

## The moderating effect of firm size on the relationship between current assets management and financial performance of licensed microfinance institutions in Kenya

Ombese S. Nyangeri<sup>1</sup>  
Charles T. Yugi<sup>2</sup>  
Ngala Consolata<sup>3</sup>

<sup>1</sup>sombese1980@gmail.com

<sup>2</sup>tibbscharles1@gmail.com

<sup>3</sup>cngala@mmust.a.ke

<sup>1,2,3</sup>Masinde Muliro University of Science and Technology, Kenya

<https://doi.org/10.51867/ajernet.6.2.38>

Submitted: 23<sup>rd</sup> November 2024 Accepted: 5<sup>th</sup> May 17 2025; Published: 17<sup>th</sup> May 2025

### ABSTRACT

*The ability of a Microfinance Institutions (MFI) to grow in terms of capacity and resources has to do with how it managed its current assets. This is because, its relevance dictates a lot on how it would continue thriving in a highly competitive business environment. That notwithstanding, the total assets of Kenyan MFIs have experienced a decline of 8.8% from Kshs 70.4 billion to Kshs.64.2 billion in 2022 and 2023 respectively. This has been attributed to increased non-performing loans and customer deposits. The study determined the moderating effect of firm size on current assets management and financial performance of licensed Kenyan MFIs. The study was guided by resource-based view theory. Descriptive survey was used to ascertain the predicaments facing the MFIs' deteriorating performance of its assets. The target population included 13 MFIs whose 134 participants were sampled through simple random methods to have a sample size of 100 participants. They were managers from departments such as compliance, investment, operations, credit, finance and accounting. Quantitative data inform of questionnaires and secondary data from reports was collected. Descriptive statistics such as frequencies and mean were analyzed whereas inferential statistics like model summary, ANOVA and regression coefficients were also analyzed. The study established that the value of assets was irregularly growing with the exception of three MFIs that registered consistency in growth of assets. These were Caritas, Sumac, and U & I MFIs. The irregularity led to low cash conversion cycle signifying that the growth of the MFIs was somehow stagnant. MFI managers should develop long-term financing strategies to incorporate more products and services in their MFIs that would attract more clients. The nature of the products and service should be inclined to more customization of the client's needs. Additionally, the MFIs should hire more staff to market their banks so that the public gets to understand how their products and services are different from Saccos and mainstream banks. The management should seek to incorporate more stakeholders such as shareholders into the MFIs. The premiums paid through different shares, would be used in diversifying into long-term assets that generate consistent income to the MFIs. The policy implications of the results are that long-term financing strategies to incorporate more products and services in MFIs will attract more clients through customizing hence a difference from other financial institutions such as the Saccos and mainstream banks.*

**Keywords:** Current Assets Management, Firm Size, Financial Performance, Licensed Microfinance Institutions, Kenya

### I. INTRODUCTION

Firm size refers to the capacity of any Microfinance Institutions [MFIs] that is related to market value and fundamental aspects such as asset base, clientele base and good will (Mulugeta & Leyla, 2022). The ability of an MFI to grow in terms of capacity and resources has to do with how it managed its current assets. This is because, its relevance dictates a lot on how it would continue thriving in a highly competitive business environment.

According to Díaz-Martín et al. (2021), the growth or decline of the firm size, is highly dependent on other aspects such as quality of the loans offered, productivity of the operations departments and liquidity of the MFI. This is because, these aspects increase or decrease the expenditures which in turn could either increase or decrease the total net assets. Notably, Adusei (2019) notes lack of gender diversity in the BOM to affect the technical efficiency which has a direct consequence to the size of MFI. Therefore, inclusivity of each gender (33% on minority gender) is needed to boost technical efficiency.

Nevertheless, this has not previously been achieved in global nations such as America and Europe where the debate to allow a 20% and 40% women representation respectively in MFIs is proving to be a difficult task but slowly and surely happening. However, policy intervention gaps suggested to fasten the process of gender inclusivity in BOMs have widened in global nations such as in America and Europe. An exploration by Díaz-Martín et al. (2021) in

Argentina notes that negative implications of low firm size have extended the cash conversion cycle hence taking more time to convert capital to cash resulting to declined ROA.

In Ethiopia, Mulugeta and Leyla (2022) proclaimed that internal factors such as capital to asset ratio and debt to equity ratio had negative influence while operational efficacy, portfolio quality and firm size had a positive influence on MFI's ROA. Therefore, to resolve the menace, suggestion on MFIs' need to come up with more robust savings strategies are necessary to motivate their clientele to save more hence improve their deposits. Further, Ayo and Muba (2021) revealed that when firm size is in the relationship, total debt to asset ratio and total equity ratio had a positive influence on ROA while total debt to equity ratio had a negative influence. Therefore, Ayo and Muba (2021) advised that firms should evaluate their strategies that are related to clientele base, net assets, and sales, as a means of increasing not only their profitability by ensure they thrive and increase their sizes in a competitive market niche.

### 1.1 Statement of the Problem

A wide range of factors affect the firm size beginning from gender inclusivity, assets, debts, and equity at large in MFIs. These factors have the capability of either increased or decreasing the size of the financial institutions. Nevertheless, according to Central Bank of Kenya [CBK] (2023), total assets of MFIs have experienced a decline of 8.8% from Kshs. 70.4 billion to Kshs. 64.2 billion in 2022 and 2023 respectively. This has been attributed to increased non-performing loans and customer deposits. According to Gichobi and Omwaga (2021), Kenyan MFI's size have experienced a negative performance mostly related to board characteristics, financing mix, asset and liabilities management. Little has been done by the management of MFIs to salvage the situation relating to enhancing the relationship between current assets and financial performance.

### 1.2 Research Objective

To determine the moderating effect of firm size on current assets management and financial performance of licensed Kenyan MFIs.

### 1.3 Research Hypothesis

H<sub>0</sub>: Firm size has no moderating effect on current assets management and financial performance of licensed Kenyan MFIs.

## II. LITERATURE REVIEW

### 2.1 Theoretical Review

#### 2.1.1 Resource-Based View Theory

Resource-based view theory was developed by Wernerfelt (1984) and was the main theory of the study. The theory states that every firm has resources both internally and externally that could be used to ensure that it gained competitive advantage over other firms in bid of surviving in a very competitive market. Therefore, as the availability of resources dictated whether its liquidity and firm size would have undisrupted growth or would have an undesirable decline rate.

In explaining the moderating influence of firm size, this theory points out that the firm size is highly pegged on the current assets that the MFI generates over the cause of doing business. These resources are obtained through total income and current assets. The total income that an MFI makes over a particular period of time generated enough income that is used to settle expenses and as well as increase their capital reserves which improved on liquidity. Authors such as Mulwa (2020) and Kamchape (2020) have used this theory in their studies.

Therefore, when an MFI is able to increase its assets such as good will, an increment in firm size is registered over time due to improved lending operations. Additionally, when there are more people willing to provide funds in form of buying shares, the MFI's value is able to increase based on the market value hence attracting international clients. According to Dalci and Tanova (2019), the firm size has the ability to shorten or extend the cash conversion cycle. That is, if the firm size becomes small over time, converting capital to cash takes more time hence the financial performance declines on the one hand. On the other hand, when the firm size becomes large over time, converting capital to cash takes less time hence the financial performance increases.

### 2.2 Empirical Review

Ahmad et al. (2023) examined how corporate governance and firm size moderated the relationship between financial performance and crisis in United Kingdom (UK) firms. The study included 351 firms reports from 2002 to 2018 using the random effect model. The study adopted the profit maximization theory to elaborate the variables of the study. Therefore, the findings indicated that the financial performance of firms in UK became low particularly after the Covid-19 pandemic.

Fadeyi et al. (2021) reviewed the growth aspects of MFI banks particularly related to small holders in Nigeria. The study reviewed articles related to the subject matter from 2007 to 2019. The study had various tiers such as interest rates, firm size and credit limit. According to Fadeyi et al. (2021), firm size and credit limit had a positive influence to instigate growth in MFI banks but interest rates had a negative influence. In relation to firm size, when the MFI made adequate sales, it had the ability to improve its performance since there would be reliable cashflows. That notwithstanding, the most reviewed studies related to journal and articles written by individual authors. Relying on these sources limited the study to make conclusions which are biased on the basis of personal opinions rather than facts. The current study would collect data from audited financial reports from CBK that contained MFI's performance information.

Ishmail et al. (2023) explored on how the interaction between MFIs' performances and risk associated with lending was affected by firm size in Kenya. Thirteen MFIs were selected and their 9-year (2011-2019) reports analyzed. The findings were that the larger the MFI, the easier it was managing risks associated with lending. Nevertheless, there were specks of deteriorating quality of assets and non-performing loans portfolios in Kenyan MFIs. That notwithstanding, Ishmail et al. (2023) did not examine other indicators of firm size such as total income and market value of equity which the current study would do.

Mulwa (2020) conducted a study on how deposit taking MFIs' financial performance was affected by its size. The study had noted that most of the financial literature had examined firm size as a moderating variable with very few considering its effect on performance. The study used reports from 6 MFIs dated 2011 to 2018. Notably, Mulwa (2020) measured MFI size on the metric of total assets and customer deposits while financial performance was examined using ROA. Therefore, the study established that total asset had a positive influence but customer deposits had a negative influence on performance. Regrettably, since Mulwa (2020) had used purely secondary data, it was not possible to ascertain the reason why clients had reduced making deposits in the bank. The study could have used a mixture of quantitative data such as questionnaires to get this particular information. The current study collected data using questionnaires and secondary data.

### III. METHODOLOGY

#### 3.1 Study Area

The study was conducted in Nairobi Kenya where the headquarters of licensed MFIs. The headquarters of MFIs will be considered since the current asset management operations related to financial policy strategies are mainly done at the headquarters. The Kenyan MFIs have been faced with issues related to high financial risks exposure as they vehemently compete with other banks and Saccos who offer analogous products (Muthama & Warui, 2021).

#### 3.2 Research Design

Descriptive survey was used to ascertain the predicaments facing the MFIs' swindling performance of its assets. This design was appropriate for gathering data about current practices and opinions, while causal design helped to identify possible causes and effects among the variables of interest. Additionally, the study used descriptive survey and causal research design since the study gathered information regarding what were the reasons of consistent declining performance in asset quality of MFIs (Siedlecki, 2020).

#### 3.3 Research Population

The unit of analysis was 13 licensed MFIs from which a target population of 134 respondents. The study collected both primary and secondary data on all MFI registered at CBK as at December 2022.

#### 3.4 Sampling Strategy and Sample Size

There were one hundred participants sampled using simple random method from one hundred and thirty-four participants in thirteen MFIs. The participants were compliance, investment, operations, credit, finance and accounting managers.

#### 3.5 Data Analysis and Presentation Techniques

They were issued with questionnaires whereas financial reports from the MFIs were analyzed as secondary sources. Muugani MFI was the institution where a pre-test was done and Cronbach alpha used to test reliability.

The study analyzed descriptive statistics such as frequencies, percentages and mean. Additionally, the study also analyzed inferential statistics such as Pearson correlational analysis to test the hypothesis and Ordinary Least Squares [OLS] multiple regression model to examine the percentage influence of current asset management on performance. The model was as follows:



$$Y_{\text{perf}} = \beta_0 + \beta_1 \text{CAM} + \varepsilon$$

$$Y_{\text{perf}} = \beta_0 + \beta_1 \text{CAM} + \beta_3 \text{FS} + \varepsilon$$

$$Y_{\text{perf}} = \beta_0 + \beta_1 \text{CAM} + \beta_3 \text{FS} + \beta_4 \text{CAMFS} + \varepsilon$$

Where:

- Y = Financial performance
- $\beta_1, \beta_2, \beta_3$  = Coefficients to be estimated
- $\beta_0$  = Constant
- CAM= Current Assets Management
- FS= Firm Size
- $\varepsilon$  = Error term
- CAMFS= Interaction terms

### 3.6 Ethical Consideration

All participants were asked to give their consent to the study's request for their data. The assent was mentioned through an introductory letter which went with the data collection instruments (supplement II). The nature and motivation behind the exploration was cleared up for the respondents by the specialist in order to alleviate any apprehensions of other ulterior thought processes other than scholarly examination. The identities of respondents from whom data were gathered during the study were kept private. The participants had the option to withdraw at any time without repercussions. This enhanced ethical transparency and demonstrated respect for participants 'autonomy'.

## IV FINDINGS & DISCUSSION

### 4.1 Response Rate

There were 88 completely filled in questionnaires with the other 12 unreturned. This translated to 88% response rate. According to Mugenda and Mugenda (2003), a response of more than 70% is considered successful. The finding reveals that the initiative of the study's data collection exercise was successful since the ultimate response was greater than eighty percent.

### 4.2 Reliability Tests

The results of the pretest study as provided in Table 1.

**Table 1**

*Reliability Test*

Indicators	N	Cronbach Alpha
Firm Size	5	0.910
Financial Performance	6	0.811

Based on the results, firm size had a Cronbach Alpha of 0.910 and financial performance had a Cronbach alpha of 0.811. The results point out that they were all above 0.7 hence an indication that they were reliable and trusted to provide similar results consistently when used.

### 4.3 Firm Size Results

Firm Size was measured using total assets as gathered from the balance sheets of the institutions from 2018-2022. The feedback is defined in Table 2.

**Table 2***Secondary Data Results of Total Assets*

MFIs	2018 (Millions)	2019 (Millions)	2020 (Millions)	2021 (Millions)	2022 (Millions)	Min (Millions)	Max (Millions)	Mean (Millions)
Kenya women	29,582	30,613	28,038	26,961	27,329	26,961	30,613	28,505
Faulu	27,225	29,682	29,279	27,780	22,704	22,704	29,682	27,334
Rafiki	6,050	5,935	6,005	5,889	5,346	5,346	6,050	5,845
SMEP	2,942	3,314	3,446	3,382	3,219	2,942	3,446	3,261
Caritas	1,244	1,712	2,284	2,951	3,353	1,244	3,353	2,309
Sumac	1,530	2,013	2,310	3,037	3,678	1,530	3,678	2,514
LOLC	433	406	307	289	451	289	451	377
U & 1	534	686.4	805	1,006	1,480	534	1,480	902
Salaam	225	168	134	433	405	134	433	273
Daraja	172	133	124	120	235	120	235	157
Maisha	289	1,264	1,665	1,480	853	289	1,665	1,110
Branch	431	348	296	402	872	296	872	470
Choice	98	79	54	45	142	45	142	84

Source: CBK (2018; 2019; 2020; 2022)

The results presented in Table 2 indicate that Kenya Women and Faulu MFIs had the highest total assets mean of Kshs 28,505 million and Kshs 27,334 million respectively. Other MFIs with medium assets included SMEP with Kshs 3,261 Millions, Caritas with Kshs 2,309 million, Sumac with Kshs 2,514 million and Maisha with Kshs 1,110 million. However, MFIs like Choice had low assets of Kshs 84 million, and Daraja with Kshs 157 million, among others. It is also worthy to note that among all MFIs only Three of them have been able to consistently improve their assets between 2018 and 2022. These were Caritas, Sumac, U & I. Caritas was able to maintain consistency such that in 2018, the assets were Kshs 1,244 million, Kshs 1,712 million in 2019, Kshs 2,284 in 2020, Kshs 2,951 in 2021 and Kshs 3,353 in 2022.

Sumac had Kshs 1,530 million assets in 2018, Kshs 2,013 million assets in 2019, Kshs 2,310 million assets in 2020, Kshs 3,037 million assets in 2021 and Kshs 3,678 million assets in 2022. U & I had 534 million assets in 2018, Kshs 686.4 million assets in 2019, Kshs 805 million assets in 2020, Kshs 1,006 million assets in 2021 and Kshs 1,480 million assets in 2022. In support of the findings, (Dalci and Tanova, 2019; Ishmail et al., 2023, Mulwa, 2020) all pointed out that for firm size to impact performance, it has to do with increasing the assets of the MFI in a consistent manner.

**4.3.1 Descriptive Results of Firm Size**

Firm size had five statements that were asked and the feedback described in Table 3.

**Table 3***Descriptive Results of Firm Size*

Statements	5	4	3	2	1	Mean
Improved sales due to management of total assets	10 (11.4%)	35 (39.8%)	0 (0.0%)	38 (43.2%)	5 (5.6%)	2.92
Clear strategic decisions made on current asset management	5 (5.7%)	24 (27.3%)	1 (1.1%)	25 (28.4%)	33 (37.5%)	3.65
Cash at hand, good will, and disbursed loans have increased	16 (18.2%)	14 (15.9%)	6 (6.8%)	15 (17.1%)	37 (42.0%)	3.49
Less cash conversation cycles due to increased size of the microfinance	20 (22.7%)	20 (22.7%)	7 (8.0%)	23 (26.1%)	18 (20.5%)	2.99
The staff have received an increment in salaries due to improved sales	13 (14.8%)	21 (23.9%)	4 (4.5%)	26 (29.5%)	24 (27.3%)	3.31

The results provide that 33(37.5%) strongly agreed and 25(28.4%) agreed that there were clear strategic decisions made by the management particularly on current asset management (mean-3.65). Additionally, 37(42%) strongly concurred and 15(17.1%) concurred that the various assets such as the cash at hand, good will, disbursed loans had increased leading to good performance (mean-3.49). However, 10(11.4%) strongly disagreed and 35(39.8%) disagreed that the sales had improved due to appropriate management of total assets (mean-2.92). Further on, 20(22.7%) strongly disagreed while other 20(22.7%) disagreed that there had been less cash conversation cycle due to increased size of the microfinance (mean-2.99).

The results implied that the management had made strides in ensuring that their firm size experienced growth.

This was through making financial strategies that would escalate the institution to profitability through increased goodwill, disbursed loans and cash availability. However, it was paramount to note that MFIs were struggling in improving their sales and assets in general. Therefore, due to this hardship, their prior assets attracted less value leading to more time needed for cash conversion cycle. Comparatively, Mulwa (2020) revealed that when there was loss of institutional value on shares, its assets value also declined, which had a negative effect when they needed to convert the asset to cash.

#### 4.3.2 Financial Performance Results

Return on Assets (ROA) was used as a financial performance measure. The study thus collected the ROA data from 2018 to 2022. The CBK (2018-2022) provided accurate source of information for the ROA as described in Table 4.

**Table 4**

*Secondary Data on ROA*

MFIs	2018	2019	2020	2021	2022	Min	Max	Mean
Kenya women	(4%)	(2%)	(5%)	1%	(0.3%)	(5%)	1%	(2%)
Faulu	1%	2%	(2%)	(2%)	(0.1%)	(2%)	2%	(0.02%)
Rafiki	(5%)	(0.1%)	(1%)	(3%)	(6%)	(6%)	(0.01%)	(3%)
SMEP	(1%)	1%	(3%)	(2%)	0.01%	(3%)	1%	(1%)
Caritas	(7%)	(3%)	0.2%	1%	1%	(7%)	1%	(2%)
Sumac	1%	1%	1%	1%	0.02%	2%	1%	1%
LOLC	(10%)	(8%)	(11%)	(18%)	(11%)	(18%)	(8%)	(11%)
U & I	2%	1%	2%	4%	2%	1%	4%	2%
Salaam	(14%)	(42%)	(17%)	(9%)	(16%)	(42%)	(9%)	(20%)
Daraja	(26%)	(35%)	(32%)	(25%)	(9%)	(35%)	(9%)	(25%)
Maisha	(41%)	(3%)	4%	(12%)	(56%)	(56%)	4%	(22%)
Branch	(6%)	(12%)	(20%)	(2%)	(2%)	(20%)	(2%)	(9%)
Choice	(60%)	(37%)	(48%)	(53%)	(9%)	(60%)	(9%)	(41%)

According to the Table 4 outcome, all MFIs have negative ROAs with only an exemption of U&I and Suman which had 2% and 1% respectively. This meant that in the long run most MFIs were operating at a loss mainly affected by inefficiencies of operations. Comparatively, the United Nations Economic Commission for Africa (UNECA, 2020) discovered that most of financial institutions in Africa were experiencing losses due to negative ROAs.

#### 4.3.3 Moderating Influence of Firm Size

To analyze the moderating influence, the study used three models. That is, the first model had the relationship between current assets management and financial performance. The second model provided the moderation of firm size on the influence of current assets management on performance. The third model contained the interaction term (combination of current assets management and firm size). The three models that followed hierarchical regression were as follows:

$$Y_{\text{perf}} = \beta_0 + \beta_1 \text{CAM} + \varepsilon$$

$$Y_{\text{perf}} = \beta_0 + \beta_1 \text{CAM} + \beta_3 \text{FS} + \varepsilon$$

$$Y_{\text{perf}} = \beta_0 + \beta_1 \text{CAM} + \beta_3 \text{FS} + \beta_4 \text{CAMFS} + \varepsilon$$

Where:

Y = Financial performance

$\beta_1, \beta_2, \beta_3$  = Coefficients to be estimated

$\beta_0$  = Constant

CAM= Current Assets Management

FS= Firm Size

$\varepsilon$  = Error term

CAMFS= Interaction terms

Table 5 elaborates the model summary of the Firm Size that was examined.

**Table 5***Model Summary of the Moderating Influence of Firm Size*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.701a	.491	.487	2.95627	.491	528	3	84	.592
2	.709b	.503	.498	2.96293	.012	632	1	83	.429
3	.707c	.500	.492	2.94612	-.003	1.220	1	82	.042

- a. Predictors: (Constant), Current Assets Management  
b. Predictors: (Constant), Current Assets Management, Firm Size  
c. Predictors: (Constant), Interaction Terms, Firm Size, Current Assets Management  
d. Dependent Variable: Financial Performance

The results in Table 5 indicate that the relationship between the independent variables which constituted current assets management and performance, the R- value was 0.701 and R-square was 0.491, signifying a 49.1% influence. However, when firm size was included in the relationship, R-value was 0.709 and R-square was 0.503, signifying a 50.3 influence on performance. Therefore, this meant that without the moderating influence of firm size, current assets management dictated a 49.1% but when included it dictated 50.3%. This implied that firm size inclusion in the relationship between current assets management increased the influence by 1.2%. In the third model, the P-value value was 0.042 was significant since it was less than 0.05 hence forming the basis for the study to concur that firm size had a moderating influence on current assets management and financial performance. Additionally, the model validity test of firm size was examined as elaborated in Table 6.

**Table 6***Model Validity Test of the Moderating Influence of Firm Size*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.983	2	4.492	.514	.000 <sup>b</sup>
	Residual	734.120	85	8.740		
	Total	743.103	87			
2	Regression	14.451	3	4.817	.549	.001 <sup>c</sup>
	Residual	728.653	84	8.779		
	Total	743.103	87			
3	Regression	14.608	3	4.869	.561	.042 <sup>d</sup>
	Residual	720.290	84	8.678		
	Total	734.898	87			

- a. Dependent Variable: Financial Performance  
b. Predictors: (Constant), Current Assets Management  
c. Predictors: (Constant), Firm Size, Current Assets Management  
d. Predictors: (Constant), Interaction Terms, Firm Size, Current Assets Management

The results in Table 5 indicates that the p-value for model one is 0.000, for model two is 0.001 and for model 3 is 0.042. Therefore, this implies that the model was valid to examine the moderating influence of firm size via the model summary, because all the significance values were less than 0.05. Thereafter, the study examined the regression weight of the moderating variable as depicted in Table 7.

**Table 7***Regression Weights of Firms Size*

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.123	2.798		7.907	.000
	Current Management	.057	.079	.081	.726	.032
2	(Constant)	22.926	2.901		7.903	.000
	Current Asset Management	.064	.067	.110	.948	.346
	Firm Size	.070	.089	.064	.421	.432
3	(Constant)	21.412	2.810		7.619	.000
	Current Management	.059	.052	.104	1.135	.346
	Firm Size	.089	.101	.097	.881	.432
	Interaction Terms-CAM*FS	.168	.170	.314	.988	.486

The results in Table 7 indicate that the first model indicates that all the variables are significant and as well as the second model. In the third model, when the interaction term was introduced, the variables were statistically significant. Therefore, the resultant model is as follows: Constant is 21.412, Current asset management is 0.059 and firm size is 0.089. On the interaction term between current asset management and firm size, the beta was 0.168 at 95% confidence level.

Therefore, the results indicate that firm size aspect was key towards ensuring that the MFIs experienced growth. This is because, MFIs required to utilize their assets so as to realize increased performance. The results are supported by Ishmail et al. (2023) who concluded that firm size had a significant moderating effect on risk associated with lending and performance. Further, Gichobi and Omwaga (2021) revealed that firm size had a positive influence on the relationship between MFIs' performance and financial management. Notably, Mulwa (2020) indicated that total asset had a positive influence on performance.

Notably, as firm size showed a positive influence, MFIs should consider expansion strategies that enhance resource capacity, thereby potentially improving financial performance. These could include mergers or strategic partnerships to leverage larger asset bases. It is important to scale operations cautiously, keeping a focus on effective asset management to prevent diminishing returns as firms grow. Further incorporating firm size as a moderating variable increases the explanatory power slightly, suggesting a modest moderating effect on the relationship between current asset management and financial performance.

## V. CONCLUSIONS & RECOMMENDATIONS

### 5.1 Conclusions

The study established that the value of assets was irregularly growing with the exception of three MFIs that registered consistency in growth of assets. These were Caritas, Sumac, and U & I MFIs. The irregularity led to low cash conversion cycle signifying that the growth of the MFIs was somehow stagnant. It becomes a major concern when 8(57%) of the MFIs had not experienced growth of assets in a stabilized manner. This means that decline of assets was eventual unless solutions were provided early to save the situation.

### 5.2 Recommendations

The study recommends that the management should seek to incorporate more stakeholders such as shareholders into the MFIs. The premiums paid through different shares, would be used in diversifying into long-term assets that generate consistent income to the MFIs. Additionally, the MFIs could also develop long-term financing strategies to incorporate more products and services in their MFIs that would attract more clients. The nature of the products and service should be inclined to more customization of the client's needs. Once these needs are met, it would increase clients who would provide consistent funds hence stability in assets growth of the institution. Additionally, the MFIs should hire more staff to market their banks so that the public gets to understand how their products and services are different from Saccos and mainstream banks.

## REFERENCES

- Adusei, M. (2019). Board gender diversity and the technical efficiency of microfinance institutions: Does size matter? *International Review of Economics & Finance*, 64(12), 393-411. <https://doi.org/10.1016/j.iref.2019.07.008>
- Ahmad, N., Mobarek, A., & Raid, M. (2023) Impact of global financial crisis on firm performance in UK: Moderating role of ESG, corporate governance and firm size. *Cogent Business & Management*, 10(1), 1-19. <https://doi.org/10.1080/23311975.2023.2167548>
- Ayo, M., & Muba, S. (2021). An assessment on the influence of capital structure on performance of the listed firms in Tanzania. *East African Journal of Business and Economics*, 4(1), 1-13. <https://doi.org/10.37284/eajbe.4.1.468>
- CBK. (2023). *Bank supervision annual report 2023*. Central Bank of Kenya. [https://www.centralbank.go.ke/uploads/banking\\_sector\\_annual\\_reports/69043552\\_2023%20Annual%20Report.pdf](https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/69043552_2023%20Annual%20Report.pdf)
- Dalci, I., & Tanova, C. (2019). The moderating impact of firm size on the relationship between working capital management and profitability. *Prague Economic Papers*, 28(3), 1-17. <https://doi.org/10.18267/j.pep.681>
- Díaz-Martín, S., Feria-Dominguez, J.M., & Naranjo-Gil, D. (2021). Are microfinance institutions' financial performance gender driven? Evidence from Argentina. *Business Strategy & Development*, 5(1), 197-208. <https://doi.org/10.1002/bsd2.190>
- Fadeyi, O.A., Omojoso, B.V., & Ityokumbul, I.S. (2021). A review of microfinance banks' effects on smallholder development in Nigeria. *African Journal of Agricultural Research*, 17(9), 1249-1255, <https://doi.org/10.5897/AJAR2021.15700>



- Gichobi, C., & Omwaga, J. (2021). Financial management practices and financial performance of microfinance banks in Kenya. *IOSR Journal of Economics and Finance*, 12(5), 59-69. <https://doi.org/10.9790/5933-1205055969>
- Ishmail, D. M., Memba, F., & Muriithi, J. (2023). Moderating effect of firm size on the relationship between credit risk and financial performance of microfinance banks in Kenya. *International Academic Journal of Economics and Finance*, 3(8), 323-336. [https://www.iajournals.org/articles/iajef\\_v3\\_i8\\_323\\_336.pdf](https://www.iajournals.org/articles/iajef_v3_i8_323_336.pdf)
- Kamchape, H.A. (2020). *Impact of procurement policies and procedures on supply chain performance of microfinance banks in Tanzania: A case study of finca microfinance bank* [Master's Thesis]. Tanzania. <http://dspace.cbe.ac.tz:8080/xmlui/bitstream/handle/123456789/706/KAMCHAPE-REPORT.pdf?sequence=1&isAllowed=y>
- Mugenda, O., & Mugenda, A. (2003). Research methods quantitative and qualitative approaches. Nairobi: Act Press.
- Mulugeta, A.E., & Leyla, J. M. (2022). Factors affecting the financial performance: A case of microfinance institutions in Ethiopia. *Journal of Finance and Accounting*, 10(1), 64-77. <https://doi.org/10.11648/j.f.a.20221001.17>
- Mulwa, J.M. (2020). Firm size and performance: An econometric analysis of the financial performance of deposit taking microfinance institutions in Kenya. *Noble International Journal of Economics and Financial Research*, 5(5), 56-62. <http://napublisher.org/?ic=journals&id=2>
- Muthama, K. M., & Warui, F. (2021). Influence of lending terms on loan performance of microfinance institutions in Kisii County (Case study; Kenya Women Microfinance Bank). *International Academic Journal of Economics and Finance*, 3(7), 21-44. [http://iajournals.org/articles/iajef\\_v3\\_i7\\_21\\_44.pdf](http://iajournals.org/articles/iajef_v3_i7_21_44.pdf)
- Siedlecki, S. L. (2020). Understanding descriptive research designs and methods. *Clinical Nurse Specialist*, 34(1), 8-12. <https://doi.org/10.1097/NUR.0000000000000493>
- UNECA. (2020). *Economic report on Africa: Innovative finance for private sector development in Africa*. United Nations Economic Commission for Africa. [https://www.uneca.org/sites/default/files/fullpublicationfiles/ERA\\_2020\\_mobile\\_20201213.pdf](https://www.uneca.org/sites/default/files/fullpublicationfiles/ERA_2020_mobile_20201213.pdf)
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171-80. <http://web.mit.edu/bwerner/www/papers/AResource-BasedViewoftheFirm.pdf>