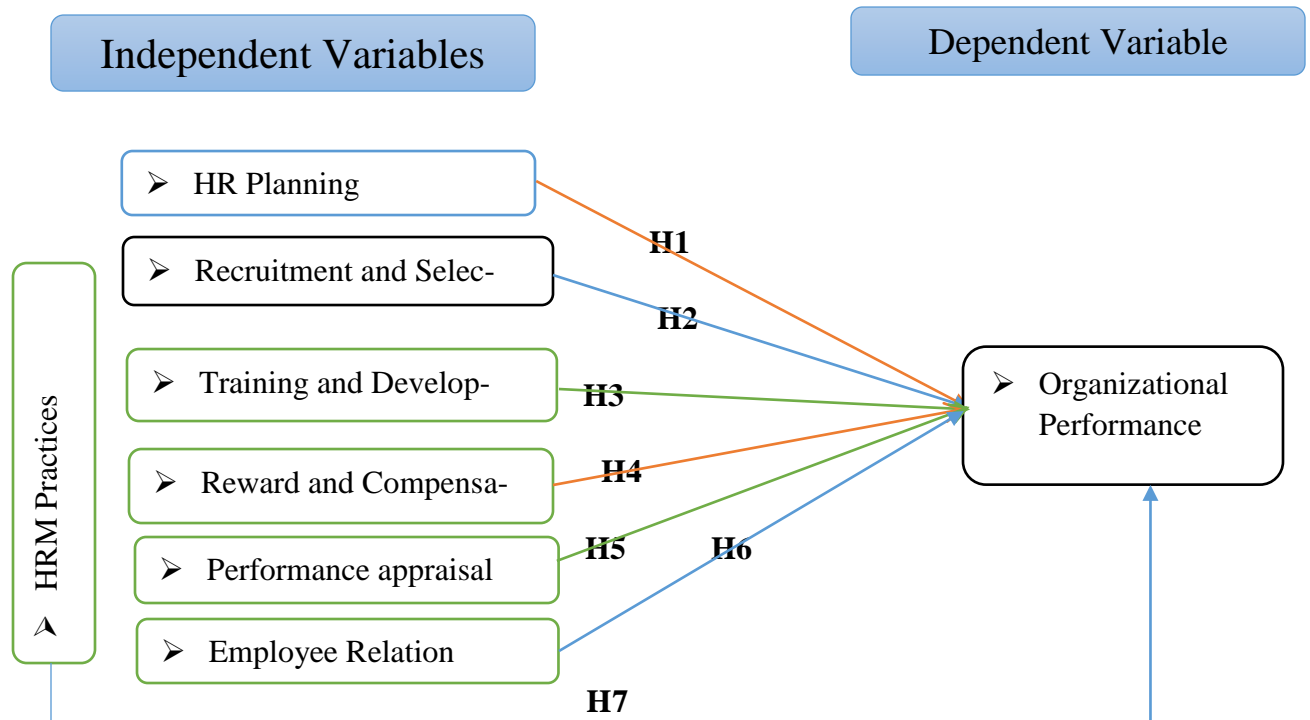
production strategy can only be achieved when employees contribute such discretionary effort. It was argued that all three conditions must be met for HR practices to contribute to performance.” (MacDuffe,1995) and this argument shows us that better training and development of an organization and motivational factors to apply this skill directly related to organizational performance and handling this through effective HR practices benefits organizations. Expectation theory, which is more concerned with motivation, attempts to show a relationship between HRM practice and performance.

The research by Saviour et al, (2017), Theen and Heng (2012, 221) and John, Z. A. (2022) three dimension of strategic human resource management, recruitment and Selection, Training and Development and Reward management and Compensation respectively positively affect Organizational performance.

2.6 Conceptual Framework

In this study the independent variable is the roles of strategic human resources management practices and the dependent variable is organizational performance. The variables and their relationship are shown in the figure below:

Figure 1. Conceptual framework



Source: Developed for this study, 2023

2.7 Hypothesis of the study

H1: HR planning has significant and positive effect on organizational performance.

H2: Recruitment and Selection have significant and positive effect on organizational performance.

H3: Training and development have significant and positive effect on organizational performance.

H4: Reward and compensation have significant and positive effect on organizational performance.

H5: Performance appraisal has significant and positive effect on organizational performance.

H6: Employee relation has significant and positive effect on organizational performance.

H6: Employee relation has significant and positive effect on organizational performance.

H7: Human resource management practices, on the basis of its constructs, has significant and positive effect on organizational performance

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study was aimed at examining the role of Human Resource Management Practices on the performance of Microfinance Institutions the case study of PEACE Microfinance S.C. The chapter covers the Source of Data, Research design and Approach, Target Population, Description of variables, Model of specification, Data process and Analysis, Validity and Reliability, and the ethical considerations that must be made when conducting the study.

3.2 Source of Data

To address the specific objectives regarding the impact of human resource management practices on the performance of PEACE Microfinance S.C., the study used primary data. The identified target managers, senior officers, and experts in PEACE Microfinance S.C. were questioned to gather primary data using a Google form data collection tool.

3.3 Research design and Approach

This study applied an explanatory research design since it seeks to examine the role of Human Resource Management Practices on the performance of Microfinance Institutions the case study of PEACE Microfinance S.C. The study used a selected number of target population to get empirical data. It was adopted as a case study survey. The research method was quantitative to draw inferences about relationship of variables from survey data. The research problem, research questions, and hypothesis were inferred using a deductive method from the broad theories related to the research topic. According to Kothari (2004), a case study entails meticulous and thorough observation and analysis of a unit in relation to every other unit within the group. A survey's collection, analysis, and interpretation of observations was guided and speedy (Mugenda & Mugenda, 1999).

3.4 Target Population

The target population was 73 individuals working as Senior/Service Managers, Division/Area/Branch Managers, Senior Officers, Officers, Accountants and others (Attorneys and

experts) in PEACE Microfinance S, C. Since the Discipline, Human resource practice, is strategic, the managers and senior officers of the company were selected purposively due to the assumption that they are popularized with the Vision, Mission and strategic issues of Human resource practices and they were appropriate target of the study. As the target population of this study was small, population census was used. Census method is the method of statistical enumeration where all members of the population are studied and the detail of selected respondents shown in table below

Table 3.1 Distribution of target population

Job position	Number of target population	Percentage
Senior/Service Managers	13	17.8
Division/Area/Branch Managers	25	34.2
Senior Officers	11	15.1
Officers	10	13.7
Accounts	8	11
Others (Attorney, Experts)	6	8.2
Total	73	100

Source: 3rd quarter report year 2022/23 of PEACE Microfinance S.C

The above table indicated that majority of the respondents were in the position of Managers and they were appropriate and have faced directly the HR activities and challenges, so they were appropriate respondents.

3.5 Description of variables

The variables of this study described as **dependent and independent** variables. The dependent variable of the study is Organizational performance. Independent variables are: Human resource planning, Recruitment and selection, Training and development, Performance appraisal, Reward management and compensation and Employee Relation.

The measures of the variables employed in this study were evaluated using a variety of items from other studies in the body of literature. Each topic was scored using a 5-point Likert-type

scale, and respondents had to indicate how much they agreed or disagreed with each statement (1: strongly disagree to 5: strongly agree).

1. Strongly Disagree [SD]
2. Disagree [D]
3. Neutral/Indifferent [N/IND]
4. Agree [A]
5. Strongly Agree [SA]

(Likert, R. (1961))

3.6 Model of specification

To evaluate effect of human resource management practices on Organizational performance, the study was used multiple linear regression models. The model as specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e$$

Where: Y= Organizational Performance (Dependent Variable)

β_0 = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ & β_6 = Coefficients of the line

X_1 = Human Resource Planning

X_2 = Recruitment and Selection

X_3 = Training and Development

X_4 = Reward management and Compensation

X_5 = Performance Appraisal

X_6 = Employee relation

e= is error term

3.7 Data process and Analysis

The study was used descriptive and inferential statistical analysis such as percentage, five point likert scale mean, and standard deviation were used to identify human resource management practices and its level. In order to examine the relationship between human resource management practices and organizational performance correlation coefficient

was used. Furthermore the study was used multiple linear regression model to evaluate the effect of human resource management practices on organizational performance. Simple analysis of variance (ANOVA) was used to look for significant differences between the variables.

3.8 Validity and Reliability

3.8.1 Validity

Validity referred to the extent to which the instrument measures what the researcher(s) actually wish to measure (Kothari, 2004). Validity is the most critical criterion and indicates the degree to which an instrument measures what it was supposed to measure. In order to ensure the quality of this research, content of the research questionnaires was verified by the advisor of this research, who looks into the appropriateness of questions and the scales of measurement.

3.8.2 Reliability

Reliability analysis aims at finding out the extent to which a measurement procedure produced the same result if the process is repeated over and over again under the same conditions (Toke et al., 2012). According to Kothari (2004), measuring instrument was reliable providing that it offered consistent results. During the preparation of the questionnaires, researcher applied advisor suggestions and comments to improve questions reliability. The researcher also provided explanations about the purpose of study and the content of questions for the respondents before they had been given answer for questionnaires. The researcher was confirmed questionnaire instrument which were understood by the respondent using reliability test. A total of 73 questionnaires was distributed to the respondents the participant was selected purposively. Then returned the data collections from target respondents were coded and a cronbach's Coefficient Alpha test was employed by SPSS version 26. According to Andrew, Pedersen, and McEvoy (2011), Cronbach's values range from 0 to 1. However, values at or above 0.7 are desirable. The test result shown below.

Table 3.2 Cronbach's Alpha test

Variables	Cronbach's Alpha	No of items
HR Planning	.882	8
Recruitment and Selection	.891	11

Training and Development	.855	14
Reward Management and compensation	.861	12
Performance Appraisal System	.855	5
Employee Relation	.871	10
Organizational Performance	.856	6
Overall Cronbach's Alpha	.867	66

Source: Survey data, 2023

It can be observed from the reliability statistics test table 3.2 above that the Cronbach's Alpha varies between the range .855 and 0.891. This shows high consistency among the items constructed. Since all items are considered useful and reliable for computing scales, no items were being deleted.

3.9 Ethical issues

According to McNamara (1994) ethical concerns in research deal with voluntary participation, no harm to respondents, anonymity and confidentiality, identifying purpose and sponsor, and analysis and reporting. To help eliminate or control any ethical concerns the researcher made sure that participation was completely voluntary but this can sometimes lead to a low response rate which can in turn introduce response bias (McNamara, 1994). While conducting the study, the researcher observed and respected various research ethics such as honesty, objectivity, integrity, openness, confidentiality, responsible publication, social responsibility, non-discrimination, competence, human subjects' protection, etc. The researcher had sought authorization from the Management of PEACE Microfinance S.C. before carrying out the research. A letter from Addis Ababa University was also sought before data collection. The researcher explained the purpose of the research to respondents, respect human dignity and respect the respondents' choice to participate/not participate in the study. Only informed consent was sought. Confidentiality was observed and names of respondents were not be revealed in the research.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

This chapter describes the analysis of data followed by a discussion of the research findings. The findings relate to the research questions and objectives that guided the study. Data were analyzed to identify, describe and explore “**The Role of Human Resources Management Practices on the Performance of Microfinance Institutions: the case study of PEACE Microfinance S.C.**” The study established the extent to which Human resource Planning, Recruitment and Selection, Training and Development, Reward Management and Compensation, Performance Appraisal and Employee Relation related to Organization performance.

4.2 Response Rate

Out of the 73 questionnaires distributed to the respondents, 72 were returned and qualified for analysis. The respondents involved were Senior/Service Managers, Division/Area/Branch Managers, Senior Officers, Officers, Accountants and other Experts of PEACE Microfinance S.C. The rate of questionnaire returned was 98.63% which is above 70% which according to Mugenda, O. M., & Mugenda, A. G. (2003) is adequate for analysis.

The estimated Sample was determined by census/purposive sampling method. The questionnaire was distributed and collected by using Google form. The collected data were entered and analyzed using SPSS Software Version 26.

4.3 Demographic Information

Demographic information of respondents based on age, sex, education background, position and year of services.

4.3.1 Age of respondents

The study sought to determine the distribution of age among the study respondents.

Table 4.1. Age of Respondents

		Frequency	Percent
Valid	18– 30 years	23	31.9
	31 – 40 years	34	47.2
	41-50 years	11	15.3
	51- 65 years	4	5.6
	Total	72	100.0

Source: Survey data, 2023

The above table 4.1 indicates the age (in year) of the respondents. Based on the study analysis, 18-30 years was represented by 31.9%, 31-40 years was represented by 47.2%, 41-50 years was represented by 15.3% and 51-65 years was represented by 5.6%. Majority of the respondents were aged between 31-40 years which indicated that Organization had energetic staff to perform their duties. And for this analysis concluded that majority of the respondents are matured to answer the question.

4.3.2 Gender of respondents

The study sought to determine the gender of the respondent and therefore requested the respondents to indicate their gender.

Table 4.2 Gender of Respondents

		Frequency	Percent
Valid	Female	15	20.8
	Male	57	79.2
	Total	72	100.0

Source: Survey data, 2023

The above table 4.2 shows that 72 have participated in providing responses, and 79.2% were male and 20.8% were female. Both genders involved in the research and the data shows that the majority of respondents were male.

4.3.3 Education Level of Respondents

The study further sought to determine the distribution of education qualifications among the respondents.

Table 4.3 Education level of Respondents

		Frequency	Percent
Valid	BA/BSc/LLB Degree	47	65.3
	Diploma/Equivalent	2	2.8
	Master's Degree	23	31.9
	Total	72	100.0

(Source: Survey data, 2023)

Table 4.3 shows that majority of the respondents 65.3% were Bachelor's/1st degree, 2.8% Diploma/equivalent and 31.9% were Master's degree. It implies the majorities of the respondents were highly qualified and competent enough to answer the questionnaire and had gained rich information and they were knowledgeable with HR Practices in PEACE Microfinance S.C.

4.3.4 Respondents year of Service

The study further sought to determine the duration which the respondents had worked in PEACE Microfinance S.C.

Table 4.4 Year of Service respondents

		Frequency	Percent
Valid	1 – 4 Years	44	61.1
	5 – 10 years	20	27.8
	11 – 15 Years	4	5.6
	16 years and above	4	5.6
	Total	72	100.0

Source: Survey data, 2023

The analysis on table 4.4 indicates the number of years which respondents had served in the Organization. 1-4 years were represented by 61.1%, 5-10 years were represented by 27.8%, 11-15 were represented by 5.6% and 16 years and above were represented by 5.6%. It implies the majority of respondents serve 1-4 years in PEACE Microfinance S.C.

4.3.5 Job level of Respondents

The study further sought to determine the job level/positions of respondents and therefore requested them to indicate their positions.

Table 4.5 Job level /position of Respondents

		Frequency	Percent
Valid	Accounts	8	11.1
	Division/Area/Branch Managers	24	33.3
	Officers	10	13.9
	Others (Attorney, Experts)	6	8.3
	Senior Officers	11	15.3
	Senior/Service Managers	13	18.1
	Total	72	100.0

Source: Survey data, 2023

Table 4.5 indicated the position of respondents. Majority of the respondents 33.3% were in Middle Level Managers or Division/Area/Branch Managers, 18.1% were top level or Senior/Service Managers, 15.3% were senior Officers, 13.9% were Officers, 11.1% were Accountants and 8.3% were other (attorney, Experts). It indicated that majority of the respondents were Managers and they were appropriate and have faced directly the HR activities and challenges, so they were appropriate respondents.

4.4 Descriptive Data Analysis

Table 4.6: Rule of Thumb

Range of Coefficient	Descriptive of Strength
1.0 - 1.80	Strongly Disagree
1.81 - 2.6	Disagree

2.61 - 3.4	Neutral/Indifferent
3.41 - 4.2	Agree
4.21 - 5.0	Strongly Disagree

Source: Bhattacharjee, 2012

4.4.1 Human Resource Planning practices

The study indicated the view of the respondents in regard to Human resource planning practices. The respondents' perception on Human Resource Planning practices with regard to organization performance was captured on a scale of 1 to 5. Whereas 1 denotes "strongly disagree" and 5 signifies "strongly agree." The results are shown in Table 4.7 below.

Table 4.7 Perception of Respondents on Human Resource Planning Practices

Descriptive Statistics- Human Resource Planning N=72		
Statements	Mean	Std. Deviation
Human resource planning is transparent.	3.92	.783
Staff replacements in the organization are done immediately after an employee leaves the organization	3.67	.934
The organization determines in advance the positions that are to be vacant	3.75	.931
The organization has elaborate plans for all its labor requirements	3.83	.822
The organization has put in place a human resource plan that helps it in achieving its goals	3.88	.627
The human resource plan in place supports the organization's mission, vision, and values	4.10	.735
The organization has an ideal number of staff required to perform its functions	3.64	.939
There is elaborate succession planning in the organization	3.64	.997
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.80	.846

Source: Survey data, 2023

Under human resource planning independent variable, 8 (eight) questions were presented to respondents and the results were summarized in Table 4.7 above. The first question with reference to human resource planning that human resource planning is transparent shows a mean of 3.92 and a standard deviation of 0.783. This shows that the respondents agreed that human resource planning is transparent in PEACE Microfinance S.C. In the second question, with a mean of 3.67 and standard deviation of 0.934 staff replacements in the organization are done immediately after an employee leaves the organization. This shows the respondents agreed that staff replacements in the organization are done immediately after an employee leaves the organization. The third question presented to the respondents whether the organization determines in advance the positions that are to be vacant and agreed with a mean of 3.75 and a standard deviation of 0.931. This shows that there was the organization determines in advance the positions that are to be vacant in the company. The respondents were asked the fourth question whether the organization has elaborate plans for all its labor requirements and agreed with a mean of 3.83 and a standard deviation of 0.822. The respondents also show their perception with a mean value of 3.88 and standard deviation of 0.627 the organization has put in place a human resource plan that helps it in achieving its goals. This shows that the organization has put in place a human resource plan that helps it in achieving its goals. The human resource plan in place supports the organization's mission, vision, and values as per the respondent's perception with a mean value of 4.10 and a standard deviation of 0.735. This revealed the respondents agreed that the human resource plan in place supports the organization's mission, vision, and values. The respondents agreed with the mean value of 3.64 and standard deviation of 0.939 for the question of whether the organization has an ideal number of staff required to perform its functions. This revealed that the organization has an ideal number of staff required to perform its functions. The other question presented to the respondents whether there is elaborate succession planning in the organization shows their perception with a mean of 3.75 and a standard deviation of 0.931. This shows that there is elaborate succession planning in the organization.

Table 4.7 indicated that the overall aggregate mean score of human resource planning of Human Resource Management practices on the Performance of Organization mean variable is 3.80 with a standard deviation of 0.846. From this, it can be indicated that the respondents of this study agreed that there is human resource planning practice in the company.

4.4.2 Recruitment and Selection practices

The study indicated the view of the respondents in regard to recruitment and selection practices. The respondents' perception on recruitment and selection practices with regard to organization performance was captured on a scale of 1 to 5. Whereas 1 denotes "strongly disagree" and 5 signifies "strongly agree." The results are shown in Table 4.12 below.

Table 4.8 Descriptive Statistics - Recruitment and Selection

Descriptive Statistics - Recruitment and Selection N =72		
Statements	Mean	Std. Deviation
The employee are placed on jobs based on their competence	3.81	.929
In the company, line managers and HR managers participate in the selection.	3.85	.883
Valid and standardized tests are used when required in the selection process.	3.90	.808
Selection systems in the company select those having the desired knowledge, skills, and attitudes.	3.97	.822
The company recruitment process ensures that very qualified candidates are attracted	3.92	.852
The company has a high employee retention rate	3.57	.990
Qualification and experience are the main factors considered during the selection	4.08	.835
The company takes measures to attract good-quality employees	3.96	.795
The company always selects only the highest-quality employees	3.54	.978
The company has an employee recruitment policy	4.15	.725
The recruitment and selection outcome affect the performance of the company	3.74	.949
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.86	.870

Source: Survey data, 2023

Under Recruitment and Selection independent variable, 11 (eleven) questions were presented to respondents and the results were summarized in Table 4.8 above. The first question with reference to recruitment and selection that the employee is placed on jobs based on their competence shows mean of 3.81 and standard deviation of 0.929. This shows that the respondents agreed that the employee is placed on jobs based on their competence in PEACE Microfinance S.C. The respondents show their perception to the second question, with a mean of 3.85 and standard deviation of 0.883 in the company, line managers and HR managers participate in the selection. This reveals the respondents agreed that line managers and HR managers participate in selection in the company. The third question with reference to recruitment and selection that Valid and standardized tests are used when required in the selection process presented to the respondent's shows a mean of 3.90 and standard deviation of 0.808. This indicates that there was Valid and standardized tests are used when required in the selection process in the company. The respondents were asked whether they were satisfied with selection systems in the company select those having the desired knowledge, skills, and attitudes, and the result shows that there was Selection systems in the company select those having the desired knowledge, skills, and attitudes with a mean of 3.97 and standard deviation of 0.822. The respondents also show their perception with a mean value of 3.92 and standard deviation of 0.852 to the question the company recruitment process ensures that very qualified candidates are attracted. This shows the respondents agreed that the company recruitment process ensures that very qualified candidates are attracted. The other question presented to the respondents with reference to recruitment and selection that the company has a high employee retention rate and the respondents show their preconception with the mean value of 3.57 and standard deviation of 0.990. This indicates that the respondents agreed that the company has a high employee retention rate.

The respondents asked the seventh question with reference to recruitment and selection that qualification and experience are the main factors considered during the selection and showed their perception with the mean value of 4.08 and standard deviation of 0.835 which shows that the respondents agreed that qualification and experience are the main factors considered during the selection in PEACE Microfinance S.C. The other question asked the respondents whether the company takes measures to attract good-quality employees and showed their perception with the mean value of 3.96 and standard deviation of 0.795. This indicates that the respondents agreed

that the company takes measures to attract good-quality employees. The ninth question presented to the respondents whether the company always selects only the highest-quality employees and they showed their perceptions with the mean value of 3.54 and standard deviation of 0.978. This indicates that the respondents agreed that the Company always selects only the highest-quality employees. The respondents also asked the question with reference to recruitment and selection whether the company has an employee recruitment policy and showed their perception with the mean value of 4.15 and standard deviation of 0.75. This shows the respondents agreed that the company has an employee recruitment policy. The last question with reference to recruitment and selection that the recruitment and selection outcome affect the performance of the company shows mean value of 3.74 and standard deviation of 0.949. This shows that the respondents agreed that the recruitment and selection outcome affect the performance of the company,

Generally, table 4.8 indicated that the overall aggregate mean score of recruitment and selection of Human Resource Management practices on the Performance of Organization mean variable is 3.86 with a standard deviation of 0.870. From this, it can be indicated that the respondents of this study agreed that there is recruitment and selection practice in the company.

4.4.3 Training and Development practices

It is imperative that training and development has a decisive role in improving the performance of any organization. Thus, as one of the essential elements of the human resources practices, the training and development related questions were raised to the respondents and results are summarized in the following table 4.9.

Table 4.9 Descriptive Statistics- Training and Development

Descriptive Statistics- Training and Development N=72		
	Mean	Std. Deviation
Employees in each job will normally go through training programs every year.	3.29	.999
Training needs are identified through a formal performance appraisal mechanism.	3.62	.846
Training and development have a great effect on company performance	4.10	.966

The company conducts extensive training programs for its employees in all aspects of quality.	3.53	.978
There are formal training programs to teach new employees the skills they need to perform their jobs.	3.50	.993
Training and development affect the rate of growth of a company	3.58	.931
Training and development affect the profits of a company	3.56	.977
New knowledge and skills are imparted to employees periodically to work in teams.	3.81	.781
The training needs identified are realistic, useful, and based on the business strategy of the organization.	4.03	.822
Training employees affect the market share by attracting customers	3.90	.891
Training employees help in improving their performance	4.17	.805
Employees are trained to take up more responsibilities and other jobs in the future	4.07	.811
The company has a training budget every year	3.93	.793
The company ensures that employees have the skills required to perform their duties	3.92	.884
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.79	.891

Source: Survey data, 2023

Regarding training and development independent variable, 14 (fourteen) questions were presented to respondents and the results were summarized in Table 4.9 above. The first question with reference to training and development that employees in each job will normally go through training programs every year shows mean of 3.29 and standard deviation of 0.999. This shows that the respondents were neutral /indifferent/ that employees in each job normally go through training programs every year in the company. The respondents show their perception to the second question, with a mean of 3.62 and standard deviation of 0.846 that training needs are identified through a formal performance appraisal mechanism. This reveals the respondents agreed that training needs are identified through a formal performance appraisal mechanism in the company.

The third question with reference to training and development that Training and development have a great effect on company performance presented to the respondents shows a mean value of 4.10 and standard deviation of 0.966. This indicates that there was training and development has a great effect on company performance. The respondents were asked whether the company conducts extensive training programs for its employees in all aspects of quality and the result shows that the company conducts extensive training programs for its employees in all aspects of quality with a mean of 3.53 and standard deviation of 0.978. The respondents also show their perception with a mean value of 3.50 and standard deviation of 0.993 to the question whether there are formal training programs to teach new employees the skills they need to perform their jobs. This shows the respondents agreed that there are formal training programs to teach new employees the skills they need to perform their jobs.in the company. The other question presented to the respondents with reference to training and development that training and development affect the rate of growth of a company and the respondents show their preconception with the mean value of 3.58 and standard deviation of 0.931. This indicates that the respondents agreed that training and development affect the rate of growth of a company. The respondents asked the other question with reference to training and development that training and development affect the profits of a company and showed their perception with the mean value of 3.56 and standard deviation of 0.977 which shows that the respondents agreed that training and development affect the profits of a company. The eighth question asked the respondents whether new knowledge and skills are imparted to employees periodically to work in teams and showed their perception with the mean value of 3.81 and standard deviation of 0.781. This indicates that the respondents agreed that new knowledge and skills are imparted to employees periodically to work in teams in the company. The ninth question presented to the respondents whether the training needs identified are realistic, useful, and based on the business strategy of the organization and they showed their perceptions with the mean value of 4.03 and standard deviation of 0.822. This indicates that the respondents agreed the training needs identified are realistic, useful, and based on the business strategy of the organization. The respondents also asked the question with reference to training and development whether training employees affect the market share by attracting customers and showed their perception with the mean value of 3.90 and standard deviation of 0.891. This shows the respondents agreed that the training employees affect the market share by attracting customers. The eleventh question with reference to training and development that training employees

help in improving their performance shows mean value of 4.17 and standard deviation of 0.805. This shows that the respondents agreed that the Training employees help in improving their performance. The question with reference to training and development that employees are trained to take up more responsibilities and other jobs in the future and showed their perception with mean value of 4.07 and standard deviation of 0.811. This indicates that respondents agreed that employees are trained to take up more responsibilities and other jobs in the future in the company. The respondents agreed with a mean value of 3.93 and standard deviation of 0.793 that the company has a training budget every year in the company. Lastly the question with reference to training and development that the company ensures that employees have the skills required to perform their duties and showed their perception with the mean value of 3.92 and standard deviation of 0.884 which indicates the respondents agreed that the company ensures that employees have the skills required to perform their duties.

Generally, table 4.9 indicated that the overall aggregate mean score of training and development of Human Resource Management practices on the Performance of Organization mean variable is 3.79 with a standard deviation of 0.891. From this, it can be indicated that there is training and development practice has a positive impact on the performance of the organization.in the company.

4.4.4 Reward Management and compensation practices

Reward Management & compensation is one of the very essential elements of human resources practices. Thus, as one of the essential elements of HRM practices, the reward management and compensation system and issues related to its implementation were raised to respondents and the results are analyzed in Table 4.10

Table 4.10 Descriptive Statistics - Reward Management and Compensation

Descriptive Statistics - Reward Management and Compensation N=72		
	Mean	Std. Deviation
Job performance is an important factor in determining the incentive compensation of employees.	4.04	.813
In the Company, compensation is decided on the basis of the competence or ability of the employee.	3.69	.882

In the company, salary and other benefits are comparable to the market.	4.04	.846
Employee rewards affect the rate of growth of a Company	3.53	.964
The compensation for all employees is directly linked to his/her performance.	3.65	.825
Rewards affect the market share of the company by attracting customers	3.50	.993
In the company, profit sharing is used as a mechanism to reward higher performance.	3.44	.977
The company offers competitive salaries and wages	4.06	.729
The rewards offered by the company have an effect on employee performance	3.81	.762
Good rewards have a positive effect on the performance of the company	3.89	.797
The rewards offered to attract and retain high quality employees	3.97	.839
Good employee rewards affect the profits of a company	3.39	.972
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.75	.867

Source: Survey data, 2023

Regarding reward management and compensation independent variable, 13 (thirteen) questions were presented to respondents and the results were summarized in Table 4.10 above. The first question with reference to reward management and compensation that job performance is an important factor in determining the incentive compensation of employee shows mean of 4.04 and standard deviation of 0.813. This shows that the respondents were agreed that the Job performance is an important factor in determining the incentive compensation of employees. The respondents show their perception to the second question, with a mean of 3.69 and standard deviation of 0.882 that In the Company, compensation is decided on the basis of the competence or ability of the employee. This reveals the respondents agreed that compensation is decided on the basis of the competence or ability of the employee in the company. The third question with reference to reward management and compensation that in the company, salary and other benefits is

comparable to the market presented to the respondents shows a mean value of 4.04 and standard deviation of 0.846. This indicates that, respondents agreed that salary and other benefits are comparable to the market in the company. The respondents were asked whether employee rewards affect the rate of growth of a Company and showed their perception with a mean value of 3.53 and standard deviation of 0.964. This indicates the respondents agreed that employee rewards affect the rate of growth of a Company. The other question presented to the respondents with reference to reward management and compensation whether the compensation for all employees is directly linked to his/her performance and showed their preconception with the mean value of 3.658 and standard deviation of 0.825. This indicates that the respondents agreed that the compensation for all employees is directly linked to his/her performance. The respondents asked the other question with reference to reward management and compensation that rewards affect the market share of the company by attracting customers and showed their perception with the mean value of 3.50 and standard deviation of 0.993 which shows that the respondents agreed that rewards affect the market share of the company by attracting customers in the company. The seventh question asked the respondents whether in the company, profit sharing is used as a mechanism to reward higher performance and showed their perception with the mean value of 3.44 and standard deviation of 0.977. This indicates that the respondents agreed that the profit sharing is used as a mechanism to reward higher performance in the company. The eighth question presented to the respondents whether the Company offers competitive salaries and wages and they showed their perceptions with the mean value of 4.06 and standard deviation of 0.729. This indicates that the respondents agreed the company offers competitive salaries and wages. The respondents also asked the question with reference to reward management and compensation whether the rewards offered by the company have an effect on employee performance and showed their perception with the mean value of 3.81 and standard deviation of 0.762. This shows the respondents agreed the rewards offered by the company have an effect on employee performance. The tenth question with reference to reward management and compensation good rewards have a positive effect on the performance of the company presented for respondents and their perception shows mean value of 3.89 and standard deviation of 0.797. This shows that the respondents agreed good rewards have a positive effect on the performance of the company. The question with reference to reward management and compensation whether the rewards offered to attract and retain high quality employees asked respondents and showed their perception with

mean value of 3.97 and standard deviation of 0.839. This indicates that respondents agreed that the rewards offered to attract and retain high quality employees in the company. At the end, the question with reference to reward management and compensation whether good employee rewards affect the profits of a company presented for the respondents and showed their perception with the mean value of 3.39 and standard deviation of 0.972 which indicates the respondents agreed that good employee rewards affect the profits of a company.

Generally, table 4.10 indicated that the overall aggregate mean score of reward management and compensation of Human Resource Management practices on the Performance of Organization mean variable is 3.75 with a standard deviation of 0.867. From this, it can be indicated that the respondents of this study agreed that there is reward management and compensation practice in the company.

4.4.5 Performance Appraisal practices

The study indicated the view of the respondents in regard to performance appraisal system practices. The respondents' perception on performance appraisal system practices with regard to organization performance was captured on a scale of 1 to 5. Whereas 1 denotes "strongly disagree" and 5 signifies "strongly agree." The results are shown in Table 4.11 below.

Table 4.11 Descriptive Statistics - Performance Appraisal System

Descriptive Statistics - Performance Appraisal System N=72		
	Mean	Std. Deviation
The performance appraisal system in my organization is fair	3.56	.767
There is a formal & written performance Appraisal system in my organization	3.86	.877
I am informed how my performance is evaluated	3.67	.856
I receive feedback of performance evaluation results about myself	3.68	.947
Performance appraisal is done by the supervisor	3.86	.844
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.73	.858

Source: Survey data, 2023

Under performance appraisal system independent variable, 6 (six) questions were presented to respondents and the results were summarized in Table 4.11 above. The first question with reference to performance appraisal system whether the performance appraisal system in their organization is fair shows mean of 3.56 and standard deviation of 0.767. This shows that the respondents agreed that the performance appraisal system in the organization is fair in PEACE Microfinance S.C. The respondents show their perception to the second question, with a mean of 3.86 and standard deviation of 0.877 that there is a formal & written performance Appraisal system in the organization. This reveals the respondents agreed that there is a formal & written performance appraisal system in the organization. The third question with reference to performance appraisal system that they informed how their performance is evaluated was presented to the respondents and their perception shows a mean value of 3.67 and standard deviation of 0.856. This indicates that the respondents agreed that they were informed how their performance is evaluated in the company. The respondents were asked whether they receive feedback of performance evaluation results about their selves, and the result shows they agreed that they receive feedback of performance evaluation results about their selves with a mean of 3.97 and standard deviation of 0.822. The respondents also show their perception with a mean value of 3.68 and standard deviation of 0.947 to the question I receive feedback of performance evaluation results about myself. This shows the respondents agreed that they receive feedback of performance evaluation results about their selves. Lastly the question with reference to performance appraisal system whether performance appraisal is done by the supervisor shows mean value of 3.86 and standard deviation of 0.844. This shows that the respondents agreed that performance appraisal is done by the supervisor in the company.

Generally, table 4.11 indicated that the overall aggregate mean score of performance appraisal system of Human Resource Management practices on the Performance of Organization mean variable is 3.73 with a standard deviation of 0.858. From this, it can be indicated that there is performance appraisal system practice in the company.

4.4.6 Employee Relation practices

The study indicated the view of the respondents in regard to employee relation practices. The respondents' perception on employee relation practices with regard to organization performance

was captured on a scale of 1 to 5. Whereas 1 denotes "strongly disagree" and 5 signifies "strongly agree." The results are shown in Table 4.12 below.

Table 4.12 Descriptive Statistics - Employee Relation

Descriptive Statistics - Employee Relation N=72		
	Mean	Std. Deviation
The company is concerned with employee's well-being	3.85	.705
The company treats employees with respect and attention	3.82	.793
Encourages employees' participation in problem-solving	3.74	.839
Favors autonomy in doing tasks and making decisions	3.75	.915
The company recognizes employees' work and their achievement	4.07	.924
Follows up on the adaptation of employees to their functions	3.86	.827
Managers and employees enjoy the constant exchange of information in order to perform their duties properly	3.88	.934
There is a consistency b/n discourse and management action	3.72	.953
There is an environment of trust among colleagues	3.83	.949
Encourages interaction among its employees (e.g., social gatherings, social events, sports events, etc.)	3.56	.977
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.81	.882

Source: Survey data, 2023

Under employee relation independent variable, 10 (ten) questions were presented to respondents and the results were summarized in Table 4.12 above. The first question with reference to employee relation that the company is concerned with employee's well-being shows mean of 3.85 and standard deviation of 0.705. This shows that the respondents agreed that the company is concerned with employee's well-being. The respondents show their perception to the second question; with a mean of 3.82 and standard deviation of 0.793 the company treats employees with respect and attention. This reveals the respondents agreed that the company treats employees with respect and attention. The third question with reference to employee relation that en-

courages employees' participation in problem-solving presented to the respondents shows a mean of 3.74 and standard deviation of 0.839. This indicates the respondents agreed that the company encourages employees' participation in problem-solving. The respondents were asked whether favors autonomy in doing tasks and making decisions, and the result shows that there was favors autonomy in doing tasks and making decisions with a mean of 3.75 and standard deviation of 0.915. The respondents also show their perception with a mean value of 4.07 and standard deviation of 0.924 to the question the company recognizes employees' work and their achievement. This shows the respondents agreed that the company recognizes employees' work and their achievement. The other question presented to the respondents with reference to employee relation that follows up on the adaptation of employees to their functions and the respondents show their preconception with the mean value of 3.86 and standard deviation of 0.827. This indicates that the respondents agreed that follows up on the adaptation of employees to their functions.

The respondents asked the seventh question with reference to employee relation that managers and employees enjoy the constant exchange of information in order to perform their duties properly and showed their perception with the mean value of 3.88 and standard deviation of 0.934 which shows that the respondents agreed managers and employees enjoy the constant exchange of information in order to perform their duties properly in PEACE Microfinance S.C. The other question asked the respondents whether there is a consistency b/n discourse and management action and showed their perception with the mean value of 3.72 and standard deviation of 0.953. This indicates that the respondents agreed that there is a consistency b/n discourse and management action. The ninth question presented to the respondents whether there is an environment of trust among colleagues and they showed their perceptions with the mean value of 3.83 and standard deviation of 0.949. This indicates that the respondents agreed that there is an environment of trust among colleagues. The last question with reference to employee relation whether encourages interaction among its employees (e.g., social gatherings, social events, sports events, etc.) shows mean value of 3.56 and standard deviation of 0.977. This shows that the respondents agreed that the Encourages interaction among its employees (e.g., social gatherings, social events, sports events, etc.)

Generally, table 4.12 indicated that the overall aggregate mean score of employee relation of Human Resource Management practices on the Performance of Organization mean variable is 3.81 with a standard deviation of 0.882. From this, it can be indicated that the respondents of this study agreed that there is employee relation practice in the company.

4.4.3. Organizational Performance

The study indicated the view of the respondents in regard to Organizational performance practices. The respondents' perception on organizational performance practices with regard to organization performance was captured on a scale of 1 to 5. Whereas 1 denotes "strongly disagree" and 5 signifies "strongly agree." The results are shown in Table 4.13 below.

Table 4.13 Descriptive Statistics – Organizational Performance

Descriptive Statistics – Organizational Performance N=72		
Statements	Mean	Std. Deviation
Quality of products, services, or programs	4.01	.722
Ability to attract essential employees?	4.08	.818
Satisfaction of customers or clients	3.92	.900
Relations between management and other employees in general	3.88	.978
Ability to retain essential employees?	3.71	.879
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.94	.859

Source: Survey data, 2023

Under Organizational performance dependent variable, 5 (five) questions were presented to respondents and the results were summarized in Table 4.13 above. The first question with reference to organizational performance that the Quality of products, services, or programs shows mean of 4.01 and standard deviation of 0.7225. This shows that the respondents agreed with the Quality of products, services, or programs. The respondents show their perception to the second question; with a mean of 4.08 and standard deviation of 0.8183 the question ability to attract essential employees? This reveals the respondents agreed with the company ability to attract essential employees. The third question with reference to organizational performance that satisfaction of customers or clients presented to the respondents shows a mean of 3.92 and standard deviation

of 0.900. This indicates the respondents agreed that there is satisfaction of customers or clients in the company. The respondents were asked whether Relations between management and other employees in general and the result shows that there were relations between management and other employees in general with a mean of 3.88 and standard deviation of 0.978. The respondents also show their perception with a mean value of 3.71 and standard deviation of 0.879 to the question Ability to retain essential employees. This shows the respondents agreed that there is ability to retain essential employees in the company.

Generally, table 4.13 indicated that the overall aggregate mean score of organizational performance practices of Human Resource Management practices on the Performance of Organization mean variable is 3.94 with a standard deviation of 0.859. From this, it can be indicated that the respondents of this study agreed that there is quality of products, services, or programs, the company has ability to attract essential employees, there is satisfaction of customers or clients in the company, in the company there is relations between management and other employees in general and the company has ability to retain essential employees.

4.4.4. Summary

Table 4.14 Summary

Descriptive Statistics		
Statements	Mean	Std. Deviation
HR Planning	3.83	.605
Recruitment and Selection	3.82	.513
Training and Development	3.74	.650
Reward Management and compensation	3.76	.544
Performance Appraisal System	3.76	.661
Employee Relation	4.11	.662
Organizational Performance	3.83	.769
Valid N (listwise)		
Aggregate Mean and Standard Deviation	3.84	.629

Source: Survey data, 2023

From the above table 4.14 it can be concluded that, the level of aggregate independent variables (Human resource planning, Recruitment and selection, Training and development, Reward management and compensation, Performance appraisal and Employee relation) and dependent variable (Organizational performance) is moderate with the proved agreement of respondents with the mean value of 3.76 - 4.11 and standard deviation of 0.513 - 0.769.

4.5 Inferential Data Analysis

4.5.1 Correlation Analysis

Table 4.15 Rule of Thumb

Range of coefficient	Descriptive of strength
+0.8 to + 1.00	Very strong
+0.61 to + 08	Strong
+0.41 to + 0.60	Moderate
+0.21 to + 0.40	Weak
+00 to + 0.20	No relation

Source: (Bhattacharjee, 2012)

Correlation measures the strength of the linear relationship between two variables. Pearson's correlation is therefore used to determine whether there is a relationship between variables and to describe the strength and direction of the relationship between two variables (Mohammad, *n.d*). According to Berndt et al. (2005), the level of association as measured by the Pearson coefficient ranges from -1.0 to +1.0 and indicates the strength and direction of association between two variables. The interpretation of the result is as follows; A correlation score between 0 and 1 indicates a positive relationship, 0 (zero) is no relationship, 1 is a completely positive relationship, -1 is a completely negative relationship, and A value indicates the presence of a negative relationship. This indicates the existence of a positive or negative relationship, but the strength of such a relationship is not high if the result is below ± 0.61 (Oogarah-Hanuman et. al, 2011). This is also stated by Berndt et al. (2005) was supported. According to the rule of thumb proposed by Burns & Bush (van Heerden, 2001), "moderate" ends at ± 0.60 , and "strong" starts at ± 0.61 .

Pearson's correlation coefficient is the test statistics that measures the statistical relationship, or association, between two continuous variables. It is known as the best method of measuring the association between variables of interest because it is based on the method of covariance. It gives information about the magnitude of the association, or correlation, as well as the direction of the relationship. Thus, the correlation analysis of the independent variables and dependent variable are depicted in the following table.

Table 4.16 Correlations

		HR Planning	Recruit- ment and Se- lection	Train- ing and Devel- op- ment	Reward Manage- ment and compen- sation	Perfor- mance Appraisal System	Employee Relation	Organi- zational Perform- ance
HR Planning	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	72						
Recruitment and Selection	Pearson Correlation	.499**	1					
	Sig. (2-tailed)	.000						
	N	72	72					
Training and Development	Pearson Correlation	.464**	.628**	1				
	Sig. (2-tailed)	.000	.000					
	N	72	72	72				
Reward Man- agement and compensation	Pearson Correlation	.501**	.731**	.681**	1			
	Sig. (2-tailed)	.000	.000	.000				
	N	72	72	72	72			
Performance Appraisal Sys- tem	Pearson Correlation	.544**	.712**	.645**	.779**	1		
	Sig. (2-tailed)	.000	.000	.000	.000			
	N	72	72	72	72	72		
Employee Re- lation	Pearson Correlation	.458**	.724**	.570**	.711**	.749**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		

	N	72	72	72	72	72	72	
Organizational Performance	Pearson Correlation	.596**	.739**	.657**	.667**	.671**	.641**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	72	72	72	72	72	72	72
**. Correlation is significant at the 0.01 level (2-tailed).								

Source: Survey data, 2023

As already mentioned from the outset of this research work, the purpose of this research work was to assess role of human resources management practices on organization performance. Accordingly, the Pearson Correlation result from the above Table 4.16 revealed that: the correlation between Human resource planning and organization performance was moderate ($r=0.596$); the correlation between recruitment and Selection and organization performance was substantial/strong ($r=0.739$), the correlation between training and development and organization performance was strong ($r=0.657$); the correlation between reward management and compensation and organization performance was strong ($r=0.667$); the correlation between performance appraisal system and organization performance was strong ($r=0.671$), and the correlation between employee relation and organization performance was strong ($r=0.641$). The highest correlation ($r=0.739$) was the recruitment and selection and lowest ($r=0.596$) was the human resource planning from among the independent variables. Thus, the relationship between the independent (the HRM practices) mentioned above and the dependent (organization performance) variables were positively correlated and lie between 0.596 and 0.739 as depicted in the above table. This implies that any changes that the organization makes to improve these HRM practices would have significant impact on the organization performance.

4.5.2 Regression Analysis

In order to see contribution of each HRM practice on Organization performance, standard multiple regression analysis was employed. The regression model presents how much of the variance in organization performance is explained by the selected HRM practices: Human resource planning, Recruitment & selection, training & development, reward management and compensation, performance appraisal system, and employee relation.

4.5.2.1 Reliability test

Table 4.17 Item-Total Statistics

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
HR Planning	23.03	9.239	.554	.882
Recruitment and Selection	23.04	9.900	.459	.891
Training and Development	23.13	8.308	.777	.855
Reward Management and compensation	23.10	8.906	.752	.861
Performance Appraisal System	23.10	8.258	.776	.855
Employee Relation	22.75	8.669	.650	.871
Organizational Performance	23.03	7.746	.772	.856
Reliability Statistics of Total scale				.867

Source: Survey data, 2023

The reliability of a measure refers to its consistency. One of the types of reliability, internal reliability is very important in connection with multi-scale items that determine whether each scale is measuring a single idea, and hence whether the items that make up the scale are internally consistent (Solomon, D. (2020). Coefficient alpha measures internal consistency, this measure expected to be over 0.7 before concluding the test is internally consistent (Hash, P. M. (2017).

Table 4.17 above shows the reliability analysis result of items used to gather data from respondents. Accordingly, the Cronbach's alpha coefficients result were 0.882, 0.891, 0.855, 0.861, 0.855, 0.871, and 0.856 for Human Resource planning practices, Recruitment and selection practices, training and development practices, reward management and compensation practices, performance appraisal system practices, employee relation practice and organizational performance respectively. Thus, based on the test of the scales and constructs included, it is revealed that each scale represents a reliable and valid construct.

4.5.2.2 Validity Test

4.6 Diagnostics in Regression

A number of assumptions need to be met before performing regression analysis with confidence. The important assumptions that are to be tested in this section are; independent variables shouldn't be too strongly correlated to one another Multicollinearity, Alin, A. (2010), the value of residuals to be independent from one another and the residuals should be normally distributed. The following tests performed to check whether the data fits the assumptions of linear regression in order to conclude the analysis results are valid and reliable.

4.6.1 Multicollinearity

Multicollinearity assumption can be also tasted by looking at the coefficients table. As explained by Lim, J. M. H. (2010). Tolerance and Variance Inflation Factors (VIF) do exactly the same thing; tolerance is the amount of variance in the individual variable not explained by the other predictor variables. It varies from 0 to 1; a value close to 1 indicates that the other predictors do not explain the variance in that variable. A value close to 0 implies almost all the variance in the variable is explained by the other variables. This permits us to more formally check that our independent variables are not too highly correlated. To meet multiple regression assumptions we need tolerance score above 0.2 and VIF scores below 10.

Table 4.18 Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	HR Planning	.672	1.488
	Recruitment and Selection	.741	1.350
	Training and Development	.361	2.768
	Reward Management and compensation	.371	2.695
	Performance Appraisal System	.372	2.686
	Employee Relation	.523	1.913
a. Dependent Variable: Organizational Performance			

Source: Survey data, 2023

As indicated in the above tables 4.18 analysis of collinearity statistics show this assumption has been met, as no relationship of predictors equals or above coefficient value of 0.8 and VIF scores shown below 10, and tolerance scores above 0.2.

4.6.2 Autocorrelation

It is an assumption that the value of residuals to be independent from one another (or uncorrelated). To check this assumption we need to look at the regression output of model summary box. Durbin-Watson statistic uses to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For no Autocorrelation assumption, Durbin-Watson statistic value needs to be close to 2. A value of two indicates no autocorrelation. A value of towards zero indicates positive autocorrelation. A value towards four indicates negative autocorrelation (Saunders et al., 2009, p.622, Alemayehu, Y. 2019.).

4.7 Model Summary

Table 4.19 Model Summary

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.813 ^a	.661	.630	.304	1.850
a. Predictors: (Constant), Employee Relation, HR Planning, Training and Development, Recruitment and Selection, Reward Management and compensation, Performance Appraisal System					
b. Dependent Variable: Organizational Performance					

Source: Survey data, 2023

The model summary indicated in the above Table 4.19 shows the presence of a significant positive correlation ($R=.813$) between the independent variables (human resource planning, recruitment & selection, training & development, reward management and compensation, performance management system and employee relation) and the dependent variable – organization performance. Further, the R-squared value of 0.661 indicated that the independent variables accounted for 66.1% of the total variance in organization performance (dependent variable). The remaining 33.9 percent of the variation is explained by other variables which were not included in the mod-

el. The table 4.18 also indicates that, Durbin-Watson value of 1.856 which is a score near 2. Thus, it can be concluded that there is no Autocorrelation problem as the Durbin-Watson statistic showed the value close to 2.

4.8 ANOVA Analysis

Table 4.20 ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.756	6	1.959	21.147	.000 ^b
	Residual	6.022	65	.093		
	Total	17.778	71			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), Employee Relation, HR Planning, Training and Development, Recruitment and Selection, Reward Management and compensation, Performance Appraisal System						

Source: Survey data, 2023

The ANOVA test in the above table 4.20 shows that the Sig. Value 0.01 is greater than the calculated value 0.000 there is a significant relationship between Human Resource Management practices and organizational performance ($P < 0.01$, $F > 1$). It reflects that there was a statistically significant correlation between dependent variable and independent variables at 1% significant level, which means the independent variables; human resource planning, recruitment & selection, training & development, reward management and compensation, performance appraisal and employee relation have significant contribution to improve organization performance in PEACE Microfinance S.C. But it does not mean that all these factors have equal significant correlation with the dependent variable.

4.9 Coefficients Analysis

Table 4.21 Coefficients^a

Coefficients ^a				
Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	.497	.320		1.553	.125
	HR Planning	.209	.081	.228	2.578	.012
	Recruitment and Selection	.354	.119	.362	2.976	.004
	Training and Development	.160	.079	.211	2.023	.047
	Reward Management and Compensation	.032	.104	.041	.306	.761
	Performance Appraisal System	.055	.120	.062	.455	.650
	Employee Relation	.073	.112	.079	.651	.517
a. Dependent Variable: Organizational Performance						

Source: Survey data, 2023

The above Table 4.21 depicted the multiple regression coefficients (β) of the 6 independent variables to the organization performance - dependent variable. Thus, the strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated via standardized Beta coefficient (β). Hence, the regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable. Accordingly, in the above regression analysis, recruitment and selection is the most contributing HRM practice in the prediction of organizational performance with beta value ($\beta= 0.362$ or 36.2%). The other five independent variables, in their descending order of standardized coefficients, are Human resource planning ($\beta =0.228$ or 22.8%), training & development ($\beta=0.211$ or 21.1%), employee relation ($\beta=0.079$ or 7.9%), performance appraisal system ($\beta=0.062$ or 6.2%), and reward management and compensation ($\beta=0.041$ or 4.1%) that all the selected variables in HRM practices are significant where $p < 0.05$. This implies that for every 1-unit increase in the predictor variable, the outcome variable will increase by the beta coefficient value. The higher the value of beta the higher is the influence of independent variable on dependent variable and vice versa.

Based on these results, the regression equation that predicts Organizational Performance based on the linear combination of human resource planning, recruitment and selection, training and development, Reward management and Compensation, performance appraisal and Employee relation is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e$$

$$Y = 0.497 + 0.228X_1 + 0.362X_2 + 0.211X_3 + 0.041X_4 + 0.62X_5 + 0.079X_6 + e$$

Where: Y= Organizational Performance (Dependent Variable)

β_0 = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ & β_6 = Coefficients of the line

X_1 = Human Resource Planning

X_2 = Recruitment and Selection

X_3 =Training and Development

X_4 = Reward management and Compensation

X_5 = Performance Appraisal

X_6 =Employee relation

e= is error term

This result indicates, first, the intercept is .497 when all independent variables have a value of zero. Hence, independent variable human resource planning, recruitment and selection, training and development, Reward management and Compensation, performance appraisal and Employee relation on dependent variable the Organizational Performance.

4.10 Summary of Multiple Regression Results and Hypothesis Testing

Summary table below shows summary of multiple regression results on HRM practices and organizational performance which was discussed in the above sections.

Table 4.22 Summary of Multiple Regression Results

	Hypothesis	Correlation coefficient	Regression coefficient	Result
H1:	There is positive relationship between HR Planning and organizational performance	.596	.228	Accepted

H2:	There is positive relationship between Recruitment and Selection and organizational performance	.739	.362	Accepted
H3:	There is positive relationship between Training and Development and organizational performance	.657	.211	Accepted
H4:	There is positive relationship between Reward Management and compensation and organizational performance	.667	.041	Accepted
H5:	There is positive relationship between Performance Appraisal and organizational performance	.671	.062	Accepted
H6:	There is positive relationship between Employee Relation and organizational performance	.641	.079	Accepted

Source: Survey data, 2023

H1: The results of Pearson correlation and regression analysis show a positive relationship between HR planning and organizational performance. As can be seen in Table 4.15, the results show a moderate positive relationship between the two variables with a moderate degree of correlation. The correlation coefficient is .596 ($r=.596$; $p<05$). Additionally, Table 4.21's regression analysis results ($\beta= 0.228$, $p<05$) show a statistically significant relationship between HR planning and organizational performance. **H1 is therefore accepted**

H2: Using Pearson correlation and regression analysis, it is determined that there is a positive relationship between recruitment and selection and organizational performance. Table 4.16's results, which show a significant positive relationship between the two variables with substantial correlation/strong ($r=.739$; $p<05$), show that there is a relationship between the variables. Additionally, Table 4.21's regression analysis results ($\beta= 0.362$, $p<05$) show a statistically significant positive relationship between recruitment and selection and organizational performance. **H2 is thus acknowledged.**

H3: Regression analysis and Pearson correlation show a favorable relationship between training and development and organizational performance. According to Table 4.16's results, there is a positive correlation between the two variables ($r=.657$; $p<05$), indicating that the relationship is significant and has a moderate degree of correlation. Additionally, Table 4.21's regression analysis results ($\beta= 0.211$, $p<05$) show a statistically significant positive relationship between training and development and organizational performance. **H3 is thus accepted.**

H4 Regression analysis and Pearson indicated a positive correlation between reward management, compensation, and organizational performance. The results are shown in Table 4.16 and show a positive relationship between the two variables ($r=.667$; $p<05$), indicating a significant and moderate correlation between the two variables. Additionally, Table 4.21's regression analysis results ($\beta= 0.041$, $p<05$) show a statistically positive relationship between Organizational performance and Reward Management and Compensation. **H4 is thus accepted.**

H5: Using Pearson correlation and regression analysis, it can be shown that Performance Appraisal and organizational performance are positively related. Table 4.16's results, which show a significant positive relationship between the two variables with strong correlation ($r=.671$; $p<05$), show that there is a positive relationship between the two variables. Additionally, Table 4.21's regression analysis findings ($\beta= 0.062$, $p<05$) show a statistically significant positive relationship between performance appraisal and organizational performance. **H5 is thus acknowledged.**

H6: Using Pearson correlation and regression analysis, it can be shown that there is a relationship between employee relations and organizational performance. According to Table 4.16's results, there is a positive correlation between the two variables ($r=.641$; $p<05$), indicating that the relationship is significant and has a moderate degree of correlation. Additionally, Table 4.21's regression analysis results ($r\beta= 0.079$, $p<05$) show a statistically significant positive relationship between organizational performance and employee relations. **H6 is thus accepted**

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the main findings of the study and presents conclusion and recommendations of the study based on the research findings. The purpose of this study was to examine the role of human resource management practices on the performance of Microfinance Institutions in the case study of PEACE Microfinance S.C.

5.2 Summary of Findings

In this study the role of human resource management practices on the performance of Microfinance Institution in case of PEACE Microfinance S.C were examined. Based on the results of the descriptive and regression analysis the following summaries of findings were drawn.

HR Planning and organizational performance

The finding under this heading indicated that the overall aggregate mean score of human resource planning of Human Resource Management practices on the Performance of Organization is with the mean value of greater than the cut-point three, which indicates that the respondents of this study agreed that there is human resource planning practice in the organization.

The correlation between HR Planning and organizational performance was positive and moderate ($r=0.596$); and the multiple regression coefficient of HR Planning was ($\beta=0.228$ or 22.8%). This shows the relation between the HR Planning and organizational performance is moderate and positive. Thus, whatever measure the institution takes to improve this practice improves the organizational performance.

Recruitment and Selection and organizational performance

The finding under this heading indicated that the overall aggregate mean score of Recruitment and Selection of Human Resource Management practices on the Performance of Organization is with the mean value of greater than the cut-point three, which indicates that the respondents of this study agreed that there is Recruitment and Selection practice in the organization.

The correlation between Recruitment and Selection and organizational performance was positive and substantial ($r= .739$); and the multiple regression coefficient of recruitment & selection was ($\beta= 0.362$ or 36.2%). This shows the relation between the Recruitment and Selection and organi-

zational performance is strong and positive. Thus, improve in the Recruitment and Selection will result in a significant change on the dependent variable organizational performance.

Training and Development, and organizational performance

The finding under this heading indicated that the overall aggregate mean score of Training and Development of Human Resource Management practices on the Performance of Organization is with the mean value of greater than the cut-point three, which indicates that the respondents of this study agreed that there is Training and Development practice in the organization.

The correlation between Training and Development and organizational performance was positive and strong ($r = .657$); and the multiple regression coefficient of recruitment & selection was ($\beta = 0.211$ or 21.1%). This shows the relation between the Training and Development and organizational performance is strong and positive. Thus, improve in the Training and Development will result in a significant change on the dependent variable organizational performance.

Reward Management and Compensation, and Organizational Performance

The study under this objective shows that the overall aggregate mean score of Reward Management and Compensation of Human Resource Management practices on the Performance of Organization is with the mean value of greater than the cut-point three, which indicates that the respondents of this study agreed that there is Reward Management and Compensation practice in the organization.

The correlation between Reward Management and Compensation and organizational performance was positive and strong ($r = .667$); and the multiple regression coefficient of Reward Management and Compensation was ($\beta = 0.041$ or 4.1%). This shows the relation between the Reward Management and Compensation and organizational performance is strong and positive. This shows that any positive measure the organization takes to improve in the Reward Management and Compensation would have a considerable effect on the dependent variable organizational performance.

Performance Appraisal and Organizational Performance

The findings under this research objective revealed that the overall aggregate mean score of Performance Appraisal of Human Resource Management practices on the Performance of Organiza-

tion is with the mean value of greater than the cut-point three, which indicates that the respondents of this study agreed that there is Performance Appraisal practice in the organization.

The correlation between Performance Appraisal and organizational performance was positive and strong ($r = .671$); and the multiple regression coefficient of Performance Appraisal was ($\beta = 0.062$ or 6.2%). This shows the relation between the Performance Appraisal and organizational performance is strong and positive. This implies that appropriate performance appraisal has considerable impact on the dependent variable organizational performance.

Employee Relation and Organizational Performance

The findings under this research objective revealed that the overall aggregate mean score of Employee Relation of Human Resource Management practices on the Performance of Organization is with the mean value of greater than the cut-point three, which indicates that the respondents of this study agreed that there is Employee Relation practice in the organization.

The correlation between Employee Relation and organizational performance was positive and strong ($r = .641$); and the multiple regression coefficient of Employee Relation was ($\beta = 0.079$ or 7.9%). This shows the relation between the Employee Relation and organizational performance is strong and positive. This implies that appropriate Employee Relation has considerable impact on the dependent variable organizational performance

Human Resource Management practices and organizational performance

To test the hypothesis, multiple regression analysis was performed the overall model statistics box of dependent variable organizational performance revealed R value of .813 which indicates strong correlation between organizational performance and the set of six independent variables (HRM practices). The R square value of .661 that all independent variables included in the model explained 66.1% of variance in dependent variable (organizational performance). Hence, the overall model statistic of organizational performance ($R = .813$), is supported the view that Human Resource Management practices has a positive influence on organizational performance.

From the coefficient table of dependent variable organizational performance, positive relationship found at independent variables; HR Planning ($\beta = .228$), Recruitment and Selection ($\beta = .362$), Training and Development ($\beta = .211$), Reward Management and Compensation ($\beta = .041$), Performance Appraisal System ($\beta = .062$) and Employee Relation ($\beta = .079$). Among these inde-

pendent variables, Recruitment and Selection ($\beta = .362$) makes the strongest contribution to explaining the dependent variable organizational performance followed by HR Planning ($\beta = .228$), and Training and Development ($\beta = .211$). Hence, improve in the above mentioned variables will result in a significant change on the dependent variable organizational performance.

To test significance of this model, ANOVA (F- test) was performed. It can be observed from the ANOVA table that the model as a whole is significant ($F > 1$, $r = .000$). Hence, it is concluded that the proposed hypothesis (H7) which states that human resource management practices, on the basis of its constructs, has significant and positive effect on organizational performance is accepted.

5.3 Conclusion

This study examined the Role of Human Resources Management Practices on the Performance of Microfinance Institutions: the case of PEACE Microfinance S.C. The findings of this study revealed that there is positive relationship between human resource management practices and organizational performance. From the descriptive statistics findings it is concluded that all HRM practices and organizational performance constructs have a mean value of greater than the cut-point three, which indicates the majority of PEACE Microfinance S.C employees were believed that they have been implemented HRM practices in PEACE Microfinance S.C and their organizational performance is improved due to HRM practices.

The results of multiple regression analysis concerning the Role of Human Resources Management Practices on the Performance, it is concluded that there is positive relationship. This result suggests that successful implementation of HRM practices results improved organizational performance. Among the independent variables, Recruitment and Selection, HR Planning, and Training and Development are dominant variables in explaining organizational performance. This implies practices of Recruitment and Selection, HR Planning, and Training and Development, provides a dominant effect on improving organizational performance.

The findings of this study also support the results of prior studies of Umoh, and Worlu (2017), Mkandatsama and Nyanhete (2017), Anyango, E., Walter, O.B., Muya, J. (2018), Theen and Heng (2012, 221 and John, Z. A. (2022), Zaitouni, M., Sawalha, N. N., & El Sharif, A. (2011), Ntwari, A., & Kule, W. J. (2016).

It is concluded that each HRM practices has a positive correlation with the organizational performance. And in regression analysis of overall R square value of .661 that all independent variables included in the model explained 66.1% of variance in dependent variable organizational performance. This indicates successful implementation of HRM practices benefits PEACE Microfinance S.C through improving organizational performance.

5.4 Recommendations

This study examined The Role of Human Resources Management Practices on the Performance of Microfinance Institutions: the case study of PEACE Microfinance S.C. Based on the findings and conclusions mentioned, the following recommendations were forwarded.

- PEACE Microfinance S.C should give more attention to Recruitment and Selection which gives an emphasis in placing employee on jobs based on their competence, participating line managers and HR managers in the selection, using valid and standardized tests when required in the selection process, selecting those having the desired knowledge, skills, and attitudes, maintaining high employee retention rate, considering qualification and experience during the selection, taking measures to attract good-quality employees and following recruitment policy.
- Special emphasis also should be given to Training and Development which gives an emphasis in participating employees in each job through training programs every year, identifying training needs through a formal performance appraisal mechanism, the company conducting extensive training programs for its employees in all aspects of quality and conducting formal training programs to teach new employees the skills they need to perform their jobs.
- Emphasis should be given to HR Planning to make HR planning transparent, Staff replacements in the organization to be done immediately after an employee leaves the organization, determines in advance the positions that can be vacant, elaborate plans for all its labor requirements, put in place a human resource plan that helps it in achieving its goals, the human resource plan in place supports the organization's mission, vision, and values, an ideal number of staff required to perform its functions and elaborate succession planning in the organization
- In general, the findings of this study revealed that Human Resources Management Practices has a positive effect on Organizational performance. Thus it is recommended that managers of

the company have to give more attention in their managerial function to successful implementation of HRM practices to improve organizational performance. HRM practices with low beta values also need to be considered for effective organizational performance.

5.5 Areas of Further Research

This study “The Role of HRM practices on the performance of Microfinance Institutions” restricted to only the case of PEACE Microfinance S.C. Thus, the researcher suggests further similar study should be conducted on other MFIs in Ethiopia. The role of HRM practices on organization performance was only tested in the service industry in Ethiopia; the researcher suggests that further studies should be conducted in other industries to see how the results differ from the present study.

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Appendix

Appendix 1 – Questioner (for staff and Management)

Questionnaire to be filled by PEACE microfinance S.C Executives/Managers/Senior Officers/Officers/experts.

Dear sir/Madam,

You have been selected as a valued and knowledgeable participant in this project titled “The Role of Human Resource Management Practice on the Performance of Microfinance Institutions: The Case study of PEACE Microfinance S.C’. The aim is to clarify the strategic human resource plays towards PEACE Microfinance S. C’s Organizational performance. By participating in this research project, you will provide valuable information that the researcher will use to determine the current role of the HR department and make valuable recommendations regarding the strategic link between PEACE Microfinance S. C’s HR functions with the company’s business strategies.

The questionnaires are completely anonymous and confidentiality is assured. For the research to yield valid results, it is important that you answer all questions as honestly and faithfully as possible. The answer must reflect your own opinion and perception. Please answer all the questions.

Thank you for your willingness to participate in the study. It is highly appreciated!!

For any clarification

Request: Bedada Tesfaye. Tel +251-910-32-33-98/+251-968-04-64-64/

Email- bedada2012@gmail.com

SECTION ONE: Demographic information

Please provide me with some information about yourself:

1. Which age brackets are you belonging?

- 18– 30 years 41-50
 31 – 40 years 51- 65

2. Sex?

- Male Female

3. Your highest level of formal education?

- Diploma/equivalent BA/BSc/BLL degree Master's Degree PhD

4. How long have you been working in your current position?

- 1 – 4 years 11 – 15 years
 5 – 10 years 16 years & above

5. Your current job levels?

- Senior/Service Manager Division/Area/Branch Manager Senior Officer
 Senior Officer others (Attorney, Expert)

SECTION TWO: Integration of HRM practices with your corporate strategy

Listed below are descriptive statements about Strategic Human Resource Management. For each statement, please indicate to which degree you display the behavior described.

A. HUMAN RESOURCE PLANNING

State the extent to which you agree with the following statement relating to the adoption of Human resource planning in the organizations. **Using a scale of 1-5. (Where: 1-Strongly disagree; 2 – Disagree; 3 – Indifferent; 4 – Agree; 5 – Strongly agree) Tick appropriately**

according to the extent which you agree or disagree with the statements

No	INDICATOR	Response				
		5	4	3	2	1
1	Human resource planning is transparent.					
2	Staff replacements in the organization are done immediately after an employee leaves the organization					
3	The organization determines in advance the positions that are to be vacant					
4	The organization has elaborate plans for all its labor requirements					
5	The organization has put in place a human resource plan that helps it in achieving its goals					
6	The human resource plan in place supports the organization's mission, vision, and values					
7	The organization has an ideal number of staff required to perform its functions					
8	There is elaborate succession planning in the organization					

B. RECRUITMENT AND SELECTION

State the extent to which you agree with the following statement relating to the adoption of strategic recruitment in the organizations. **Using a scale of 1-5. (Where: 1-Strongly disagree; 2 – Disagree; 3 – Indifferent; 4 – Agree; 5 – Strongly agree) Tick appropriately according to the extent to which you agree or disagree with the statements.**

No	INDICATOR	Response				
		5	4	3	2	1
1	The employees are placed on jobs based on their competence					
2	In the company, line managers and HR managers participate in the selection.					
3	Valid and standardized tests are used when required in the selection process.					
4	Selection systems in the company select those having the desired knowledge, skills, and attitudes.					
5	The company recruitment process ensures that very qualified candidates are attracted					
6	The company has a high employee retention rate					
7	Qualification and experience are the main factors considered during the selection					
8	The company takes measures to attract good-quality employees					
9	The company always selects only the highest-quality employees					
10	The company has an employee recruitment policy					
11	The recruitment and selection outcome affect the performance of the company					

C. TRAINING AND DEVELOPMENT

State the extent to which you agree with the following statements regarding the use of training and Development in the organization. **Using the key (Where: 1-Strongly disagree; 2 – Disagree; 3 – Indifferent; 4 – Agree; 5 – Strongly agree) Tick appropriately according to the extent to which you agree or disagree with the statements.**

No	INDICATOR	Response				
		5	4	3	2	1
1	Employees in each job will normally go through training programs every year.					
2	Training needs are identified through a formal performance appraisal mechanism.					

3	Training and development have a great effect on company performance					
4	The company conducts extensive training programs for its employees in all aspects of quality.					
5	There are formal training programs to teach new employees the skills they need to perform their jobs.					
6	Training and development affect the rate of growth of a company					
7	Training and development affect the profits of a company					
8	New knowledge and skills are imparted to employees periodically to work in teams.					
9	The training needs identified are realistic, useful, and based on the business strategy of the organization.					
10	Training employees affect the market share by attracting customers					
11	Training employees help in improving their performance					
12	Employees are trained to take up more responsibilities and other jobs in the future					
13	The company has a training budget every year					
14	The company ensures that employees have the skills required to perform their duties					

D. REWARD MANAGEMENT AND COMPENSATION

State the extent to which you agree with the following statements regarding rewards management and compensation in the organization. **Using the key (Where: 1-Strongly disagree; 2 – Disagree; 3 – Indifferent; 4 – Agree; 5 – Strongly agree) Tick appropriately according to the extent which you agree or disagree with the statements.**

No	INDICATOR	Response				
		5	4	3	2	1
1	Job performance is an important factor in determining the incentive compensation of employees.					
2	In the Company, compensation is decided on the basis of the competence or ability of the employee.					

3	In the company, salary and other benefits are comparable to the market.					
4	Employee rewards affect the rate of growth of a Company					
5	The compensation for all employees is directly linked to his/her performance.					
6	Rewards affect the market share of the company by attracting customers					
7	In the company, profit sharing is used as a mechanism to reward higher performance.					
8	The company offers competitive salaries and wages					
9	The rewards offered by the company have an effect on employee performance					
10	Good rewards have a positive effect on the performance of the company					
11	The rewards offered to attract and retain high quality employees					
12	Good employee rewards affect the profits of a company					

E. PERFORMANCE APPRAISAL SYSTEM

The following statements relate to practices in the performance appraisal system. Using the key (Where: 5= Very High 4= High 3=Neutral 2= Low 1= Very Low) Tick appropriately the extent to which you rate the performance of your company in each of the areas in the last five years.

F. EMPLOYEE RELATION

State the extent to which you agree with the following statements employee relation in the organ-

No	INDICATOR	Response				
		5	4	3	2	1
1	The performance appraisal system in my organization is fair					
2	There is a formal & written performance Appraisal system in my organization					
3	I am informed how my performance is evaluated					
4	I receive feedback of performance evaluation results about myself					
5	Performance appraisal is done by the supervisor					

ization. Using the key (Where: 1-Strongly disagree; 2 – Disagree; 3 – Indifferent; 4 – Agree; 5 – Strongly agree) Tick appropriately according to the extent which you agree or disagree with the statements.

No	INDICATOR	Response				
		5	4	3	2	1
1	The company is concerned with employee's well-being					
2	The company treats employees with respect and attention					
3	Encourages employees' participation in problem-solving					
4	Favors autonomy in doing tasks and making decisions					
5	The company recognizes employees' work and their achievement					
6	Follows up on the adaptation of employees to their functions					
7	Managers and employees enjoy the constant exchange of information in order to perform their duties properly					
8	There is a consistency b/n discourse and management action					
9	There is an environment of trust among colleagues					
10	Encourages interaction among its employees (e.g., social gatherings, social events, sports events, etc.)					

G. ORGANIZATION PERFORMANCE

The following statements relate to practices on organization performance. Using the key (Where: 5= Very High 4= High 3=Neutral 2= Low 1= Very Low) Tick appropriately the extent to which you rate the performance of your company in each of the areas in the last five years.

No	INDICATOR	Response				
		5	4	3	2	1
1	Quality of products, services, or programs					
2	Ability to attract essential employees?					
3	Satisfaction of customers or clients					
4	Relations between management and other employees in general					
5	Ability to retain essential employees?					
6	Ability to develop new products, services, or programs					