

## Recruitment and Selection Practices adopted by SMEs in Microfinance Firms in the Accra Metropolitan Area of Ghana

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### Abstract

This study sought to investigate the Recruitment and Selection practices among small and medium businesses using the microfinance sector of the Ghanaian economy. A cross-sectional survey design was used for the study and data were obtained through questionnaire from 40 managers of small and medium size microfinance firms in the Accra Metropolitan Area of the Greater Accra Region of Ghana. Descriptive statistics with tables and frequencies were used for the analysis. The study found out that managers mainly recruit by word-of-mouth. They did not use sophisticated recruitment strategies, and selection was mainly done through practical tests and interviews among others. Their candidates normally come from the recommendation of friends and relations. In a nutshell, the microfinance institutions use recruitment and selection practices that are cost effective and less time consuming instead of the available sophisticated practices.

**Keywords:** Small and Medium Size Enterprises, Microfinance Institutions, Human Resource Management Practices, Recruitment and Selection

### INTRODUCTION

The basic proposition is that small firms frequently fail to tackle effectively impediments which threaten their current operation and frustrate attainment of higher levels of output and employment. In order to implement a successful business strategy to eliminate this challenge, organizations must ensure that they have the right people capable of delivering the strategy. Human resources are the most valuable assets of any organization. It plays a major part in the overall success of the organization and there is, therefore, the need to ensure the effective management of human resources in order to achieve organization objectives. The main objective of this study therefore is to examine the recruitment and selection practices adopted by these SMEs, by implication it addresses the question; what recruitment and selection practices are adopted by SMEs in the microfinance industry.

Human resource is the skills, talents, abilities, knowledge, energy, intelligence and the capabilities of the people to learn. (Banuako, 1991). It is the proper utilization of these assets for the achievement of the goals of the organization that is referred to as "management". Human resource plays a major part in the overall success of the organization. Mathis and Jackson (1994) pointed out that the management of people at work is one of the primary keys to organizational success. Every organization needs to plan, organize, direct and control the affairs of the organization in order to achieve its corporate goals. It is human beings who do all these things mentioned above. Therefore, if we do not have the right calibre of people to perform these functions, things would go wrong in the organization. Tracey (1994) defines Human Resources Management as the organization functions that focuses on the effective management, direction and utilization of people both the people who manage, produce, market and sell the products and services of an organization and those who support their original

activities. It deals with the human element in the organization – people as individuals and groups, their recruitment, selection, assignment, motivation, empowerment, compensation, utilization services, training, development, safety, promotion, termination and retirement.

The progress of every organization depends on the human resource practices adopted by the organization. Small and medium size enterprises (SMEs) cannot function well without proper human resource practices. The objective, therefore, is to maintain the relationship in such a way that at any given time, the firm has the right kind of people at the right place, rendering most economical and useful services, thereby contributing to the sustenance and growth of the enterprise as a whole. In fact, they are the centre of every organization. Extensive attention has been given to the role small businesses play to facilitate global economic development in recent years (Verheaul and Thunrik,2000). Globally, hundreds of thousands of men and women start new small businesses and these entrepreneurial activities make major contributions to worldwide economic growth. Many nations have perceived the role SMEs play as the engine of growth to the development of their countries and Ghana is no exception. Many governments in recent years have turned their attention to selectively targeted policies for growth. In Ghana, SMEs constitute the vast majority of firms and generate income and have a substantial share of both overall employment and output which directly affect poverty reduction.

There is no single, uniformly acceptable, definition of a small business (storey, 1994). The definition of 'small and 'medium' business varies per country and largely depends on the criteria for determining 'small' and what qualifies as a 'business'. Again, firms differ in their levels of capitalization, sales and employment. Hence, the most common criteria used to differentiate between a 'large' organization and a 'small' one is the size of its labour force, sales revenue, total value of assets and the value of owner's equity. In Ghana, generally this target group is defined as Micro enterprises: those employing up to 5 persons with fixed assets not exceeding the value of \$10,000; Small enterprises: those employing between 6 and 29 persons with fixed assets of \$100,000 and Medium enterprises: those employing between 30 and 99 persons with fixed assets of up to \$1 million. For the purpose of this research, the researcher used the number of employees of the enterprises as the criteria for the selected microfinance. For the purpose of this research businesses employing up to 50 employees were used for the study.

One of the growing service sectors of our economy is the financial sector which has the microfinance institutions embedded in its sector. Generally, microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. The term covers the provision of financial services as a whole to the poor. (Micro capital, 2009). Their services include loans, savings, insurance, transfer services and other financial products and services.

## LITERATURE

One of the most significant developments in the field of organization in recent times is the increasing importance given to human resources. It is important that issues relating to human resource management are given serious attention and well taken care of in every organization. The development of people, their competencies, and the process development of the total organization are the main concerns of human resource management (Mullins, 1999). It is, therefore, necessary to investigate the use of HRM practices by SMEs, to better understand its importance and possibly compensate for difficulties they may encounter in the formalization of

these practices. An effective human resources practice by SMEs has the potential to help boost their growth. It is common to associate SMEs with poverty in terms of resources, putting them at a disadvantage having regard to large enterprises. With SMEs, HRM is more modestly practiced and sometimes even without any professional expertise. The lack of expertise in HRM is the source of the low number of initiatives regarding the establishment of procedures called HR in smaller businesses. The latter prefer using law enforcement or simply imitating the practices set up in other organizations. These issues pose a constant challenge to SMEs.

Recruitment and Selection is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications (Walker, 2009). Recruitment and Selection form an essential part of small and large businesses alike, as without employees many businesses would have difficulty in maintaining their existence, nor would employees gain employment without their interlocking dependence and discourse of interrelatedness and existence. Vacancy normally occurs when someone leave the organization; when a specialist is required for a particular position; when the volume of work has increased; when something new is happening, for example the launching of a new product and also due to growth or expansion of the business. Thus recruitment is the process of identifying and attracting potential candidates from within and outside an organization and selection then begins when the right person of candidates are identified. It is argued that in order for the firm to build and sustain the competitive advantage, proper staffing is critical. Recruitment and Selection then is a major function of human resource management function as it encompasses all organizational practices and decisions.

Although considerable research has been devoted to recruitment and selection procedures in big organizations, little attention has been paid to SMEs. Small firms are frequently unable to afford HRM staff and therefore, their owners/managers have to perform such duties as recruitment and selection themselves. For small businesses, it is anticipated that the cost of recruitment becomes more prohibitive the smaller the business, and depends on the demands placed by the economic circumstances of the workplace environment. Shortcomings in definition and measurement in current and past research suggest the need for further validation of recruitment and selection practices in small firms, and a more careful definition of what recruitment and selection practices adopted by the microfinance firms is, especially relating to this study. Thus, this study, therefore, sought to address the gap by examining the recruitment and selection practices by SMEs in the Accra metropolis using microfinance firms.

## **METHODOLOGY**

The study, quantitative in nature utilized a cross-sectional survey research design of which purpose was to examine the recruitment and selection practices adopted by these microfinance firms. In a cross-sectional survey, the researcher selects a sample of respondents from a population and administers a standardized questionnaire to them. The study sought to examine human resource management practices within SMEs in the financial industry with a focus on the recruitment and selection practice adopted by these microfinance firms in the Accra Metropolis of Greater Accra Region. The choice of Accra metropolis was used because the research area is full of business activities; hence a lot of these microfinance institutions are located there. The Bank of Ghana who is the manager of the microfinance institutions in Ghana was contacted for the names of registered and licence microfinance institutions in the metropolis which was used as the sample frame. The target population for the study comprised all managers or owner-managers of the microfinance firms. This consisted of both owner-managers and managers. By definition, 'owner-managers' are the owners of the

financial institutions who manage it themselves and 'managers' are those who have been hired to manage the business for the owners.

The study adopted the probability sampling method of simple random sampling to draw respondents for the study. It is a sampling technique in which the probability of the selection of each respondent is known and the sample drawn may be regarded as representative of the population been studied (Ofori, & Dumpson, 2011). Again, the choice of simple random sampling is a fair way to select a sample and reasonable to generalize the results from the sample back to the population. Equal chance was given to all those registered and licence microfinance firms authorised by the Central Bank and registered with the NBSSI by using the simple random sampling method. Forty (40) respondents were selected to respond to the questionnaire. The questionnaire was designed for owner-managers and managers. It was made up of three (3) parts. The first part asked of firms details. In part two of questionnaire respondents were also asked personal background information, regarding age, sex, educational level and work experience. The remaining part of the questionnaire looked at the recruitment and selection practices addressed in the research. Respondents were asked work-related information regarding recruitment and selection, and to what extent are they practiced by the firms. In analyzing the collected data, tables, percentages and frequencies were used to analyze responses to each item on the questionnaire.

### **RESULTS AND DISCUSSION**

The study examined the recruitment and selection practices adopted by SMEs in the microfinance firms in Accra Metropolitan Area of the Greater Accra Region. The results of data collected from forty managers/owner of microfinance firms in the study area were analysed using SPSS.

Table 1 below shows the distribution of selected background characteristics of respondents. These variables include age, sex, education, duration of service, and acquisition of position. The age distribution of respondents indicates that 53.3 percent were aged 41 to 50 while fewer respondents (10%) were aged 31 to 40.

In terms of sex distribution of respondents, 66.7 percent were males while 33.3 percent were females. Also, about 53 percent had secondary education while about 7 percent had basic education. With regard to duration of service in management position, 40 percent spent 1 to 3 years in management positions while a few (3.3%) spent less than one year in management position.

**Table 1: Background Characteristics of Respondents**

Variable	Frequency	Percent
Age		
20-30	8	13.3
31-40	6	10.0
41-50	32	53.3
51+	14	23.4
Sex		
Male	40	66.7
Female	20	33.3
Education:		
Basic	4	6.7
Secondary	32	53.3
Tertiary	24	40.0
Duration of service		
< 1 year	2	3.3
1-3 years	24	40.0
4-6 years	20	33.3
7+ years	14	23.4
Acquisition of position		
Employed	16	26.7
Inherited	18	30.0
Founded	26	43.3

**Source: Fieldwork, 2015**

Further, it is indicated that 43.3% of the respondents were founders of their microfinance while 26.7 percent were employed into their current position.

In summary, 53.3 percent of the managers were aged 41 to 50; a majority were males while 66.7 percent also had secondary education.

Table 2 presents results in relation to the recruitment and selection process. Table 2 shows 96.2 percent of the managers did not recruit from professional associations while the remaining 4 percent did. Also, 92.6 percent did not recruit from private employment agencies while the remaining 7 percent did. The table shows that 96 percent did not recruit from educational institutions. Also, 93 percent did not recruit from professional organisations while the remaining 7 percent did. Again, 92.2 percent indicated they did not recruit from news paper advertisements. Besides, 96.3 percent of the respondents did not recruit from trade and professional journal advertisements while the remaining 4 percent did. In addition, 90.0 percent did not recruit from unions while 10 percent did. The table also shows 77.8 percent did not recruit from internal notice boards/memos. It was evident that a majority of 86 percent of the respondents recruited by word-of-mouth.

**Table 2: The Recruitment Practices Used by Respondents**

Statement	N= 40	
	Yes (%)	No (%)
Do you recruit from professional associations	3.7	96.3
Do you recruit from private employment agencies	7.4	92.6
Do you recruit from educational institutions	3.8	96.2
Do you recruit from professional organisations	7.4	92.6
Do you recruit from news paper advertisements	7.8	92.2
Do you recruit from trade and professional journal advertisement	3.7	96.3
Do you recruit from unions	10.0	90.0
Do you recruit from internal notice boards/memos	22.2	77.8
Do you recruit by word-of-mouth	85.7	14.3

Source: Fieldwork, 2015

Table 3 exhibits the results relating to the selection process. The table indicates that 64 percent of the managers selected their employees by assessment of application letters to new recruits. It was evident from Table 4 that 95 percent selected by assessment of qualifications/experience while only 5 percent was not doing that. Also, 63 percent of the respondents confirmed selecting their employees by investigating from previous employers while approximately 37.5 percent did not necessarily do that. From the table, it can be found that 62.5 percent selected their employees by practical tests. Furthermore, 96.0 percent selected their employees by conducting interviews. It is clear that 67 percent did not select their employees by referees' report during the selection process. Besides, 70.8 percent did not select their employees by written test while only 29 percent did so. In answering question on medical examination, 66.7 percent did not select their employees by medical examination results.

**Table 3: The Selection Practices used by Respondents**

Statement	N= 40	
	Yes (%)	No (%)
Do you select by assessment of application letters	64.0	36.0
Do you select by assessment of qualifications/ experience	95.2	4.8
Do you select by investigation from previous employers	62.5	37.5
Do you select by practical test	62.5	37.5
Do you select by interviews	96.0	4.0
Do you select by referees' report	33.3	66.7
Do you select by written test	29.2	70.8
Do you select by medical examination results	33.3	66.7

Source: Fieldwork, 2015

Respondents were further asked to indicate their recruitment and selection practices. The details have been provided in Table 4. As shown in Table 4, 60 percent of the managers had written job description for positions while 40 percent had not. Eighty percent (80.0%) of the

respondents reported that they did not require applicants to fill application forms when employed. Also, 76.7 percent of the managers required applicants to submit application letters for selection. In addition, 63.3 percent required their new staff to take medical examinations after selection has been done. Moreover, from the table, the results depict that 53.3 percent of the managers provided their new staff with appointment letters.

Table 4 also shows that 83.3 percent of the managers who provided appointment letters included duties and responsibilities in the letters. Only 75 percent included job titles in their appointment letters while the remaining 25 percent did not. Similarly, 75.0 percent included salaries and benefits in their appointment letters for new recruits. Further, 79.2 percent included SSNIT contributions in their appointment letters and are ready to pay to the government. The results also show that 54.2% and 79.2% of the respondents did not include leave entitlements and probationary periods in their appointment letters respectively.

In summary, 60 percent of the managers had written job descriptions for positions, required applicants to submit application letters, required new staff to take medical examinations and provided new staff with appointment letters, but did not require applicants to fill application forms. Also, the majority of the managers who provided appointment letters included duties and responsibilities, job titles, salaries and benefits, SSNIT contributions and probationary periods, but the majority did not include leave entitlements in the appointment letters.

**Table 4 General issues on recruitment and selection**

Statement	N= 40	
	Yes (%)	No. (%)
Do you have written job description for positions	60.0	40.0
Do you require applicants to fill application forms	20.0	80.0
Do you require applicants to submit application letters	76.7	23.3
Do you require new staff to take medical examinations	63.3	36.7
Do you provide new staff with appointment letters	53.3	46.7
Do you include duties and responsibilities in appointment letter	83.3	16.7
Do you include job titles in the appointment letter	75.0	25.0
Do you include salaries and benefits in the appointment letter	75.0	25.0
Do you include SSNIT contributions in the appointment letter	79.2	20.8
Do you include leave entitlements in the Appointment letter	45.8	54.2
Do you include probationary periods in the appointment letter	79.2	20.8

Source: Fieldwork, 2015

### CONCLUSION

With regard to recruitment and selection practices, generally the managers did not recruit from professional associations, private employment agencies, educational institutions, professional organisations, news paper advertisements, trade and professional journal advertisements, unions as well as internal notice boards/memos. These sources of recruitment are comparatively quite expensive and time consuming, and may be the major reason why a majority of the managers refrained from using them. However, a large majority of the managers recruited by word-of-mouth. According to Byars and Rue (2000), the main aim of the

recruitment and selection process is to obtain a number of quality employees at a minimum cost to satisfy the human resource needs of an organization. This could perhaps be the reason why a majority of the employers or owner-managers preferred to recruit by word-of-mouth which is one of the most cost effective ways of recruitment a manager could ever use.

Furthermore, a large majority of the owner-managers selected their employees by assessment of their application letters, assessment of qualifications/experience, investigation from previous employers, practical tests and interviews. However, a majority of the managers did not use referees' report, written test, and medical examination results. Actually, selection of new staff involves choosing the applicants who have the qualification to perform the job and in selecting these employees, small businesses normally attempt to obtain individuals whose capacities and skills complement those of the owner or manager.

Concerning recruitment and selection practices, the managers did not recruit from professional associations, private employment agencies, educational institutions, professional organisations, news paper advertisements, trade and professional journal advertisements, unions or internal notice boards/memos. They recruited by word-of-mouth. They also selected their employees by assessment of their application letters, assessment of qualifications/experience, investigation from previous employers, and conduct of practical tests and interviews. They did not select by referees' report, written test and by medical examination results.

The majority of managers had written job description for positions, required applicants to submit application letters, required new staff to take medical examinations, and provided new staff with appointment letters. However, they did not require applicants to fill application forms. Managers who provided appointment letters included duties and responsibilities, job titles, salaries and benefits, SSNIT contributions and probationary periods, but did not include leave entitlements in the appointment letters.

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