

THE IMPACTS OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR, EMPLOYEE ENGAGEMENT, AND MANAGERIAL DECISION-MAKING ON THE MICROFINANCE INSTITUTIONS PERFORMANCE

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Abstract

This study examines the impact of employee organizational citizenship behavior (OCB) and engagement on the performance of microfinance institutions, with a focus on the moderating role of managerial decision-making. Data were collected from 100 key microfinance institutions employees in Greater Bandung, with interviews of 10 experienced staff (>5 years) conducted to refine the questionnaire and ensure alignment with microfinance institutions work conditions. Using Structural Equation Modeling using Partial Least Squares (SEM-PLS) for data analysis, this study finds that both organizational citizenship behavior (OCB) and employee engagement significantly enhance microfinance institutions performance. The results further indicate that managerial decision-making serves as a critical mediator between OCB, employee engagement, and organizational performance. These findings underscore the importance of managerial decision-making in amplifying the effects of OCB and employee engagement on microfinance institutions performance. Furthermore, this research introduces alternative metrics for assessing OCB, employee engagement, managerial decision-making, and organizational performance.

Keywords: Organizational citizenship behavior (OCB); employee engagement; managerial decision-making; microfinance institutions performance

JEL Classification: L25, D23, O15

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INTRODUCTION

Microfinance has emerged as an essential tool for promoting financial inclusion and alleviating poverty across many global regions. Over recent decades, the microfinance sector has broadened substantially, moving beyond its initial purpose of providing small loans to rural, low-income populations (Churchill et al.,

2018). Microfinance institutions now provide a broader range of financial products, including savings, insurance, and transfers, to meet diverse client needs (Tlili, 2022). However, as the industry has grown, it has faced significant challenges, particularly concerning the sustainability and performance of microfinance institutions. A prominent focus has been on

human resource management, as the success of these institutions depends heavily on the skills, motivation, and well-being of their employees (Milana & Ashta, 2020).

Microfinance institutions are a popular choice in regions with high poverty rates, especially in Asia (e.g., Indonesia, India, Pakistan). In Indonesia, microfinance institutions provide approximately US\$12.5 million annually in financial and social services to refugees and low-income households, with assets and membership growing from 356,327 in 2000 to 3,636,559 in 2020. High demand has made microfinance institutions adaptable, fostering strategic advantages and stable performance. Unlike traditional banks, microfinance institutions require comprehensive performance measures, highlighting the need for a holistic evaluation (The et al., 2023).

Microfinance institutions face well-documented performance challenges, prompting extensive research into key factors that bolster their sustainability and financial resilience. Among these, corporate governance stands out as especially impactful, with studies by the Consultative Group revealing a strong link between governance quality and overall microfinance institutions performance—crucial for advancing both economic and social goals (Beisland et al., 2014). Effective governance frameworks that balance borrower, investor, and community interests, coupled with regulatory oversight, help manage costs, profitability, and outreach while ensuring accountability (Mori et al., 2014). Additionally, organizational performance in microfinance benefits significantly from fostering organizational citizenship behavior (OCB), boosting employee engagement, and reinforcing these efforts with supportive managerial decisions.

A critical area that has garnered attention is the impact of OCB on improving microfinance institutions

performance (Mumi et al., 2020). OCB refers to voluntary employee actions that exceed formal job requirements, enhancing organizational effectiveness (Toga et al., 2014). Such behaviors play a vital role in enabling microfinance institutions to meet their objectives and serve clients effectively (Sanfeliu et al., 2013).

Research emphasizes the importance of identifying factors that drive OCB within microfinance, suggesting that by recognizing both task-based and citizenship-oriented behaviors, organizations can better tailor human resource practices to encourage these contributions (Qiu et al., 2020). This is especially relevant for microfinance institutions that often work in challenging contexts and depend significantly on employee commitment and dedication (Sarker, 2013).

Employee engagement has become a vital element in achieving organizational success, especially within microfinance institutions where human capital significantly influences performance. Engaged employees demonstrate greater commitment, productivity, and alignment with the organization's strategic goals, ultimately enhancing overall outcomes (Kompaso & Sridevi, 2010). These employees tend to exceed expectations, display strong OCB and enhance organizational success (Ocampo et al., 2018). This is particularly crucial in the microfinance sector, where employees' direct interactions with clients and their ability to deliver high-quality services are essential for performance. Organizations that prioritize employee engagement tend to see better financial results, increased customer satisfaction, and enhanced operational efficiency (Rajendran & Doraisamy, 2022).

Engagement enhances belonging and purpose, increasing retention, reducing absenteeism, and improving talent management (Bhat & Bharel, 2018). Given their mission to provide financial services to underserved communities, microfinance institutions require a highly engaged

workforce to navigate the sector's unique challenges, as engaged employees are more likely to address client needs, collaborate effectively, and contribute to the organization's mission.

OCB and employee engagement is a crucial factor contributing to the success of microfinance institutions. Although existing research has established a connection between these two constructs, the impact of managerial decision-making on this relationship remains insufficiently explored (Zhou, 2010). Managerial decision-making involves identifying and selecting alternative courses of action in a manner that maximizes the achievement of organizational goals (Rubin et al., 2013). This process is essential for organizational success and greatly impacts overall performance (Ireland & Miller, 2004). It requires navigating complex, uncertain, and often ambiguous circumstances, with top management playing a key role in shaping the organization's direction, administration, and structure. Managers typically engage in long-term, highly unstructured, and inherently risky decisions that can have widespread implications for the organization. These strategic decisions often require substantial organizational resources and must consider the external environment in which the firm operates (Al-Tarawneh, 2012).

This study explores the impact of OCB and employee engagement on the performance of microfinance institutions, emphasizing the role of managerial decision-making in strengthening these relationships. The research offers novel insights into the measurement of variable dimensions, serving as a reference for further in-depth studies. Additionally, it provides innovative policy alternatives for microfinance institutions, particularly in addressing challenges and opportunities in the Greater Bandung area, supported by effective managerial decision-making.

LITERATURE REVIEW

Organizational Citizenship Behavior and Microfinance Institutions

Organizational citizenship behavior (OCB) encompasses activities such as helping colleagues, adhering to organizational rules, and demonstrating initiative. These discretionary behaviors can enhance the overall effectiveness and efficiency of microfinance organizations by improving coordination, reducing the need for close supervision, and creating a favorable work environment (Khaola & Rambe, 2021). Factors influencing OCB in microfinance organizations include employee personality traits, organizational systems and structures, as well as leadership styles (Mumi et al., 2020). Employees with strong altruism and compliance, engage in OCB. Microfinance institutions promoting a positive culture, clear roles, and transformational leadership tend to see higher employee OCB (He et al., 2022). The benefits of OCB in microfinance institutions are well-documented. Research indicates that OCB can enhance employee abilities, drive intrinsic motivation, and optimize the use of organizational resources. Ultimately, a workforce that demonstrates high levels of citizenship can contribute to stronger overall microfinance organizational performance (Chiaburu et al., 2015).

H₁: Organizational citizenship behavior has a significant effect on innovative microfinance organizational performance.

Employee Engagement and Microfinance Institutions

In microfinance organizations, employee engagement is a crucial factor driving performance, with engaged employees actively contributing to institutional success through their involvement, commitment, and passion (Samagaio & Felício, 2023). Research shows a positive link of employee engagement and microfinance institutions, where engaged employees drive individual, team, and

organizational success, providing a competitive advantage (Kumar & Pansari, 2016). Effective engagement and positive relationships enhance organizational performance (Albrecht et al., 2018). The employee engagement framework presented in the literature underscores the importance of understanding how engagement may differ among employees impact engagement in the workplace. By fostering a culture of engagement, microfinance organizations can leverage the power of their human capital to achieve their organizational goals more effectively (Armstrong et al., 2018)

H₂: Employee engagement has a significant effect on innovative microfinance organizational performance.

Organizational Citizenship Behavior and Managerial Decision-Making

The success of microfinance institutions in meeting their social and financial goals largely depends on the behavior and decision-making of their managers (Ghising, 2022). OCB impacts the performance of microfinance institutions. Those that promote such a culture among managers are more likely to achieve social and financial objectives, enhancing long-term sustainability (Firdaus, 2020). OCB enhances social performance management by improving employee capabilities, fostering intrinsic motivation, extending resources, and creating positive environments (Andrade et al., 2018). Managers who exhibit OCB such as sacrifice, dutifulness, respect, participation, loyalty, and tolerability are more likely to foster a positive organizational culture that aligns with the social mission of microfinance institutions (Mumi et al., 2020). OCB enhances cooperation between managers and employees, which is vital for effective decision-making and microfinance program implementation.

H₃: Organizational citizenship behavior has a significant effect on microfinance managerial decision-making

Employee Engagement and Managerial Decision-Making

Employee engagement significantly enhances managerial decision-making (Irene, 2021). This is particularly significant for small industrial sector organizations, where human capital drives competitive advantage. Higher employee engagement enhances individual, team, and organizational outcomes, serving as a core competitive advantage in today's dynamic business environment (Van & Nafukho, 2020). In microfinance, employee engagement is crucial for influencing managerial decision-making and organizational success. Institutions providing services to underserved individuals and small businesses depend on their workforce to deliver quality services and effectively support clients (Hermes & Hudon, 2018).

H₄: Employee engagement has a significant effect on microfinance managerial decision-making

Managerial Decision-Making and Microfinance Institutions

This study examines how managerial decision-making affects the performance of microfinance institutions (Durgavanshi, 2014). Various factors, including managerial decision-makings and practices, can significantly influence these institutions' overall success (Banna et al., 2019). Research shows that effective managerial practices and decision-making are essential for improving microfinance institutions' performance. For example, empowering leadership positively influences organizational outcomes (Strøm et al., 2014). Studies suggest that stakeholder representation and board independence can influence the balance between outreach and sustainability in microfinance institutions (Dato et al., 2018)

H₅: Microfinance managerial decision-making has a significant effect on microfinance organizational performance

The Mediating Role of Managerial Decision-Making in the Relationship between Organizational Citizenship Behavior on Microfinance Institutions

The relationship between OCB and organizational performance is complex, as various mediating factors can influence it (Rubin et al., 2013). A key mediator in this relationship is managerial decision-making. Effective managerial decision-makings are crucial in converting the positive effects of OCB into enhanced organizational performance. Managers who recognize and strategically harness employee citizenship behaviors can make informed decisions that improve performance. For instance, managers can leverage OCB to boost coordination, foster teamwork, and improve customer service, all of which contribute to better organizational outcomes (Werner, 2000; Borman, 2004).

H₆: Managerial decision-making has significant mediating effect between organizational citizenship behavior on microfinance organizational performance

The Mediating Role of Managerial Decision-Making in the Relationship Between Employee Engagement on Microfinance Institutions

Employee engagement is widely acknowledged as a crucial factor in driving organizational performance, particularly in microfinance institutions (Hartarska, 2005). Recent research highlights its role in enhancing the effectiveness of nonprofit organizations, including microfinance institutions (Johansen & Sowa, 2019). Moreover, growing attention is focused on how managers foster and leverage employee engagement. However, the specific mechanisms by which engagement influences organizational performance remain under-researched. A key mediating

factor may be the quality of managerial decision-making, as managers play an essential role in creating a supportive environment through resource allocation, oversight, and career development opportunities. Additionally, managers' decision-making approaches and employee involvement in this process can significantly shape organizational outcomes (Njue et al., 2016). Studies examining factors affecting employee engagement in microfinance institutions reveal that performance-based compensation does not enhance organizational outcomes, while managers' experience and education contribute positively. Furthermore, board independence and stakeholder representation play essential roles in balancing outreach with sustainability in microfinance organizations (Kamil et al., 2023)

H₇: Managerial decision-making has significant mediating effect between employee engagement on microfinance organizational performance.

The relationship of the variables and hypothesis can be illustrated in Figure 1.

RESEARCH METHODS

This study analyzes data from 100 microfinance institutions employees in Greater Bandung (Bandung City, Cimahi City, Bandung Regency, West Bandung Regency, and parts of Sumedang Regency). Research indicates that PLS is suitable for studies with small samples, non-normal data, or formative indicators, though appropriate sample size depends on model complexity, relationship strength, and desired statistical power (Goodhue et al., 2012). Other studies have found that a sample size of 100 may be sufficient for PLS analysis in many situations (Hair et al., 2019). Sample selected for their pivotal role in microfinance institutions advancement. Ten employees with over five years of experience were interviewed to calibrate the research instrument, ensuring the questionnaire accurately reflected microfinance institutions working conditions.

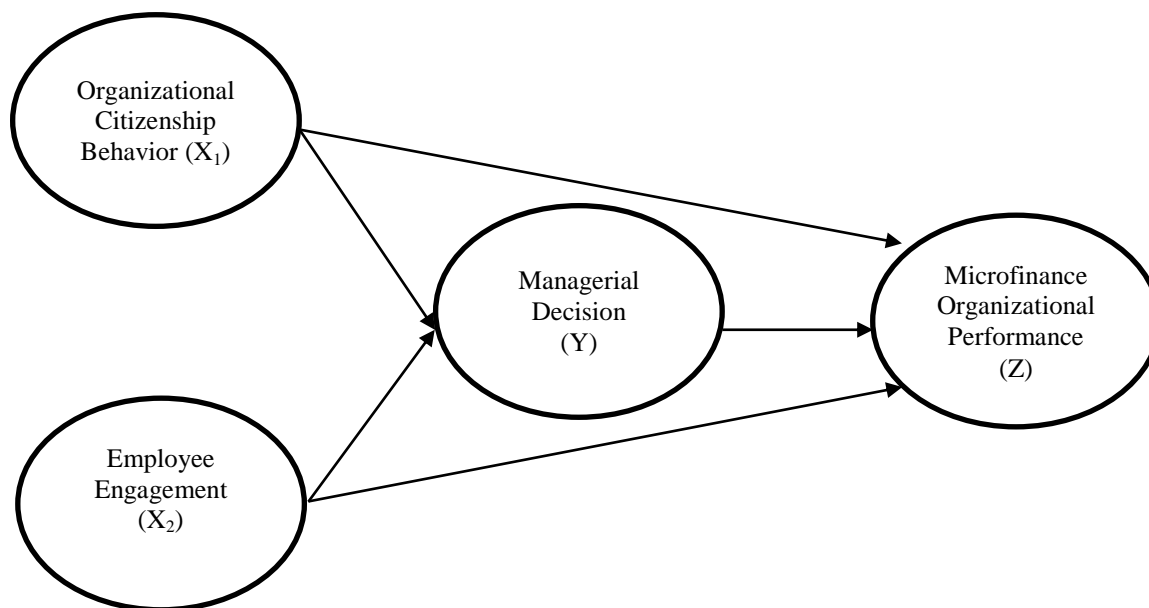


Figure 1. Framework
Source: Data Processed (2024)

The questionnaire, developed as a research tool, employs a Likert scale (Nehme et al., 2020). This study assesses organizational citizenship behavior (OCB) through five dimensions: altruism (AL), conscientiousness (CO), sportsmanship (SP), courtesy (CR), and civic virtue (CV). Employee engagement (EEG) is evaluated with three dimensions: collaboration (CL), communication (CM), and sense of belonging (SB). Managerial decision-making (MDM) includes five dimensions: profitability (PR), resource constraints (KS), operational environment (LO), governance (TK), and transparency (TR). Finally, microfinance institutions (MFIs) performance is measured across four perspectives: financial (FI), customer (CT), internal processes (IP), and learning and growth (LG).

The dimensions applied in these variables are adapted and further developed from various previous studies. The OCB dimensions are based on research by (Lepine et al., 2002), (Zhou, 2010), and (Rubin et al., 2013). Employee engagement dimensions draw from studies by (Campus, 2019) and (Kompaso & Sridevi, 2010). Managerial decision-making dimensions are developed from the

work of (Ireland & Miller, 2004). For measuring microfinance organizational performance, the balanced scorecard approach, as developed by (Kaplan & Norton, 2007), and (Epstein & Wisner, 2001).

This study utilized an online questionnaire distributed to microfinance institution employees from February to March 2024, following a preliminary study conducted to ensure the questionnaire's reliability and validity before being shared with research respondents. Participants were also assured that their responses would be used solely for this research and handled in accordance with academic ethical standards.

The data analysis used PLS-SEM, a robust method in management research for handling non-normal data, small samples, and complex relationships (Hair et al., 2019). External loadings above 0.5 indicated significance, AVE values above 0.5 assessed convergent validity (CVA), HTMT ratios below 0.9 confirmed discriminant validity, and reliability was established with values above 0.7 (Hair & Alamer, 2022).

RESULT AND DISCUSSION

Respondent Profile

The survey results on Table 1, revealed that among the 100 selected respondents, 65% were women. The majority of respondents (67%) had completed their education at the high school level, while 30% had work experience ranging from 6 to 9 years. Additionally, based on the respondents' place of residence, those from Bandung Regency represented the largest proportion, accounting for 29% of the sample.

Measurement Model

This section presents the measurement model (outer model) derived from the data analysis. The outer model diagram, often referred to as the measurement model, plays a critical role in PLS-SEM analysis by specifying the relationships between latent variables and their respective indicators (Sarstedt & Cheah, 2019). In SmartPLS, the outer model diagram visually represents these associations, offering a comprehensive perspective on the model's measurement structure (Cepeda-Carrion et al., 2019). Figure 2 illustrates the relationships among organizational citizenship behavior (OCB), defined through five dimensions; Emplo-

ye Engagement (EEG), represented by three dimensions; Managerial Decision-Making (MDM), encompassing five dimensions; and Microfinance Institutions (MFIs) Performance, assessed across four perspectives.

This study tested a measurement model to examine the relationship between indicators and constructs, focusing on discriminant and convergent validity (CV). CV was assessed through indicator validity, construct reliability, and Average Variance Extracted (AVE) results. Indicator validity is measured by factor loading, with validity achieved if the T-statistic is above 2.0 and factor loading exceeds 0.5. Indicators below these thresholds are removed. High loading factors indicate a strong correlation with the construct, signifying good validity. Table 2 shows all indicators with T-statistics above 2.0 and P-values below 0.01, confirming their significant validity.

Convergent validity (CVA) was further assessed through construct reliability, using Cronbach's alpha (CRA) and composite reliability (CRE), with values above 0.70 indicating reliability. Table 3 shows all constructs exceed this threshold, confirming reliability. AVE values above 0.5 in Table 3 also indicate strong CVA.

Table 1. Respondent Profile

Criteria	Demographic	Frequency	Percentages
Gender	Male	35	35%
	Female	65	65%
Educational Level	Senior High School	67	67%
	Diploma	11	11%
	Bachelor	21	21%
	Postgraduate	1	1%
Experience Work	Less than 3 years	20	20%
	3 to 6 years	28	28%
	6 to 9 years	30	30%
	More than 9 years	22	22%
Domicile	Bandung City	20	20%
	Cimahi City	9	9%
	Bandung Regency	29	29%
	West Bandung Regency	13	13%
	Sumedang Regency	19	19%

Source: Data Processed (2024)

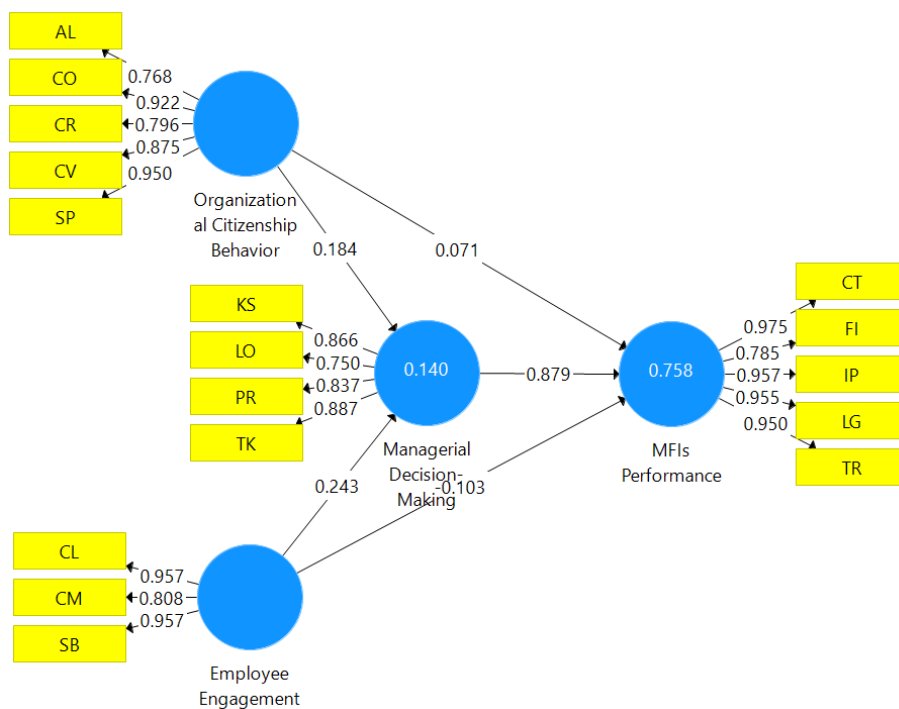


Figure 2. Outer Model Diagram
Source: Smart-PLS 4.1.0.8 (2024)

Table 2. Outer Loadings

Dimensions	EEG	MFIs	MDM	OCB
AL				0.768
CL	0.957			
CM	0.808			
CO				0.922
CR				0.796
CT		0.975		
CV				0.875
FI		0.785		
IP		0.957		
KS			0.866	
LG		0.955		
LO			0.750	
PR			0.837	
SB	0.957			
SP				0.950
TK			0.887	
TR		0.950		

Source: Data Processed (2024)

Discriminant validity was assessed using various methods, including the HTMT ratio and the Fornell-Larcker criterion. Evaluating the HTMT ratio enables researchers to determine the degree to which constructs within the model are distinct, thereby ensuring the validity of

the inferences drawn from the analysis (Afthanorhan et al., 2021). Table 4 presents HTMT values.

The heterotrait-monotrait on Table 4 showed that all values were under 0.9, confirming that each component demonstrated discriminant validity. The

Fornell-Larcker criterion, as outlined by Clark-Boucher & Miller (2023), requires that the square root of the Average Variance Extracted (AVE) should be greater than its highest correlation with any other construct. The Fornell-Larcker criterion test results on Table 5, indicate that all values satisfy the required thresholds.

Structural Model

Once the measurement model is validated, the structural model can be assessed. This process involves evaluating the significance of path relationships according to the proposed hypotheses and examining the R² value.

The results of the path relationship significance test are presented in Table 6, where it is shown that all hypotheses or relationships between the variables under study are significant. This is supported by T-statistics exceeding 2.0 and P-values below the 0.01 significance threshold, allowing all study hypotheses to be accepted. Table 6 also displays the results of testing the indirect effects or mediating influence between exogenous and endogenous variables.

The R² and Adjusted R² values are presented in Table 7. Adjusted R² serves as

a useful metric for comparing the explanatory power of various models, assisting in model selection, and highlighting potential areas for refinement. It is also an essential criterion for evaluating the overall quality of a PLS-SEM model, alongside other indicators such as path coefficients (Hair et al., 2019).

Model fit criteria have been established to evaluate the overall quality and performance of the model. These criteria include the Standardized Root Mean Square Residual (SRMR), Unweighted Least Squares Discrepancy (d_ULS), Geometric Discrepancy, Chi-Square test, and Normed Fit Index (Willmott, 1981). Table 8 presented model fit. The table shows that the SRMR value is below 0.08, indicating a good model fit. The model fit criteria, d_ULS and d_G, are also satisfied, providing a more robust evaluation, especially for small sample sizes (Hair et al., 2019). Furthermore, a non-significant chi-square value supports a good fit, and NFI values above 0.90 are generally regarded as indicative of acceptable model fit (Sarstedt & Cheah, 2019).

Table 3. CVA and CRR

Variables	CRA	Rho_A	CRE	AVE
EEG	0.893	0.901	0.935	0.828
MFI	0.957	0.957	0.968	0.859
MDM	0.859	0.892	0.903	0.700
OCB	0.914	0.930	0.937	0.748

Source: Data Processed (2024)

Table 4. Heterotrait-Monotrait (HTMT)

Variables	EEG	MFI	MDM	OCB
EEG				
MFI	0.251			
MDM	0.340	0.320		
OCB	0.220	0.196	0.181	

Source: Data Processed (2024)

Table 5. Fornell-Larcker

Variables	EEG	MFIs	MDM	OCB
EEG	0.810			
MFIs	0.234	0.827		
MDM	0.340	0.866	0.837	
OCB	0.529	0.291	0.312	0.865

Source: Data Processed (2024)

Table 6. Path Coefficient and Specific Indirect Effects

Variables	Original Sample (O)	T Statistics	P Values	Result
OCB to MDM	0.174	2.930	0.000	Significant
OCB to MFIs	0.165	2.149	0.000	Significant
EEG to MDM	0.243	2.502	0.000	Significant
EEG to MFIs	0.201	2.344	0.000	Significant
MDM to MFIs	0.875	28.584	0.000	Significant
Moderating OCB to MFIs	0.253	22.977	0.000	Significant
Moderating EEG to MFIs	0.279	2.243	0.000	Significant

Source: Data Processed (2024)

Table 7. R² and Adjusted R²

Variables	R ²	Adjusted R ²
MDM	0.140	0.123
MFIs	0.758	0.749

Source: Data Processed (2024)

Table 8. Model Fit

Criteria	Saturated Model	Estimated Model
SRMR	0.054	0.064
d_ ULS	0.891	0.911
d_UG	0.753	0.823
Chi-Square	665.412	667.576
NFI	0.942	0.973

Source: Data Processed (2024)

Discussion

The data analysis reveals that organizational citizenship behavior (OCB), employee engagement, and managerial decision-making (MDM) each have a direct impact on improving microfinance institutions performance. Furthermore, MDM serves as a mediator in the indirect relationship between OCB, employee engagement, and microfinance institutions performance.

A correlation was found between OCB and microfinance institutions performance. Hypothesis testing confirmed that OCB has a positive and significant impact on microfinance institutions performance, supported by various theories and empirical studies. Research indicates that employees exhibiting high levels of altruism and compliance are more likely to display OCB. Microfinance institutions that cultivate a positive culture, well-defined roles, and transformational

leadership often see an increase in employee OCB (He et al., 2022). The advantages of OCB within microfinance institutions are well-supported; studies show that OCB can boost employee skills, foster intrinsic motivation, and optimize organizational resources. Ultimately, a workforce characterized by high citizenship behavior significantly strengthens microfinance institutions performance (Chiaburu et al., 2015).

Employee engagement had a negative but significant effect on microfinance institutions performance. This is different from the initial argument of the researcher that employee engagement has a positive effect, such as the opinion of Kumar & Pansari (2016), research shows a positive link of employee engagement and firm performance, especially in microfinance institutions, where engaged employees drive individual, team, and organizational success, providing a competitive advantage. Effective engagement and positive relationships enhance organizational performance (Albrecht et al., 2018). However, when the author re-examined the results, the author also found a number of theories and research results related to the negative impacts, such as those conveyed by Ashness & Lashley (1995) that employee empowerment can lead to a lack of trust between management and employees that can have a detrimental impact on organizational performance. Additionally, the risks of employee empowerment are not just borne by the organization, but also by individual employees. Efforts to improve organizational performance by enhancing employee engagement may fail and indeed may carry some risk, as what employees are asked to share comes at a cost that they may not be able or willing to pay. Moreover, the success of employee empowerment initiatives is heavily dependent on management's ability to effectively implement and nurture the program. As Nick et al. (2019) noted, employee

empowerment is a complex management tool that needs to be handled with a lot of care. Managers' perceptions of the organization's circumstances and business needs can also influence the form of empowerment initiatives introduced. (Ashness & Lashley, 1995).

Research findings reveal that employee engagement has a negative yet significant impact on microfinance institutions performance. This outcome contrasts with the initial hypothesis, which suggested a positive influence, in line Kumar & Pansari, (2016). who argue that employee engagement positively correlates with firm performance, especially in microfinance institutions, where engaged employees drive success at individual, team, and organizational levels, creating competitive advantage. Additionally, Albrecht et al., (2018) found that effective engagement and positive relationships bolster organizational performance. However, upon closer examination of this result, the researcher also uncovered theories and studies supporting potential negative impacts, as suggested by (Ashness & Lashley, 1995), they argue that employee empowerment can create mistrust between management and employees, perceptions of unequal benefits, and insufficient institutional support—all factors that may negatively impact organizational performance. Furthermore, empowerment risks are borne not only by the organization but also by individual employees, who may face costs they are unable or unwilling to meet. Efforts to enhance performance through increased employee engagement may thus encounter obstacles, as employees' contributions can come with personal trade-offs. The success of empowerment programs relies significantly on management's capacity to carefully design and nurture these initiatives (Precious Ikechukwu et al., 2019). Emphasized that empowerment is a nuanced management tool that requires cautious application, as management's perception of organizational

needs heavily influences the approach and outcomes of empowerment initiatives (Ashness & Lashley, 1995)

Research findings indicate a strong link between OCB and MDM, with OCB having a significant effect on microfinance managerial decision-making, as proposed in the hypothesis. This aligns with Ghising (2022) who posits that the success of microfinance institutions in achieving both social and financial objectives heavily depends on the behavior and decisions of their managers. OCB improves social performance management by enhancing employee skills, fostering intrinsic motivation, expanding resources, and creating supportive environments (Andrade et al., 2018). Managers demonstrating OCB qualities like sacrifice, diligence, respect, participation, loyalty, and tolerance are more likely to cultivate a positive organizational culture aligned with the social mission of microfinance institutions (Mumi et al., 2020). Additionally, OCB fosters trust and cooperation between managers and employees, crucial for effective decision-making and successful microfinance program implementation.

The hypothesis testing results indicate that employee engagement has a positive and significant impact on MDM. As noted by Irene (2021), employee engagement significantly enhances MDM. This relationship is particularly important in small industrial sector organizations, where human capital is a key driver of competitive advantage. Increased employee engagement leads to improved outcomes at the individual, team, and organizational levels, serving as a fundamental competitive edge in today's rapidly changing business landscape (Van & Nafukho, 2020). In the microfinance sector, employee engagement plays a critical role in shaping managerial decision-making and achieving organizational success. Institutions that provide services to underserved populations and small businesses rely on

their workforce to deliver high-quality services and effectively support their clients (Hermes & Hudon, 2018).

The results of the testing demonstrate that MDM has a positive and significant impact on microfinance institutions. Several factors, including managerial decisions and practices, play a crucial role in the overall success of these institutions (Banna et al., 2019). Research indicates that effective managerial practices and decision-making are vital for enhancing the performance of microfinance organizations. For instance, empowering leadership has a beneficial effect on organizational outcomes (Strøm et al., 2014). Additionally, studies suggest that stakeholder representation and board independence can significantly affect the balance between outreach and sustainability within microfinance institutions (Dato et al., 2018).

The analysis reveals that OCB has a positive and significant impact on microfinance institutions when mediated by MDM. Managerial decision-making serves as a critical mediator in this relationship. Effective decision-making is essential for translating the beneficial effects of OCB into improved organizational performance. Managers who acknowledge and strategically utilize employee citizenship behaviors can make informed choices that enhance performance. For example, by leveraging OCB, managers can improve coordination, promote teamwork, and enhance customer service, all of which lead to superior organizational outcomes (Werner, 2000); Borman, 2004).

The results of the analysis demonstrate that employee engagement positively and significantly affects microfinance institutions with MDM serving as a mediating factor. Employee engagement is recognized as a vital driver of organizational performance, especially in microfinance institutions (Hartarska, 2005). Recent studies emphasize its importance in improving the effectiveness of nonprofit

organizations, including microfinance entities (Johansen & Sowa, 2019). Additionally, there is increasing focus on how managers can cultivate and utilize employee engagement. However, the precise mechanisms through which engagement impacts organizational performance are still insufficiently explored. The quality of managerial decision-making may be a crucial mediating factor, as managers are instrumental in fostering a supportive environment through effective resource allocation, supervision, and career development opportunities. Furthermore, the decision-making styles of managers and the involvement of employees in these processes can significantly influence organizational outcomes (Njue et al., 2016).

CONCLUSION AND RECOMMENDATION

This study aims to underscore the importance of improving microfinance institutions performance by incorporating perspectives from organizational behavior via organizational citizenship behavior (OCB), human resource management through employee engagement, and management science with managerial decision-making. Hypothesis testing and analysis reveal a positive, significant link between OCB and microfinance institutions performance, a relationship further bolstered by effective managerial decision-making. However, this study also found that employee engagement has a negative and significant impact on microfinance institutions performance.

To elevate the performance of microfinance institutions in Greater Bandung, it is crucial to implement targeted strategies. These efforts should focus on enhancing OCB by emphasizing the importance of altruistic attitudes, systematic conscientiousness, habitual sportsmanship, growth in courtesy, and the strength of civic virtue. Additionally, boosting employee engagement is key

through encouraging collaboration, effective communication, and a stronger sense of belonging. These initiatives will achieve greater impact when supported by managerial decision-making focused on profitability, resource optimization, operational environment, robust governance, and transparency. Executing these strategies will significantly enhance microfinance institutions performance across financial health, customer service, agile internal processes, and continuous learning and growth, leading to comprehensive improvements.

Future research should focus on incorporating additional variables not covered in this study and approach them from various scientific perspectives. This will enable a multidisciplinary framework aimed at enhancing microfinance institutions performance. Exploring and developing unexplored variables is essential to establish a new paradigm in research related to microfinance institutions improvement strategies. Moreover, future studies should consider adapting and refining the dimensions used to measure variables to introduce novelty. Expanding the population and sample size, for instance to a provincial scale, will further enhance the generalizability of findings, leading to more comprehensive policy recommendations.

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