BUSINESS PRACTICES, STRATEGY, COMPETITION, AND PERFORMANCE OF MICROFINANCE INSTITUTIONS IN NIGERIA

By

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ABSTRACT

In Nigeria, microfinance institutions (MFIs) have gained acceptance not only as important financial institutions but are also being recognized for their economic and social contributions to the country. Despite their important role in the financial industry in Nigeria, the theoretical and empirical contributions in the area of MFIs remained limited. The literature indicates that as a field of study, MFIs have not received much research emphasis. Given the limited research in this area of study, this study attempts to examine microfinance institutions (MFIs) from the strategic management perspective. More specifically, this study investigates the relationships between business practices, business strategy, competition and performance of MFIs in Nigeria from the contingency perspective. The study was based on a sample survey consisting of 121 MFIs that were registered with the Central Bank of Nigeria. The MFIs that were involved in the study were located in 27 states in Nigeria. The data for the study was collected from the MFIs by using a structural questionnaire. Based on the analyses of the data collected from the MFIs, the results of the study suggest significant positive relationships between business practices and the performance of MFIs. In addition, the results indicate that business strategy and competition moderate the relationships between business practices and the performance of the MFIs that participated in this study. As a whole, the findings of this study indicated that strategic management is relevant and applicable to MFIs as it is to large firms. This study suggests opportunities for researchers interested in further exploring the concept that strategic management can influence the performances of MFIs.

Keywords: Microfinance, business practice, competition, strategy, performance, MFIs

ABSTRAK

Di Nigeria, institusi pembiayaan mikro (IPM) telah diterima bukan sahaja sebagai sebuah institusi kewangan yang penting tetapi juga diiktiraf sebagai penyumbang kepada ekonomi dan sosial negara itu. Walaupun berperanan penting dalam industri kewangan di Nigeria, sumbangannya dari segi teori dan empirikal dalam bidang institusi pembiayaan mikro (IPM) masih terhad. Literatur menunjukkan bahawa sebagai bidang kajian, institusi pembiayaan mikro (IPM) tidak memberikan banyak penekanan terhadap penyelidikan. Memandangkan penyelidikan yang terhad dalam bidang tersebut, kajian ini cuba meneliti institusi pembiayaan mikro (IPM) dari perspektif pengurusan strategik. Secara lebih khusus, kajian ini menyelidik hubungan antara amalan perniagaan, strategi perniagaan, persaingan dan prestasi institusi pembiayaan mikro (IPM) di Nigeria dari perspektif kontingensi. Kajian ini dijalankan berdasarkan tinjauan sampel yang terdiri daripada 121 institusi pembiayaan mikro (IPM) yang berdaftar dengan Bank Negara di Nigeria. institusi pembiayaan mikro (IPM) yang terlibat dalam kajian ini terletak di 27 negeri di Nigeria. Data untuk kajian dikumpulkan dari IPM dengan menggunakan soal selidik berstruktur. Berdasarkan analisis data yang dikumpul dari IPM, dapatan kajian menunjukkan hubungan positif yang signifikan antara amalan perniagaan dan prestasi IPM. Di samping itu, hasil kajian menunjukkan bahawa strategi perniagaan dan persaingan perniagaan mengantarakan hubungan di antara amalan perniagaan dengan prestasi institusi pembiayaan mikro (IPM) yang mengambil bahagian dalam kajian. Secara keseluruhannya, dapatan kajian ini menggambarkan bahawa pengurusan strategik adalah releven dan boleh diguna pakai oleh IPM memandangkan ianya sesuai bagi sebuah firma yang besar. Kajian ini mencadangkan peluang bagi pengkaji yang berminat untuk meneroka lebih lanjut tentang konsep yang menggambarkan bahawa pengurusan strategik boleh mempengaruhi prestasi IPM.
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Kata kunci: Pembiayaan mikro, amalan perniagaan, persaingan, strategi, prestasi, IPM

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TABLE OF CONTENTS

LIST OF TABLE

LIST OF FIGURE

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

The microfinance provided by the microfinance institutions (MFIs) is increasingly being viewed as a significant source of finance for people with limited income as well as those that do not have access to banking and other conventional financial services. More specifically, in developing countries such as Nigeria and Bangladesh, the financial products and services provided by MFIs are considered as important initiative that helps to ease the financial burden of the poor people and also eradicate poverty in these countries (Abu Kasim, Minai & Chun, 1989; Ene & Inemesit, 2015; Geleta, 2016; Nisha & Rifat, 2017; Saleem, 2017; Muhammad Yunus, 1998, 2007).

Since the microfinance institutions were introduced in the 1980‟s, their numbers have continued to increase in developing countries across the world. These institutions have experienced remarkable growth and acceptance. More specifically, in Nigeria, MFIs are increasingly being recognized as an essential component of the financial industry in the country. Despite their important role in the financial industry in Nigeria, information concerning the nature of MFIs as well as the manner in which these institutions are managed remained limited.

The literature reveals that theoretical and empirical contributions in the area of MFIs remained limited, particularly in the Nigerian context. The limited theoretical and empirical contributions in this field of study have resulted not only in little knowledge about MFIs but also the lack of information concerning their true nature as well as their business practices and performance as financial institutions. Given the limited research as well as information in this field of study, this study attempts to examine MFIs in Nigeria from the strategic management perspective. The attempt to investigate MFIs from the strategic management outlook is triggered by the following views identified in the literature.

Findings from previous research suggesting the existence of positive relationship between strategic management and organizational performance has been increasing. For instance, previous studies by Hashim and Ahmad (2009), Hashim and Zakaria (2010), Hashim (2015) and Zakaria, Hashim and Ahmad (2016) have found that business strategy is associated to the organizational performance. If this relationship exists, does business strategy also relate to the performance of MFIs in Nigeria as well?

In addition, although knowledge in the area of strategic management has increased, the review of past research reveals that very few studies have attempted to investigate MFIs from the strategic management view, particularly in the context of the microfinance industry in Nigeria. The lack of research has resulted in not only little information but also limited knowledge in strategic management, particularly among the MFIs in Nigeria (Djalil, 2015; Kamukama, Ahiauzu & Ntayi, 2011).

If strategic management is considered useful as an approach to improve the performance of a firm, then a better understanding of strategic management is of great benefit to MFIs. With better understanding as well as knowledge of strategic management, MFIs can not only implement more effective strategies based on their strategic capabilities and business environment but also help them to overcome their problems, constraints and improve their organizational performance as well (Homaid, Zain, Al-matari, Minai & Ahmad, 2017; Nkundabanyanga, Akankunda, Nalukenge & Tusiime, 2017; Oyewobi, Windapo & Rotimi, 2016; Soltanizadeh, Rasid, Golshan & Ismail, 2016).

There is therefore a need for more empirical studies that investigate strategic management in the context of MFIs, especially in Nigeria, where these firms are considered as important financial institutions to the lower income people. Empirical studies in this area of research would not only provide more empirical evidence on the impact of strategic management on the performance of MFIs in Nigeria, but would also be of great benefit to these firms attempting to cope with their business environment in order to become more competitive and successful.

1.1 The Research Problem

Like other business organizations, important strategic decisions for a microfinance institution involve learning as well as understanding its business and the nature of its relationships to the business environment. The business environment within which a MFI functions is constantly changing. Changes in the forms of threats and opportunities in the business environment can affect not only the products and services of a MFI but also its organizational performance. By detecting the changes through the strategic management approach, a MFI can avoid the threats and exploit the opportunities.

The literature emphasizes not only on the need for organizations to adopt strategic management but also its importance to the success of organizations (Homaid et al., 2017; Leinwand, Mainardi & Kleiner, 2016; Linton & Kask, 2017; Oyewobi et al., 2016; Reeves, Haanaes & Sinha, 2015; Rumelt, 2013; Yuliansyah, Gurd & Mohamed, 2017). Interestingly, despite the relevance and applicability of strategic management to organizations such as MFIs, there are no much studies that investigate these financial institutions from this management perspective. The literature shows that there is not only little information but also limited research that focused on examining strategic management in the context of MFIs. Yet in Nigeria, MFIs account for about 80 percent of the total number of financial institutions in the country. Apart from their significant numbers, MFIs also play a crucial role in the social and economic development of Nigeria (CBN, 2013; Djalil, 2015).

As a field of study, the literature indicates that theoretical and empirical contributions in MFIs remained not only limited but also appeared to be neglected as well. More specifically, the review of the literature and previous studies on MFIs suggests the following issues:

1.1.1 Limited Focus of Previous Studies on MFIs

Over the years, although MFIs appears to have attracted increasing attention from researchers, previous research on these firms are still relatively limited in terms of their scope and focus. The literature indicates that despite being an important area of study, MFIs have received limited research emphasis. Although the literature shows that the number of research that focused on MFIs seems to increase, a review of past studies highlights several limitations. The limitations identified in prior research include; too much focus on investigating the effectiveness of microfinance schemes, adoption of case study method, and the emphasis on mainly observing and reporting general research issues such as corporate governance, intellectual capital, information, communication and technology (ICT) adoption, capital structure, and poverty reduction through MFIs (Abraham & Balogun, 2012; Amoo & Kolawole, 2015; Augustine, Wheat, Jones, Baraldi & Malgwi, 2016; Chinasa, 2015; Ene & Inemesit, 2015; Kamukama, Ahiauzu & Ntayi, 2010; Okafor, 2016; Paul & Emesuanwu Catherine Ebelechukwu, 2015; Solomon, Juliana & Antonia, 2016; Tadele & Rao, 2014a; Taiwo, Agwu, Aregan & Ikpefan, 2016; Umar, Tanveer, Aslam & Sajid, 2012).

1.1.2 Lack of Research on Business Practices among MFIs

The literature also appears to indicate that previous studies on MFIs have examined a limited range of variables. For instance, despite the importance of business practices to MFIs, few empirical studies have attempted to examine the nature of the business practices adopted by these financial institutions. Findings of the few studies that attempted to investigate business practices adopted by MFIs showed that the studies viewed limited number of practices (Abraham & Balogun, 2012b; Djalil, 2015; Homaid et al., 2017; Mejeha & Nwachukwu, 2009; Olanike & Adebola, 2014b;Samson et al., 2013; Singh & Padhi, 2017).

1.1.3 Relationships between Business Practices and Performance of MFIs

Findings of past research suggest that effective business practices are related to organizational performance. Both previous conceptual as well as empirical studies have provided the evidence that indicate the linkage between business practices and organizational performance (Daud & Mohamad, 2010; Hashim, 2011; Hassan, 2010; June & Mahmood, 2011; Subramaniam, Shamsudin & Ibrahim, 2011). However, there is not much information on the nature of the relationship between business practices and the performance of MFIs, especially in the Nigerian context. More specifically, the studies by Abraham and Balogun (2012) and Olanike and Adebola (2014) have suggested that more studies are needed to investigate the linkage between business practices and performance of MFIs in Nigeria.

1.1.4 Moderating Effect of Business Strategy on the Relationship between Business Practices and Performance of MFIs

Previous studies that examined the direct relationship between business practices and organizational performance of MFIs presented inconsistent findings (Abdul & Makki, 2014; Mersland & Strøm, 2009; Tchakoute-Tchuigoua, 2010; Thrikawala, Locke, & Reddy, 2013).The inconsistent findings suggest that the relationship between business practices and performance of MFIs may be influenced by a moderating variable, in particular, business strategy (Baron & Kenny, 1986; Jose, 2015). In addition, the studies by Mellat-Parasta, Golmohammadib, McFaddenc (2015), Murray, Barrick and Thurgood (2015), Yuliansyah et al., (2017) and Linton and Kask (2017) have found that business strategy has interaction effect on the relationships between business practices and organisational performance.

1.2.5. Moderating Effect of Competition on the Relationship between Business Practices and Performance of MFIs

By using the contingency framework, previous studies viewed competition not only as one of the most important components of the business environment but also as a contingency factor that can affect the performance of organizations (Chena, Wangb, Nevoc, Benitez-Amadod & Koua, 2015; Martina & Javalgib, 2015; Moradi, Velashani & Omidfar, 2017; Oyewobi et al., 2016). Nonetheless, in the context of microfinance institutions, very few studies have actually attempted to investigate competition as a research variable that may have a moderating effect on the relationships between business practices and organizational performance of these institutions (Assefaa, Hermesb & Meestersb, 2013; Oyewobi et al., 2016; Vanroose & D'Espallier, 2013).

1.2.6 Methodological Issues

The review of past research on MFIs shows that there are several issues related to the methodology adopted in prior empirical studies. Among the issues identified in previous research include the following:

i. Lack of theoretical framework to conceptualize and investigate factors that influence MFIs performance;

ii. Limited formulation and testing of research hypothesis;

iii. Statistical procedures in testing of hypotheses not robust and

iv. Small sample size used.

Based on the review of the literature and past studies, the issues that attracted the attention of this study can be summarized as follows:

a. There is limited empirical research on MFIs from the strategic management perspective;

b. The need to examine the business practices adopted by MFIs in Nigeria;

c. The need to determine the relationships between business practices and performance of MFIs;

e. The lack of emphasis on business strategy and competition as moderating variables in The study of MFIs; and

f. The need to address the methodological problems found in previous studies on MFIs.

1.2 The Research Questions

This study proposed to investigate microfinance institutions (MFIs) in the Nigerian financial industry from the strategic management perspective. The research variables of primary interest in this study are based on the contingency theory framework. These research variables include; business practices, business strategy, competition and their relationships to the performance of MFIs. The research questions of the study are as follows:

1) What business practices do the MFIs in Nigeria adopt?
2) What are the business strategies implemented by the MFIs in Nigeria?
3) How intensified is competition in the microfinance industry in Nigeria?
4) Are there any relationships between the business practices and organizational performance of MFIs in Nigeria?
5) Do the business strategies of the MFIs moderate the relationships between business practices and their organizational performance?
6) Does competition moderate the relationships between business practices and their organizational performance?

More specifically, this study attempted to answer the above research questions through the following objectives:

1) To determine the business practices adopted by the MFIs in Nigeria.
2) To establish the business strategies implemented by the MFIs in Nigeria.
3) To determine intensity of competition in the microfinance industry in Nigeria.
4) To establish the relationships between business practices and performance of MFIs in Nigeria.
5) To determine moderating effects of business strategy on the relationships between business practices and performance of MFIs.

6) To examine the moderating effects of competition on the relationships between business practices and performance of MFIs.

1.3 Scope of the Study

The wide and complex scope of strategic management as a field of study and the lack of information on MFIs are among the factors that may have contributed to the limited numbers of empirical studies as well as the lack of theoretical application of strategic management to MFIs. In view of the limited studies on strategic management in MFIs, this study develops on the strengths of past empirical studies on strategic management in large, small, entrepreneurial firms as well as avoid the methodological weaknesses as identified in these studies.

In an attempt to overcome the limitation of the theoretical framework to the understanding of MFIs, this study adopted a general strategic management model. Since strategic management is a wide and complex field of study, this study limits its scope in order to conceptualized strategic management, performance data, as well as to reduce the internal and external complexity of the environmental and firm variables relevant to this study. The study limits its research variables to business practices, business strategy, competition and organizational performance.

This study attempted to investigate the MFIs currently operating in the financial industry in Nigeria. The MFIs involved in this study are confined only to those financial institutions that are registered with the Central Bank of Nigeria (CBN). The listing used was obtained from the CBN as the sampling frame of this study. The research model that is developed in this study was used to assess the performance of the MFIs selected in this study. In addition, the study investigated only those MFIs that are licensed by the CBN, and that they have been in operations for at least three years.

1.4 Significance of the Study

This study is believed to be useful for new and existing MFIs operating in the financial industry as well as the MFIs supporting agencies in Nigeria. More specifically, the study is able to generate the following benefits:

1. The results of this study contribute to the literature on strategic management in the context of MFIs. This study attempts to provide a theoretical understanding of strategic management in MFIs. In particular, it is hoped that it contributed to the conceptual and empirical development of the relationships between business practices, business strategy, competition and performance of MFIs in the finance industry in Nigeria.

2. The study may serve to demonstrate the relative importance of strategic management variables such as business strategy and competition for improving the performance of MFIs in Nigeria.

3. The empirical findings are believed to be useful in developing and providing guidelines to MFIs supporting agencies, particularly those responsible for providing information, research, consulting and training services.

4. This study provided some insights into the characteristics and types of business practices adopted by the MFIs in Nigeria.

5. Finding of the study could also be useful in identifying the relevant services and assistance programs needed by MFIs, particularly those related to training in skills and knowledge, as well as consultancies services to improve their level of capabilities in order to become more competitive.

6. The study could provide information concerning the current standing of the business strategies and performance of MFIs in the finance industry in Nigeria. In doing so, it is hoped that this study will provide MFIs with better understanding of the weaknesses and strengths that are related to lack of strategic direction and control.

7. The empirical information obtained from the study may be useful in designing and developing more relevant competency-based type of training programs for MFIs.

8. It is hoped that this study will provide current owners and managers of MFIs the insight into the importance of identifying and developing more effective strategies and competing based on their business practices.

9. The findings of this study provide the owners and managers of MFIs as well as the supporting agencies the insights into the importance and relevance for MFIs to identify, understand and adapt to their external business environment.

10. The study is also considered useful in providing theoretical propositions to promote and facilitate future research in the areas of strategic management as well as MFIs.

1.5 Definitions of Terms

Microfinance institutions (MFIs) in this study refer to the financial institutions in Nigeria that provide financial products and services to people with limited income as well as those that do not have access to banking and other conventional financial services.

In this study, the **business practices** refer to five important areas of practices that are relevant to the MFIs. The five areas of business practices examined in the study include; strategic planning practices, lending practices, marketing practices, corporate governance practices and ICT practices.

Business strategy refers to the patterns of action taken or manner in which a firm relates as well as competes in its external business environment. This study adopted five specific business strategies. The five strategy types used in this study are; the low cost strategy, the differentiation strategy, the focus strategy, the growth strategy and the harvest strategy.

Competition as the moderating variable in this study refers to the degree of the intensity of competition that the MFIs perceived to face in the financial industry in Nigeria. In the study, the five forces from the Porter‟s model were used to determine the intensity of competition in the microfinance industry.

In this study, the performance of the MFIs is measured by using several performance indicators. The performance indicators as measured in the study included; rate of loans repayment, value of loans disbursed, average loan size; number of loans disbursed, number of deposits, number of borrowers and number of women borrowers.

1.6 Outline of the thesis

This thesis is organized and presents in five chapters. The five chapters are in the following order:

Chapter One is the introduction. This Chapter focuses on the background of the study, research problem, questions and objectives, scope, significance of the study, definitions as well as the outline of the thesis. Following is Chapter Two, the literature review. The Chapter presents the reviewed literature and past studies related and relevant to the study. Next is Chapter Three, describes the theoretical framework as well as the research methodology adopted in this study. Following is Chapter Four, which the results of the study are presented. Finally is Chapter Five, the results are discussed, the conclusion, contributions, implication and limitation of the study are provided as well as suggestions for future research are proposed and present in the chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature and past studies related and relevant to this study are reviewed and presented in this chapter. More specifically, the chapter is divided into two parts. In the first part, a comprehensive overview of microfinance is presented. The overview in the first part explains the concept of microfinance and describes the important characteristics of microfinance institutions (MFIs) as well as their importance in Nigeria.

The second part of the chapter begins by explaining the concept of strategic management as well as its relevance and applicability to MFIs. Following this, the review of past studies on MFIs is presented. Next, the research variables related to the study are discussed. The research variables involved in this study include; business practices, business strategy, competition and organizational performance.

2.1 Microfinance

i. Defining Microfinance

The literature indicates that since the concept of microfinance was introduced, it has been defined in different ways. Basically, the concept of microfinance is derived from the two words; micro and finance. The term micro means a small degree or small amount and the word finance refers to financial services such as savings (deposits), loans, insurance and funds transfers. More specifically, according to the earlier study by Hishigsuren (2007), microfinance involved the provision of small-scale financial products and services such as loans, savings, insurance, funds transfers and training to the low economic class of people in the society for the purpose of uplifting their economic well-being as well as to empower them, especially among the women.

The more recent study by Olanike and Adebola (2014) referred to microfinance as the supply of financial services to the poor of the poorest, self-employed people and those earning lower than the national average income. In addition, these authors also considered micro financing to be an effective medium for creating jobs, combating poverty, and improving the wellbeing of poor people.

The study by Al-Shami et al (2014) viewed microfinance as a machinery for empowering the poor people, especially among women with low income. According to the findings of study, through small collateral-free loans, increasing numbers of women are able to create and own their small businesses. By owning and managing their small business, they have also become more independent decision makers as well as be able to improve their self-esteem.

ii. Microfinance as Social Business

The literature also suggests that in general, organizations that provide microfinance can also be considered as a social business. A social business is created for the purpose of helping other people or the pleasure of serving humanity. However, the social business is not a totally charity organization but a self-sustain business that is able to generate enough income to cover its own costs as well as achieve its social goals. The managerial mentality of a social business is similar to normal business organizations. Although the manner the business is managed is similar to running a charitable organization, the investors in a social business expect to recover their amount of investments over a period of time. In addition, the investors of the social business will remain to be the owners of the organization and therefore they will also determine its social goals and future direction (Yunus, 2010; Lyons, 2013; Sardana, 2013).

Muhammad Yunus et al. (2010) emphasized on the need to develop more social businesses such as the Grameen Bank to help the poor people. According to the authors, a social business has five unique characteristics. Three of the five characteristics are similar to a conventional business model. The other two remaining characteristics are distinct to a social business. The five characteristics of a social business include the following:

1. Challenge Conventional Thinking

A business should challenge conventional thinking and basic assumptions by developing the ability to establish new rules and procedures which can change the beliefs as well as encourage product, process and business model innovations in a particular industry. For example, the creation of Grameen Bank was the result of challenging conventional thinking and basic assumptions adopted in the financial industry. By changing the borrowing requirements of traditional financial institutions and embracing new ones, Grameen has been able to provide various financial products and services to the poor people in Bangladesh who were not able to borrow from the traditional financial institutions because they were poor and lack collateral.

2. Need for Complementary Partners

A business should find complementary partners for collaboration. Collaboration is needed to empower resources and expertise among the partners in the industry. The basic advantage of partnership is the pooling of valuable information, resources and knowledge that can be leveraged by the business partners (Gulati, 1998). However, unlike conventional businesses, social businesses primarily seek social benefits. Given this, they will be more likely to gain from each other by adopting the best business practices that they developed together.

3. Undertake Continuous Experimentation

A business should engage in continuous experimentation. The experimentation should be viewed as a particular sort of learning acquisition as well as business development. Through experimentation, an organization will be able to progress, envision as well as learn better approaches and develop new best business practices (Trimble, 1994).

4. **Social Oriented**:

A social business should also be socially oriented. Social orientation is a major feature of a social business. The shareholders of a social business should focus on social goals rather than just personal financial gain. The shareholders of the social business should be aware that a social benefit will replaced the monetary benefit gained in a conventional business (Muhammad Yunus et al., 2010).

5. **Specific Social Objective**

A social business should clearly specify its objectives in terms of social benefits. The performance of a social business and its plan of actions must emphasize more on social benefit generation than conventional monetary benefit. Hence, to measure the performance of a social business appropriately, its objectives should be specified based on social benefits.

In short, providing microfinance can be viewed as a social business with its primary purpose of improving the life of the poor people. However, like other businesses, the practices and performance of a social business needs to be measured as accurately as possible. The criteria used to determine the best practices and performance of commercial enterprises however may not be appropriate to assess a social business due to the differences in their business philosophy as well as organizational objectives (Nanayakkara, 2012).

2.2 Microfinance Institutions

Organizations that provide microfinance are generally known as microfinance institutions (MFIs). In general, MFIs are considered as social business. These organizations were basically created to provide small amount of loans, insurance, funds transfers, savings schemes and training to the poor people with a view of improving their economic as well as social lives.

In addition, there are also several different types of microfinance institutions. The MFIs differ from each other in terms of their owners, organizational characteristics and lending practices. Among them include; microfinance banks (MFBs), MFIs owned by cooperatives, MFIs owned by nongovernmental organizations (NGOs) and MFIs owned by the government. For instance, the microfinance banks (MFBs) provide small credit or microloans, funds transfers and other related financial services to individuals, small businesses, and organizations with low income in under-developed countries. By providing the financial products and services to the low income earners, the MFBs are able to lessen the financial burden of the poor and alleviate poverty in these countries. Furthermore, in many developing countries like Nigeria where traditional financial institutions are often reluctant to provide financial services to the poor people, the MFBs help to narrow the gap in borrowing that exists between the traditional financial institutions (commercials banks) and the poor (Al-Shami et al., 2014).

2.2.1 The Importance of Microfinance Institutions

Microfinance institutions (MFI) are considered important because they provide financial products and services that have positive impact on the lives of people, particularly among the poor people in the developing countries. By providing financial products services such as saving schemes, small loans, insurance, fund transfers and remittance, the MFIs are able to help to ease not only the financial burden of the poor people but also eradicate poverty by improve their economic and social lives (Serrano-Cinca & Gutiérrez-Nieto, 2014; Strøm, D‟Espallier & Mersland, 2014; Bosire, Mugo, Owuor, Oluoch and Kakiya; 2014).

Similarly, the study by Ahmed, Brown and Williams (2013) indicated that MFIs provided loans, insurance, funds transfers, savings and training to the poor people for the purpose of improving the lives of their borrowers. However, in the case of profit-oriented financial institutions, they could fulfill the social purpose if they adhered to a high „double bottom line" philosophy which include both profit maximization and helping to get the poor out of poverty. More importantly, the primary measure of success for MFIs should be an improvement in the economic and social lives of poor people in the society.

2.2.2 The Grameen Bank

The Grameen Bank founded in Bangladesh is considered as one of the earliest formal microfinance banks. The bank was established in 1983. According to Yunus and Yusus (1998), Dowla and Alamgir (2003), Sardana(2013)and Acar (2014), the Grameen Bank evolved from a credit program initiated by Muhammad Yunus. In 1976, Yunus first started his credit program by lending 856 taka (less than US$27) to 42 people in the village called Jobra. According to Boyatzis and Khawaja (2014), Yunus was a student of the Comilla Academy in the 1950s. He had a personal relationship with AkhrHameedKhand, the founder of the Comilla Project. The success and leadership of the Comilla project may have inspired MuhammedYunus to create a microfinance bank.

Today, the Grameen Bank is considered one of the most successful microfinance banks in the world. Studies by Al-Mamun, Nurul, Mazumder and Malarvizhi (2014), Augustine (2012), Shukran and Rahman (2011), Yunus (1998) and Yunus and Yusus (1998), have found that as a microfinance bank, Grameen Bank has performed very well since its inception in 1983. In recognition of Muhammad Yunus and the Grameen Bank tremendous contributions to the society, they were awarded the Noble Peace Prize in 2006. Leaders around the world recognized Yunus for his works in fighting poverty and the promotion of economic and social opportunities. Apart from the Noble Peace Prize, Yunus has also been conferred the Franklin D. Roosevelt Presidential Medal of Freedom and the United States Congress Congressional Gold Medal.

Muhammad Yunus strongly believed that lasting peace in the world can be achieved if large population of the poor people can find ways to break out of poverty.According to Yunus, one of the ways to improve the livelihood of the poor people is by offering them microfinance products and services. By developing Grameen Bank into a successful microfinance bank, Yunus has provided a longterm vision of eliminating poverty in the world (Al-mamun et al., 2014; Bayulgen, 2008; Dallimore, 2013; Shukran & Rahman, 2011).

2.2.3 Microfinance Institutions in Nigeria

Providing microfinance is considered an old lending practice in Nigeria. Before the introduction of modern microfinance institutions, microfinance exists informally across the country. The informal microfinance is provided by traditional groups of people (tribe) that work and live together. The informal microfinance offers savings and credit to support their members, safeguard their welfare and improve their social standing. Interestingly, in Nigeria, different tribes have different names for informal microfinance. For instance, it is called ***esusu*** among the Yorubas tribe of western Nigeria. It is known as ***etoto*** among the Igbo‟s tribe in the east. The Hausas people in the northern part of Nigeria referred to informal microfinance as ***adashi*** (CBN, 2005).

It is also important to know that the microfinance products and services provided informally in Nigeria have several key features. Among these include; savings and credit, informal operations, the processing fee is very high (usually more than the commercial banks) and they can be found in both urban and rural areas in the country (Anyanwu, 2004).

Unlike the informal microfinance, the modern or formal microfinance institutions (MFIs) were introduced in Nigeria in 2005. Their introduction in the country coincided with the consolidated policy implemented by the Central Bank of Nigeria. Under the consolidated policy, existing commercial banks are officially allowed to convert into microfinance banks. The objective of allowing the conversion of commercial banks into MFIs was for the purpose of creating more microfinance schemes that are necessary to finance small business as well as to alleviate poverty in the country (CBN, 2005).

At the moment, there are 872 licensed microfinance institutions in Nigeria. The North-West region of the country has a total of 66 MFIs. Following this, the North-Central region has 158 MFIs. Next, the North-East region has 33 MFIs. In the South-West region, there are 334 MFIs. The South-South region has 116 MFIs. The remaining 165 MFIs are located in the South-East region.

In addition, based on their ownership and capital structure, the 872 licensed MFIs in Nigeria are categorized into five different types. The five types include; the Community Bank MFIs, the Private MFIs, the Government MFIs, the NGO MFIs, and the Foreign MFIs. Of the total number of MFIs, 90% of these institutions are located in the state capital and majority of them operate in the urban areas. The remaining MFIs operate in the local government headquarters (Adegbola & Gaul, 2012).

2.2.4 Nigerian Government Policy on Microfinance Industry

Nigeria has a population of about 160 million people. Of the 160 million people, 121 million (70%) are living below poverty level. Given this, the government has identified microfinance as not only an important source of financing for the poor people but also as way to eradicate poverty in the country.

In recognizing the importance of microfinance to the economic and social development of the country, the Central Bank of Nigeria (CBN) launched the National Microfinance Policy, Regulatory and Supervisory Framework (NMPRSF) in 2005 to encourage both the establishment as well as the development of microfinance institutions (MFIs) in the country. However, in 2011, after a comprehensive review of the development in the microfinance industry, the CBN formulated the National Microfinance Development

Strategy (NMDS) to overcome the shortcomings found in the earlier National Microfinance Policy, Regulatory and Supervisory Framework. The NMDS was developed to enable the stakeholders in the microfinance industry to efficiently and effectively perform their roles, responsibilities and further improve the accessibility of the financial products and services to the poor people in Nigeria. Among the important objectives of the NMDS include the following:

a. To cover 65% of the economically active population by year 2020.
b. To increase the share of micro credit as a percentage of total credit to the economy from 0.9% in 2005 to at least 20% in year 2020.
c. To promote the participation of at least two-thirds of the states and local government in micro credit financing by 2020.
d. To eliminate gender disparity by improving women‟s access to financial services by 15% annually, and
e. To increase the number of linkages among MFIs and other financial institutions by 10% annually.

In order to achieve the above objectives, several policies were specifically formulated for the MFIs in Nigeria. Among the policies included; licensing and ownership, paid-up capital requirement, allowable activities, non-allowable activities, and provision for classified loans.

Licensing and Ownership

As the regulatory body, the CBN provides the license to a MFI to conduct its business of providing financial products and services to their clients. The CBN will provide the license to the MFIs to operate as Community Banks, Private MFIs, Government MFIs, NGO MFIs and Foreign MFIs. In addition, the CBN will also determine the ownership of these MFIs. The ownerships of these MFIs include individuals, group of individuals, government body, community development associations, private corporate entities and foreign investors.

Paid-up Capital Requirement

The paid-up capital requirement a microfinance institution depends on its type. The three main types include; the unit Microfinance Banks, the state MFIs and the national MFIs. For instance, the unit Microfinance Bank which is authorized to operate in only one location is required to have a minimum paid-up capital of N20 million (twenty million Naira). The state MFI is authorized to operate in only one State or the Federal Capital Territory (FCT) and is required to have a minimum paid-up capital of N100 million (one hundred million Naira). The national MFIs is required to have a minimum paid-up capital of N2 billion (two billion Naira) and is authorized to operate in more than one state, including the FCT.

Allowable Activities

Under the NMDS, the MFIs are also required to comply with the following business activities:

a. Acceptance of various types of deposits including savings, time, and target from individuals, groups and associations.

b. Provision of credit to its customers, including formal and informal self-help groups, individuals and associations.

c. Promotion and monitoring of loan usage among its customers by providing ancillary capacity building in areas such as record keeping and small business management.

d. Buying, selling and supplying industrial and agricultural inputs, livestock, machinery and industrial raw materials to low-income persons on credit and to act as agent for any association for the sale of such goods or livestock.

Non-Allowable Activities

Apart the allowable activities specified in the NMDS, the MFIs in Nigeria are prohibited from engaging in the following activities:

a. Acceptance of public sector (government) deposits.

b. Foreign exchange transactions.

c. International commercial papers.

d. International corporate finance.

e. International electronic funds transfer.

f. Clearing house activities.

g. Dealing in land or any facility for speculative purposes.

i. Financing of any illegal/prohibited activities such as gambling, drug-trafficking, and firearms.

Provision for Classification of Loans

Under the NMDS, the MFIs are also expected to provide provision for the loans they granted to their clients. Table 2.1 lists the percentage of provision. As shown in Table 2.1, the provision for performing loans is 1%, the provision for pass and watch loans is 5%, the provision for substandard loans is 20%, the provision for doubtful loans is 50% and the provision for lost loans is 100%. The MFIs should make their provisions from their income accounts.

Table 2.1
Provision for classified loans

Days at Risk	**Description**	**Provision (%)**
0 days	Performing	1
1-30days	Pass and watch	5
31-60days	Substandard	20
61-90days	Doubtful	50
91 or more days	Lost	100

2.3 Strategic Management and Microfinance Institutions

The importance of strategic management to organizations has long been emphasized in the literature. The literature indicates that increased practice of strategic management in organizations results from the growing evidence that suggests this area of management can help improve organizational performance. Given the importance of strategic management to organizations, studies have investigated the effect of strategic management on organization performance.

Organizations adopt the strategic management process to help them develop and implement effective business strategy. Effective business strategy contributes significantly to the success of organizations. Findings of previous studies showed that organizations that implement effective business strategy perform better that those that do not. More specifically, studies by Lee, Johnson, Gahring and Lee, (2008) and Hashim (2015) have found that strategic management variables such as strategy and competition are significantly associated to firms‟ profitability and growth.

More recent research has also indicated the relevance of business strategy to microfinance institutions (MFIs). For instance, the findings of the studies by Ibrahim and Primiana(2015)and Djalil (2015)have found that business strategy influence the performance of MFIs. Furthermore, the other study by Kamukama, Ahiauzu and Ntayi (2011)indicated a strong need for MFIs to adopt effective business strategy. Additionally, the evidence from the other studies by Djalil (2015) and Kamukama et al.(2011) suggests that business strategy as having interaction effect on the relationships between business practices and performance of MFIs.

Through better understanding and knowledge of strategic management, MFIs can not only develop as well as implement more effective strategies based on their strategic capabilities and business environment to improve their performance but also help to overcome their problems and constraints.

Having discussed the concepts of microfinance, microfinance institutions (MFIs), and the importance of strategic management to MFIs, the following section reviews past research on MFIs to identify and present the research issues address in this study.

2.4 Previous Studies on Microfinance Institutions

As organizations, microfinance institutions (MFIs) play a significant role in the financial industry in the Nigerian economy. Although these firms are considered important to the Nigerian economy, the literature reveals that there is still not much information about the manner in which they are being managed. The lack of information on the management of MFIs has resulted from the limited research that investigates MFIs, particularly from the strategic management perspective.

Although the number of studies that focused on MFIs seems to increase, a review of past studies suggests several limitations. The limitations identified in prior research include; too much focus on investigating the effectiveness of microfinance schemes, adoption of case study method, the emphasis on observing and reporting issues such as corporate governance, intellectual capital, information, communication and technology (ICT) adoption, capital structure, and impact of the financial schemes on poverty reduction (Abdulai, 2017; Abraham & Balogun, 2012; Amoo & Kolawole, 2015; Augustine et al., 2016; Chinasa, 2015; Ene & Inemesit, 2015; Kamukama et al., 2010; Paul & Emesuanwu Catherine Ebelechukwu, 2015; Tadele & Rao, 2014a; Umar et al., 2012).

Accordingly, Table 2.2 below presents the summary of past studies that investigated MFIs in the context of Nigeria. Following Table 2.2, Table 2.3 summarized previous research that attempted to examine factors that influence the performance of MFIs.

Table 2.2
Summary of Studies on Microfinance in Nigeria

Author(s)	Study	Country	Sample	Result
Emeni (2008)	Microfinance Problems	Nigeria	14	*Poor governance, funding, market, and management are the problems of MFIs*
Olu (2009)	Microfinance and Entrepreneur Development	Nigeria	60	*MF is a key player in positive effects to individuals, business and the economy at large.*
Ekpe (2010)	Microfinance and Women Development	Nigeria		*Women do not have easy access to microfinance.*
Babandi (2011)	Microfinance Performance	Nigeria	400	*Religion, ethnic background and political affiliation are significant to social performance.*
Abraham and Balogun (2012b)	Microfinance performance	Nigeria	33	*Lack of understanding of how to run microfinance institutions is an obstacle to the performance*
Augustine (2012)	Microfinance and Governance	Nigeria		*Governance has positive implications for performance, irrespective of ownership or institutional environment.*
Ringim, Razalli and Hasnan (2012)	Technology and Performance	Nigeria	417	*IT capability is positively related to performance.*
Adeusi et al. (2013)	Microfinance and Governance	Nigeria		*Poor performance is associated with more external board members.*
Waithaka, Gakure and Wanjau (2013)	Microfinance and Governance	Nigeria	30	*Board size, independent directors are related to performance.*
Olasupo, Afolami and Shittu (2014)	Technology and Performance	Nigeria	86	*Technology, research and development improve performances*
Ihugba, Bankong and Ebomuche (2014)	Microfinance and Poverty Reduction	Nigeria	382	*Saving is a function of the level of income of individual.*
Kasali, Ahmad and Ean (2015)	Microfinance and Poverty Alleviation	Nigeria	1134	*Microfinance loan made significant impact that leads to poverty reduction.*
Ashamu and Ayodele (2015)	Microfinance and Poverty	Nigeria		*Significant differences between people used microfinance and those do not use them.*
Ikpefan, Kazeem and Taiwo (2015)	Human Capital Accounting and Performance	Nigeria	16	*Human resources accounting has a significant effect on performance.*
Owolabi (2015)	Microfinance and Poverty Reduction	Nigeria	97	*Poverty reduction and MF relationship is complex in nature.*
Oludare and Oyedele (2015)	Microfinance and Poverty Alleviation	Nigeria	140	*Microfinance contributes to financial development in Nigeria.*
Onugu Uchenna, Obianuju and Kamaldeen and (2015)	Credit Officers and performance	Nigeria	36	*Credit officer's sustainable knowledge and skills are paramount to performance.*

Table 2.2
Continued

Author(s)	Study	Country of Study	Sample	*Result*
Ene (2015)	Microfinance and Financial Inclusion	Nigeria	24	*Access to microfinance deposit has significant effect on savings*
Paul (2015)	Governance and Financial Performance	Nigeria	23	*No significant relationship exists between corporate governance and bank's financial performance*
Amoo, Z.O Kolawole, I O (2015)	Microfinance and Entrepreneurial Development	Nigeria	1	*Microfinance banks are not adequately financing the rural entrepreneurs.*
Chinasa (2015)	Women and Access to Microfinance Services	Nigeria	150	*Women entrepreneurs faced constraints in accessing microfinance services.*
Augustine et al. (2016)	Gender diversity and Microfinance Performance	Nigeria	1053	*Gender diversity enhances economic performance, especially in Africa.*
Solomon, Juliana and Antonia (2016)	Loans and Living Standard	Nigeria	15	*MFIs loans positively improves the living standard of the famers*
Okafor (2016)	Activities and Standard of Living	Nigeria	1	*Microfinance banks activities do not have significant positive impact on standard of living*
Taiwo, Agwu, Aregan and Ikpefan (2016)	Microfinance and Poverty Reduction	Nigeria	74	*Educational level of the clients positively affect the income of the generate from MFIs loans*
Abdulai (2017)	Determinants of microfinance outreach	Nigeria/SSA	71	*trade-off exists between access to credit disbursement by poor clients and number of clients served*

Table 2.3
Summary of Studies on Relationship between Business practices and Performance of MFIs

Author(s)	Country	Sample	Methodology	Data	IV	Result
Maheran and Muhammad 2009)	Malaysia	18	Regression analysis	Secondary-Annual report	Intellectual capital	*Intellectual capital is positively related to financial performance*
Mersland and Strøm (2009)	Norway	278	Random effect panel	Secondary-MIX	Corporate Governance	*No difference in both social and financial performance between NGO and private firms*
Tchakoute-Tchuigoua (2010)	Latin America	202	Comparative framework	Secondary-MIX	Ownership Schemes	*private performance is better than NGOs*
Guti and Goitisolo (2011)	62 countries	791	Principal Components Analysis	Secondary-MIX	Financial	*No relation found between the size, profitability and social performance*
Barry and Tacneng (2011)	Africa	281	OLS regressions	Secondary-MIX	Ownership Schemes	*NGOs is the "best" in social goal by providing credit among the poor.*
Kutubi (2011)	Bangladeshi	28	Tobin"s Q Regression Model	Secondary-DSE financial report	Governance	*Board size and independent directors are positively related to performances*
Gupta, Srivastava and Sharma (2010)	India	100	Pearson Correlation and ANOVA	Secondary-NSE	Capital Structure	*Capital structure influences financial performance.*
Umar et al (2012)	Karachi	100	GLS	Secondary -KSE	Capital structure	*Capital structure is related to financial performance*
Manawaduge et al (2011)	Sri Lanka	155	panel data regression models	Secondary OSIRIS	Capital Structure	*Performance is negatively affected by the use of debt capital.*
Kamukama, Ahiauzu and Ntayi (2011)	Uganda	250	MedGraph Program	Secondary -MIX	Intellectual capital, Competitive advantage	*Competitive advantage mediates intellectual capital and financial performance.*
Ringim, Razalli and Hasnan (2012)	Nigeria	417	Multiple regression analysis	Primary-questionn aires	ICT	*IT capability is significantly related to performance.*
Abraham and Balogun (2012)	Nigeria	33	Simple ratio	Secondary - MIX		*Lack of Microfinance business knowledge effects performance.*
Bassem (2012)	Middle East and Africa	64	STATA	Secondary -MIX	Corporate Governance	*Institutions can well and truly achieve social and financial objective at a go.*

Table 2.3
Continued

Author(s)	Country	Sample	Methodology	Data	IV	Result
Augustine (2012)	China	180	Ordinary Least Square, logit model	Secondary MIX	Governance	*Transparency is related to performance.*
Crawford, Skully and Tripe, (2012)	Cambodia	14	Data Envelopment Analysis (DEA)	Secondary-MIX	Governan ce	*Larger MFIs appear more efficient at reaching the poor while smaller MFIs are more profitable. financial and social objectives are not mutually exclusive .*
Caudill, Gropper and Hartarska, (2012)	Eastern Europe, Central Asia	162	Seemingly unrelated regressions	Secondary-Microfinance Center	Social	*MFIs with a higher percentage of loans to women had lower costs. The presence of subsidies is also found to be associated with higher MFI costs*
Aloyce and Victor (2012)	Uganda.		Two level growth models	Secondary-MIX	Investme nts in ICT	*ICT is positively related performance and growth.*
Swain and Varghese (2012)	Uganda.	130	Logit model	Primary-Questionnaires	Ownershi p, Capital structure	*Governance and capital structure are positively related to performance.*
Waithaka, Gakure and Wanjau (2013)	Nigeria	30	Regression-Pearson correlation analysis	Secondary-MIX	Governance	*Positive association between board size and performance,*
Vanroose and D'Espallier (2013)	All Regions	1073	Panel data model, Random effect mode	Secondary-MIX	Economic Environment	*Competition exists with convectional banks in countries with well-developed financial markets.*
Assefa, Hermes and Meesters (2013)	All Regions	326	Linear regression model - Lerner index	Secondary-MIX	Competition	*Competition is negative to outreach and repayment performance.*
Tadele and Rao (2014)	Global	741	OLS regression	Secondary-MIX	Capital structure	*Capital structure is strong determinant of performance*
Muller and Uhde (2013)	Global	558	Regression Model	Secondary-MIX	Lending practice	*Lending methodologies, sources of funding and governance affecting the performance.*

Table 2.3
Continued

Author(s)	Country	Sample	Methodology	Data	IV	Result
RiaHermanto and Astuti (2013)	Java	858		Secondary -Java quarterly financial report	Economic activities	*Location has an impact on the financial performance.*
Leon (2013)	Sri Lanka	30	Regression analysis-SPSS	Secondary -CSE	Capital Structure	*Optimum capital structure that leads to higher performance.*
Kodongo and Kendi (2013)	Kenya	52	OLS regression	Primary	Lending practice	*Individual loans fetch more profit and boost outreach while group loans is less risky*
Olasupo, Afolami and Shittu (2014)	Nigeri a	86	Data envelopment analysis	Primary data- field survey	ICT	*Technology, research and development improve performances*
Quayes and Hasan (2014)	75 nations	806	OLS	Secondary -MIX	Governanc e	*disclosure has a statistically significant positive impact on l performance.*
Barry and Tacneng (2014)	Africa	200	Panel data model	Secondary - MIX	Ownership Schemes	*NGOs are more profitable and have better outreach than banks and cooperatives.*
Duqi and Torluccio (2014)	All Regions	500	Three stage least squares	Secondary-MIX	Ownership Schemes	*Private investors pursue mainly a maximizing profit objective. NGOs appear to fully pursue a clear social goal a*
Vincent Y. et al (2014)	All Regions	833	Ordinary Least Squares	Secondary-MIX and World Bank	Capital	*Regulation is associated with higher MFI profitability and lower outreach.*
Kumar and Nihalani (2014)	Indian	40	RLTF regression model.	Secondary-Annual reports	Governance	*The board size is significant on long term funds returns.*
Sila (2014)	Kenya	120	Qualitative	Primary	Training	*Training is the key in determining employee performance*
Janda, Van Tran and Zetek (2014)	Latin America and Asia	1227	Fixed robust and random effects	Secondary-MIX	External source of funds	*The growth of external sources is positively influenced clients, portfolio quality, and margin or cost policy of MFIs.*

Table 2.3
Continued

Author(s)	**Country**	**Sample**	**Methodology**	**Data**	**IV**	***Result***
Abdul and Makki (2014)	Pakistan	14	Structural equation modeling (PLS)	Secondary -Karachi Stock Exchange	Governance, Intellectual capital	*Governance does not improve financial performance, only through intellectual capital resources.*
Nguyen T. T. et al(2014)	Vietnam	117	Regression-Polanco model	Secondary -MIX	Social Performance	*Social performance has negative relation with financial*
Yong-Ki (2015)	Korea	156			Marketing	*Marketing increases performance*
Odhiambo, Kibera and Musyoka 2015)	Kenya	55	Regression analysis	Secondary -Report	Marketing	*Marketing influence performance*
Agyapong (2015)	Ghana	520	Partial least squares	Primary-questionnaires	Marketing	*Marketing improve performance*
Haldar and Stiglitz (2016)	India				Social capital	*Social capital influence success of MFIs*
Quidt, Fetzer and Ghatak (2016)	Global		Effects Analyses	Secondary -Mix	Marketing	*Marketing can have severe implications for borrower welfare*
Hering and Musshoff (2016)	Azerbaijan			Secondary	Lending policy	*Repeated borrowing increase defaults rates*
Homaid et al (2017)	Yemen	71	Partial least squares	Primary-Questionnaires	TQM and Market Orientation	*TQM and MO influence performance*
D'Espalliera et al.(2017)		66	Event study methodology	Secondary	Ownership	*Ownership effect performance*
Nkundabanyanga et al (2017)	Uganda	70	SPSS	Primary-Questionnaires	Competitive Advantage	*competitive advantage have influence on performance*

The review of the previous studies on MFIs as presented in the above Table 2.2 and Table 2.3 suggests the following issues:

i. Despite the relevance and applicability of strategic management to MFIs, there appeared to be not many studies that focused on this important area of management among these firms. As a result, there is little information and knowledge on MFIs from the strategic management perspective.

ii. In the same manner, even though business practices are considered essential to the performance of MFIs, the information in Table 2.1 suggests research in this area is not only limited but also neglected in the context of Nigeria.

i. Limited Focus of Previous Studies on MFIs

Although the information in Tables 2.1 and 2.2 shows that the number of studies on MFIs seems to increase, a review of these past studies highlights several limitations. Among the limitations include; too much emphasis on investigating the effectiveness of microfinance schemes, adoption of the case study method, and too many studies concentrated on observing and reporting the impact of financial schemes on poverty reduction (Abdulai, 2017; Abraham & Balogun, 2012; Amoo & Kolawole, 2015; Augustine et al., 2016; Chinasa, 2015; Ene & Inemesit, 2015; Kamukama et al., 2010; Paul & Emesuanwu Catherine Ebelechukwu, 2015; Tadele & Rao, 2014a; Umar et al., 2012).

ii. Relationships between Business Practices and Performance of MFIs

Findings of prior studies suggest that effective business practices are related to organizational performance. Previous empirical studies have provided the evidence that indicate the linkage between business practices and organizational performance (Daud

&Mohamad, 2010; Hashim, 2011; Hassan, 2010; June & Mahmood, 2011; Subramaniam, Mohd Shamsudin, & Ibrahim, 2011). However, there is not much information on the relationship between the business practices and the performance of MFIs, especially in the Nigerian context. More specifically, the studies by Abraham and Balogun (2012) and Olanike and Adebola (2014) have suggested that more studies are needed to investigate the linkage between business practices and performance of MFIs in Nigeria.

iii. Business Strategy as a Moderator on the Relationship between Business Practices and Performance of MFIs

Previous studies that examined the direct relationship between business practices and organizational performance of MFIs presented inconsistent findings (Abdul & Makki, 2014; Mersland & Strøm, 2009; Tchakoute-Tchuigoua, 2010; Thrikawala et al., 2013).The inconsistent findings suggest that the relationship between business practices and performance of MFIs may be influenced by a moderating variable, in particular, business strategy (Baron & Kenny, 1986; Jose, 2015). In addition, the studies by Djalil (2015), Kamukama et al.,(2011),Yuliansyah et al., (2017) and Linton and Kask(2017)have found that business strategy has interaction effect on the relationships between business practices and performance of MFIs.

iv. Competition Moderates the Relationship between Business Practices and Performance of MFIs

Based on the contingency framework, previous studies viewed competition as one of the important contingency factor that can affect the performance of organizations. However, in the context of microfinance institutions, very few studies have actually investigated competition as having a moderating effect on the relationship between business practices and organizational performance of these firms (Assefaa et al., 2013; Oyewobi et al., 2016; Vanroose & D‟Espallier, 2013).

v. Methodological Issues

The review of past research on MFIs shows that there are several issues related to the methodology adopted in prior empirical studies. Among the issues identified in previous research include the following:

i. Lack of theoretical framework to conceptualize and investigate factors that influence MFIs performance;
ii. Lack of formulation and testing of research hypothesis;
iii. Lack of robust statistical procedures in testing of hypotheses, and
vi. Limited sample size use.

Accordingly, having presented and discussed the previous studies that examined MFIs, the following section briefly explains the research variables involved in this study.

2.5 Research Variables Related to this Study

Although the theoretical and empirical contributions in the area of strategic management have increased, research on MFIs from this management perspective remained not only limited but also neglected. Based on the research issues found in the literature and past empirical studies, this study proposed to examine MFIs from the perspective of strategic management. More specifically, the study attempts to investigate strategic management in MFIs based on the relationships of the following research variables as identified in the literature.

2.5.1 Business Practices

The literature indicates that despite the importance of business practices as an area of research in MFIs, this area have not received much research attention. Business practices are important to MFIs because they can affect the performance of these organizations. Based on the review of the literature and past studies, this study proposed to examine the following business practices that are relevant and applicable to MFIs; strategic planning practices, lending practices, marketing practices, corporate governance practices and ICT practices. The following section explains briefly each of the business practices adopted in this study.

i. Strategic Planning Practices

Strategic planning can be described as the process of using systematic criteria and thorough examination to formulate, implement, and control strategy, and properly document organization expectations (Mintzberg, 1994; Pearce & Robinson, 1994; Ridwan, 2015).

The strategic planning practices include major components. The main components include; organizational mission, establishing organizational objectives, analyses of business environment, analysis of external environment, preview of several alternatives, formulate, implement, evaluate and control strategy.

The literature indicates that effective strategic planning practices can improve the performance of organizations (Auka & Langat, 2016; W. Hopkins & Hopkins, 1997; Kylaheiko, Puumalainen, Sjögrén, Syrjä, & Fellnhofer, 2016; Pawliczek & Kozel, 2015; Rezamand, Zeinali & Asadi, 2015). For instance the study by Hopkins and Hopkins (1994) shows that banks that practice strategic planning with greater passion (whether the process was informal or formal) outperformed those banks that planned with less passion.

The study by Hopkins and Hopkins (1997) further indicated that the relationship between strategic planning and performance is a reciprocal in nature the strategic planning causes superior performance and, in revolve, the superior performance causes better strategic planning intensity.

In addition, bank managers focused more intensively on strategic planning practice due to pressure that required the banks to offer better and new services to their clients. The bank managers practice strategic planning by scanning external and internal banking environments, placing greater emphasis on setting direction for the bank, and evaluating the strategy alternatives (Hector, 1991).

Earlier on, the study by Eastlack and McDonald (1970) indicated that strategic planning do not only improved organizational performance, but also found that managers in the organizations seriously believed that strategic planning produced enough non financial benefits that enhances the capabilities of their firms because it promoted interaction among them at divisional and functional levels.

ii. Lending Practices

The survival of both MFIs and conventional banks depends very much on their lending practices. For example, in the case of a MFI, it needs to ensure that its loan repayment is active in order to achieve both its social and financial objectives. Among the important microfinance lending practices include; group lending, individual lending, non collateral, low interest rate, minimum processing fee, smaller installment amount and short term loan repayment period (Dube & Dube, 2016; Haldar & Stiglitz, 2016; Kodongo & Kendi, 2013; Quidt, Fetzer & Ghatak, 2016; Singh & Padhi, 2017).

Group lending is a common type of microfinance loan where the group represents as the borrower. For group lending, the loan is disbursed to the group and members of the group are responsible for the repayment of the loan. The involvement of the members in the disbursement and repayment of the loan create peer social pressure and solidarity in the group. Group lending appears to work well in a society where social networks are often of vital importance to the group responsible for borrowing and repaying the loan (Rahman & Nie, 2011). The Grameen Bank founded by Muhammad Yunus practiced group lending. Since then, group lending has been replicated by numerous MFIs operating in developed and developing countries such as Malaysia, Thailand, the

Philippines, Vietnam, Sri Lanka, India, China, Mali, Honduras, Bolivia, Chile, Tanzania, the United States and Canada (Hulme, 2008).

In addition, findings of the studies by Chaudhary and Ishfaq (2003), Chowdhury (2005), Armendáriz de Aghion (1999) and Banerjee, Besley and Guinnane (1994) indicated that the group lending practice which emphasized on joint liability is effective in increasing credit repayments among members of a group, particularly for loans that do not require any collateral.

Apart from the group lending, MFIs also provide individual lending. The individual lending is almost similar to the lending practice adopted by the commercial banks. The practice of individual lending involved providing a loan to an individual borrower. The main feature of individual lending is that the size of the loan is much smaller than the loans provided by the commercial financial institutions. An individual-based lending institution normally uses standard bilateral lending contracts between a lender and a single borrower (Kodongo & Kendi, 2013; Mokhtar, 2011).

Non-collateral is another important feature of the lending practice adopted by MFIs. In the case of MFIs, the physical collateral is replaced with social pressure or social collateral. The social collateral concept was developed to mitigate hazardous behavior of loan repaying default among the borrowers. For instance, group lending used a stepped credit framework whereby the amount and approval of the next loan is subjected to the track record of the borrowers‟ repayments and reimbursements of past credit. This lending practice encourages the borrowers to not only use their loans more efficiently but also cultivates their creditworthiness. According to the study by (Park & Ren, 2001)), in China, social collateral has effectively help to increase the rate of repayment among MFIs borrowers by nearly 100%.

Microfinance institutions normally provide short term loans to borrowers. Both the duration of the loan as well as the repayment period is usually short. In most of the cases, the MFIs would impose frequent loan repayments such as weekly payments. By introducing the weekly repayment, the MFIs are able to reduce the amount of the installment for the loans. The smaller loan installment will help the borrowers to pay their loans since the repayment amount is low. However, MFIs that adopt this lending practice normally imposes higher interest rates, particularly among those that intend to be financially independent and also those that do not want to rely on subsidies or donations (Morduch, 2000).

iii. Marketing Practices

Organisations need to develop, manage and leverage their marketing practices. Marketing practices can help organisation to achieve superior performance when competing with their rivals. As organizations that provide products and services, MFIs need to adopt marketing practices that will enable them to respond to the changing needs and expectations of their various stakeholders (Agyapong, 2015; Homaid et al., 2017; Jayashankar, 2012; Kazemian, Rashidah, Sanusi & Adewale, 2015).

The literature indicates marketing practices are linked to organizational performance. As an important business practice, marketing has been identified as one of the determinants of organizational performance. Past findings indicated that marketing practices have a positive effect on the performance of organizations (Ozkaya, Droge, Hult, Calantone & Ozkaya, 2015; Subramanian & Gopalakrishna 2001).

The study by Ghoniem and Hassan (2014) indicated that marketing practices influence performance of firms in the banking industry. The findings of the study reveal that marketing practices have a significant effect on the performance of banks through customer loyalty. The researchers recommended that attention should not only focus on the internal activities but also should be directed towards marketing strategy to attract and retain external customer patronage.

More specifically, the study by Odhiambo et al. (2015) found that marketing practices are necessary to enhance the performance of MFIs in Kenya. The findings of the study which was based on the resource based view approach indicate that the marketing practices adopted by the MFIs in Kenya influenced their organizational performance.

A more recent study by Kanyurhi (2016) also suggests a positive relationship between marketing practices and organizational performance. The results of the study revealed that a better application of marketing practices among organizations resulted in more superior organizational performance.

The other recent study by Kehinde, Adegbuyi and Borishade (2016) also indicated significant positive significant between marketing practices and organizational performance. Furthermore, the findings of the study show that the banking business in Nigeria specifically needs relationship marketing to help them manage and leverage their competitiveness.

Even though, marketing is considered as an important business practice that can affect the performance of organizations, there has not been much research focus on the marketing practices adopted by MFIs in Nigeria (Agyapong, 2015; Odhiambo et al., 2015).

iv. **Corporate Governance Practices**

Corporate governance practices refer to the ways in which an organization is directed, managed, controlled and performed. The investment, direction, management and performance of MFIs engage the following three groups of people; shareholders (owners or investors), Board of Directors and top management. In addition, corporate governance in MFIs involves the relationships among these three groups of people. As such, MFIs need good corporate governance practices to perform successfully (Kosgei & Kosgei, 2014; Labie, 2001; Maati, 1999; Moradi et al., 2017; Thrikawala et al., 2013).

According to the study by Lapenu and Pierret (2006), corporate governance in MFIs was first emphasized in 1997. Prior research on corporate governance mainly focused on issues related to the relationship between the management of MFIs and the Boards of Directors. Furthermore, findings of the past studies on the relationship between corporate governance and performance of MFIs indicated that good corporate governance practices are associated with the performance of these firms (Adeusi, Akeke, Aribaba & Adebisi, 2013; Augustine, 2012; Beisland, Mersland & Øystein, 2013; Johnson & Greening, 1999; Kongmanila & Kimbara, 2007; Madrara, 2012; Mersland & ystein Strom, 2009; Strøm et al.,2014; Thrikawala, Locke & Reddy, 2013).

The study by Thrikawala, Locke and Reddy (2013) specifically identified and prescribed best corporate governance practices for MFIs. The practices were developed by using multiple MFI outcomes for many years and with special reference to the social performance for the poor. These practices were also designed with the understanding of the nature of the relationship that exists between corporate governance and institutional success that mainly focus on MFIs in developing countries. More specifically, the practices identified in the study include; board diversity, board size, independent directors, CEO/chairman duality, ownership type, corporate mission, internal and external auditors, type of donors and regulatory and commercial environment.

Despite the importance of corporate governance practices to organizations such as MFIs, these practices have not attracted much research and interest. In particular, research on corporate governance practices in MFIs from the Nigerian perspective has been neglected. The review of the past studies indicates previous research primarily concentrated on examining corporate governance practices as adopted in other types of organizations as well as in other developed and developing countries.

v. ICT Practices

Information, communication and technology (ICT) practices are considered not only important to MFIs but also their organizational performance. As the microfinance industry grows, ICT is being endorsed as an important tool to facilitate it expansion and reach (Kauffman & Riggins, 2012). According to Serrano-Cinca and Gutiérrez-Nieto (2014), as an important business practice, ICT adoption reduce the operating costs related to the process of providing microcredit. The ICT practices are needed for managing a large number of clients as well as to enable the organization reduce operating costs and improving efficiency.

The studies by Diniz, Jayo, Pozzebon, Lavoie and Foguel (2014), Kauffman and Riggins (2012)and Abraham and Balogun (2012) have shown that the deployment of ICT was not only able to improve the operations of MFIs, but also viewed as one of the powerful tools for enhancing the performance of these firms.

According to Abraham and Balogun (2012), ICT practices are considered essential to the performance of MFIs in Nigeria. The authors indicated that the application of ICT innovative equipment as well as it knowledge could not only improve the performance of MFIs but also be the remedy to the major challenges faced by these firms in the country. For instance, by adopting effective ICT practices, these authors claimed that the MFIs could further improved the transparency their account records as well as enhanced the accountability related to their business activities and practices.

Findings of the study by Riggins and Weber (2013) also revealed the linkage between ICT practices and performance of MFIs. In addition, the study indicated that the adoption of ICT practices by MFIs have positively changed the microfinance industry. The study examined the microfinance market structure and found that ICT practices impacted all the performance of the MFIs in the microfinance industry.

A more recent study by Iacovone, Pereira-López and Schiffbauer (2017) has also found positive relationship between ICT practices and firms‟ performance. The study shows that firms that adopt ICT were able to not only improve their organizational performance but also be able to cope with competition in the financial industry in Mexico.

The other new study by Yunis and Tarhini (2017) has also provided the evidence that suggests the positive impact of the adoption of ICT practices on the performance of the financial firms in the Lebanese market. Findings of the study further indicated that through the ICT practices the firms were able to sustain their competitive advantage.

According to Rozzani and Abdul Rahman (2013), operations in MFIs, particularly those related to data gathering, disbursement and payment, dissemination systems and microfinance operations problems could be improve with the adoption of more advanced technology. Findings of the study also suggested that many microfinance institutions were unable to adopt new technology due to factors such as high installation costs and lack of participation from clients. Nonetheless, the study pointed out that MFIs have the potential to grow if they adopt advance technology in their current operations.

The earlier study by Congo (2002) found MFIs that adopted new technology and capabilities initially incurred additional costs. However, efficient innovative banking technologies such as management information software, credit scoring technology, Internet and, smart card operations can result in the reduction of administrative costs, increase in productivity of staff and improvement in the reliability and consistency of accounts. Therefore, MFIs should identify and adopt the best practices as well as cost-effective ways to use new technology to improve efficiency, outreach and client satisfaction which are important for the sustainability of the microfinance industry.

2.5.2 Business Strategy

Business strategy plays a vital role in determining the long term success of organizations. Over the years, business strategy as an area research has continued to be emphasized in the literature. The focus on business strategy resulted from the realization that every organization needs an effective business strategy to achieve its organizational objectives and also to deal with the changes occurring in the business environment as well as to compete successfully in the market place.

Organizations formulate and implement their business strategy through the strategic management process. With regard to the strategic management process, organizations need to develop and implement effective business strategy based on their capabilities and competitive advantage.

Despite the importance of strategic management to organizations and the increase knowledge in this area of management, there is still one segment of the business community that has been neglected. Surprisingly, little research exists that investigate business strategy in MFIs. In particular, research on business strategy in MFIs from the Nigeria perspective has been ignored. As a whole, the review of the past studies indicates previous research mainly focused on examining business strategy in large firms that operated in selected industries such as manufacturing and retailing.

Although MFIs are considered important in the financial industry in Nigeria, little is known about the business strategy adopted by these institutions. In particular, the literature indicates not much research has examined the business strategy adopted by MFIs. The little research has resulted not in limited information but also knowledge on the type of business strategy developed by MFIs. This limitation suggests more empirical investigation is needed in this area.

Of the research conducted on business strategy, many studies have focused on examining the linkage between business strategy and organizational performance. Organizations achieve their objectives by creating and executing effective business strategies. The earlier study by Giglierano (1987) found that organizations accomplished superior performance by developing and implementing effective business strategy that aligned with their business environment as well as based on their competitive advantage.

Over the decades, various definitions of business strategy have been proposed and documented in the strategic management literature. However in general, business strategy has been considered as the way in which a firm achieves its organizational objectives through maintaining its competitive advantage as well as competitive position in a particular industry (Hashim, 2008; Ibrahim & Primiana, 2015; Kamukama et al., 2011; Nkundabanyanga et al., 2017).

Furthermore, the literature reveals that different types of strategies are developed at different levels in organizations. The types of strategy are classified according to the levels they are developed in organizations. In general, three different types of strategy are developed at three different levels. The three strategies include; corporate strategy, business strategy and functional strategy.

With regard to the three types of strategy, the review of past research suggests that previous studies that examined the relationship between strategy and organizational performance have mainly focused on business strategy (Jooh Lee, 1988). Moreover, findings of previous empirical research on the relationship between business strategy and performance of large firms provided strong evidence that suggest business strategy are associated to the performance of these firms (Ansoff, 1984; Hofer & Schendel, 1978; Lee & Mowday, 1987; Linton & Kask, 2017; Oyewobi et al., 2016; Soltanizadeh et al., 2016; Yuliansyah et al., 2017).

Findings of prior research also revealed that previous studies on business strategy have largely concentrated on certain type of large firms. However, more recent evidence from the literature suggests that business strategies are also relevant and applicable to other types of organizations as well. More importantly, more recent studies indicate that different organizations operating in different business environment should adopt different types of business strategy (Homaid et al., 2017; Leinwand et al., 2016; Reeves et al., 2015; Rumelt, 2013; Soltanizadeh et al., 2016).

In one of Porter (1980) earlier works, the scholar emphasized on the need for firms to develop their competitive advantage in order to develop effective business strategy. For instance, in the case of manufacturing firms, they can obtain their competitive advantage by efficiently developing and executing the primary as well as the supporting activities of their value chain. The primary activities include; human resource management, technology development and procurement. The supporting activities involve; inbound logistics, operations, outbound logistics, marketing and sales and services.

In addition, according to Porter (1980), firms are able to create three types of generic business strategy from the competitive advantage that they gained from improving their companies‟ value chain. The three strategies include; low cost, differentiation and focus (niche). Through economics of scales, scope and technology, the low cost strategy reduces costs and increase profit. The differentiation strategy focuses on developing products that are different and unique. The niche strategy specializes on product development and marketing efforts tailored to a particular market segment that has cost or differentiation advantage.

In another study, Hashim (2000) attempted to investigate the business strategy adopted by small and medium-sized enterprises (SMEs) operating in different industries in Malaysia. The study adopted six business strategies and collected data from 100 SMEs operating in more than 19 industries. According to the results of the study, 30 SMEs used differential strategy, 26 firms implemented the low cost strategy, and 18 firms employed the focus strategy. Of the remaining 36 small firms, 17 firms utilized the growth strategy, six firms followed the harvest strategy and only three firms executed the vertical integration strategy.

More recently, the studies by Hashim and Ahmad (2009), Hashim and Zakaria, (2010) and Hashim (2015), provided empirical evidence that suggests that different firms in different business environment adopt different types of business strategy but also that business strategy is related to organizational performance. For instance, findings of the study by Hashim and Ahmad (2009) indicated that business strategy of exporting firms is positively related to the performance of these firms. In addition, the study by Hashim and Zakaria (2010) also found the relationship between business strategy and performance of small and medium manufacturing firms. Furthermore, according to Hashim (2015), takaful firms specifically adopted four types of business strategy that include; product focus differentiation strategy, location differentiation strategy, cost focus strategy and marketing differentiation strategy. As for the relationship between business strategy and performance, the findings of the study also showed positive relationship between business strategy and the performance of the takaful firms.

As presented above, the evidence from the literature and past studies suggest that different firms that operate in different business environment implement specific type of business strategy that align with their business requirements. In addition, findings of previous indicate the existence of the relationship between business strategy and organizational performance.

2.5.3 Competition

Previous studies have adopted different approaches, definitions and dimensions of environment to examine its effect on organizational performance. According to Drucker (1977), environmental influences such as economic forces can set limits to what management can do as well as create opportunities for management's action. Although these forces do not by themselves determine what a business is or what it does, a business enterprise need to identify, manage and adapt to the forces in the environment.

In one of the earliest study on environment, Duncan (1972) defined environment as the physical and social factors that occur outside an organization which are relevant in the decision-making process of the managers and are often characterized based on levels of dynamism, heterogeneity, and /or complexity.

However, the study by Lenz (1980) noted that there is no widely held consensus concerning how organizational environment should be assessed and which aspects of the environment affect performance. According to the author, past empirical studies generally adopt two methods. The first method, which is usually taken along two dimensions such as from stable to shifting and from homogeneous to heterogeneous which, uses perceptual measures to assess environmental complexity and uncertainty. The second method uses relatively objective measures to assess the relevant environmental factors such as demographic trends that can influence the goal attainment of an organization.

In addition, from the perspective of the contingency framework, authors such as Venkatraman and Prescott (1990), Hitt, Ireland and Palia (1982), Prescott (1988), Hitt and Ireland (1985 and 1986) and Hofer (1975) considered environment as one of the important contingency factors that can influence organizational performance.

The dynamism and complexity of competition as one of the important external factors in the business environment can influence the activities of an organization as well as the way it chooses to structure its business activities. In view of this, organizations need to organize their activities by adopting more effective structures and forms as well as maintaining a balance between the influence of the external forces and the internal environment of the organizations (Gwasi & Ngambi, 2014; Moradi et al., 2017; Nkundabanyanga et al., 2017).

According to Hashim (2008), a business organization has to compete with each other for resources. The most common resources that business organizations compete for are customer dollar. However, competition is not only confined to business organization alone. Different organizations in different types of industries or markets also need to compete among themselves. For instance, public universities and colleges compete with others public universities and colleges, the police, the military, other government agencies, and the job market to attract bright and talented candidates.

More importantly, Hashim (2008) indicated that it is essential for management of organizations to know, understand, and appreciate that competition is usually complex. The management of the organization must not only be aware of the competition in the environment but also able to oversimplify the information about it that flows in to the organization. With regard to the information about competition, some information is easy to get. However, there is some other information about competition may be more difficult to obtain.

Earlier on, Porter (1980) emphasized on the effect of competition on organizational performance. Porter developed the five forces model to help explain the nature of competition in a market. The model suggests that there are five specific forces that drive competition in a particular market. These forces include:

1. Threat of new entrants or competitors
2. Rivalry among existing firms
3. Threat of substitute products or services

4. Power of buyers
5. Power of suppliers

In addition, Porter (1980) emphasized on the need for organizations to know the competition in a market as well as the five forces driving it. In order to compete, in a particular industry, organizations would need to identify the five forces and also determine the intensity of each of the forces. Each of the five forces can influence the level of the competition in the market and the organizations operating in the market in different ways.

Miller and Friesen(1983) organizations need to develop their capabilities to cope with changes occurring in their business environment. In order to cope with dynamic, competitive or complex environments, the study recommended that organizations seek more specific information as well as change their organizational structure. In addition, the study indicates that organizations must also revise their strategy development process so that they are able match their business strategy with their organizational structure as well as their competitors.

Moreover, findings of the past studies by Prescott (1988), Boulton, Lindsay, Franklin and Rue (1982) and (Hitt et al., 1982) have also suggested that competition has moderating effect on organizational performance. Although previous research provides evidence that environment has moderating effect on organizational performance, the moderating effect that environment has on MFIs remain largely unexplored.

In the context of MFIs, most of the past studies focused on internal factors such as governance, ICT, ownership and capital structure without giving serious research attention on the external environmental forces such as competition. Organizations that ignore their external factors, in particular competition, will affect its chances of survival. More specifically, the contingency perspective suggests the need for organizations to adapt their internal operations to the conditions that exist in their external business environment (Bluedorn, Johnson, Cartwright & Barringer, 1994; Oyewobi et al., 2016).

In view of the importance of competition to MFIs and the suggested relationship between competition and organizational performance, this study adopted competition as one of its research variable.

2.5.4 Organizational Performance

Organizations are created for specific objectives. For organizations to achieve their objectives, they must be able to perform their operations efficiently and effectively. Organizations need to adopt effective business practices to help them accomplish their objectives as well as sustain their organizational performance. The performance of organizations is measured in terms of their abilities to achieve their specific organizational objectives.

The literature indicates that different organizations use different methods and measurement to determine their level of performance as well as to know the extent to which they are able to achieve the specific organizational objectives. Different organizations in different industry use different methods and measurement of performance because each different organization has different set of organizational objectives to accomplish.

In measuring the performance of an organization, it is necessary to identify as well as know its primary objectives. Organizations establish their primary objectives based on their business mission or the purpose they are created. Once the organizations have determined their specific objectives, they need to work on how best to achieve all of their objectives in a given period of time (Drucker, 1977).

Although the literature reveals that different organizations in different industries and countries tend to emphasize on different performance measurement, findings of past studies indicated that financial profitability and growth to be the most common measures of organizational performance.

For instance, the earlier study by Nash (1993) claimed that profitability is the best indicator to measure whether an organization is performing. According to the author, profitability can be used as the primary measure of organizational success. Doyle (1994) further considered profitability not only as the most common measure of performance but also claimed that western companies primarily used profitability measures to determine the extent to which their companies are performing.

The studies by Robinson (1982) and Galbraith and Schendel (1983)specifically found that financial indicators such as profit margin, return on assets, return on equity and return on sales are considered to be the common measures of financial performance of organizations. Similarly, in the context of the performance of manufacturing firms in Malaysia, the study by Abu Kasim, Minai and Chun (1989) found sales, sales growth, net profit and gross profit as the common financial measures.

However, in the case of MFIs, practitioners and researchers agree that these firms need to adopt different measures of organizational performance. As social business, MFIs have both financial as well as social objectives. Given this, the performance of MFIs should be measured by using not only financial but also non-financial or social measures (Thomasa & Kumara, 2016).

Unlike the commercial banks, MFIs have different organizational objectives. Their organizational objectives are not only confined to financial profitability and sustainability but they also include social objectives such as social outreach as well as the impact of their loans on the lives of the poor people that borrowed from them. The need to measure the performance of MFIs by using both financial and social measures has also been supported by organizations such as the Consultative Group to Assist the Poor (CGAP), The Small Enterprise Education and Promotion Network (SEEP) and the impact network organization (Mustafa & Saat, 2013; Thomasa & Kumara, 2016). The following section explains briefly the financial and social performance relevant and applicable to MFIs.

The financial performance involves measuring the progress of the operations and policies of an organization in monetary terms. The financial performance of an organization focuses on the extent to which the organization is able to achieve financial objectives such as amount of revenue and profitability. For instance, financial profitability can be measured by using net profit, return on investment, return on assets, return on equity and return on sales. In MFIs, financial performance can be assessed in terms of financial profitability, financial sustainability, return on assets, operational self-sufficiency, revenues portfolio yield, and operational costs (Barry & Tacneng, 2014; Christen, 2000; Mersland & Strøm, 2009).

In addition, the institutionalized approach measure the performance of MFIs based on their financial sustainability. In the approach, the financial sustainability is measured in terms of the revenues generated from the utilization of subsidized funds and grants that the MFIs received as well as the amount of operational costs involved.

The Consultative Group to Assist the Poor (CGAP) is a global partnership of 34 leading organizations measure the performance MFIs by using the Microfinance Poverty Evaluation Tools. The CGPA offers one of the most reasonable, simple and accurate ways of measuring the extent to which MFI programs reaches the poor. The guideline provided by CGPA covered both financial and social performance indicators. The financial performance indicators include the following:

(i) Collection performance and the loan disbursed performance

(ii) Financial sustainability in term of subsidy dependent

(iii) Efficiency of administrative cost management

The social performance of MFIs emphasizes social objectives such as their ability to provide loans to larger numbers of very poor family and also the impact of the loans on their lives. The outreach of loans and their impact on the borrowers are measured in terms of breadth, depth, length, scope, cost and number of poor people served, the number of women borrowers, how well the MFIs reaches the poorest and the variety of financial services available (Barry & Tacneng, 2014; Navajas, Schreiner, Meyer, Gonzales-Vega & Meza, 2000; Schreiner, 2002; Zelle & Meyer, 2002).

The Welfarist approach also emphasizes on the need to primarily focus on the social performance of MFIs. According to this approach, the funds and grants given to MFIs are equities donated by social investors and other voluntaries bodies for the purpose of social lending. These investors forgo the financial returns of their investments for the pleasure they derive from helping the poor people. They expect the MFIs to uplift the lives of the poor and improve their social welfare. The Welfarist approach measures the performance of MFIs based on the level of social impact achieved by them. As far as the performance of MFIs is concerned, the approach views the social impact as more important than their financial sustainability. This is because the purpose or mission of MFIs is to provide positive social impact on the lives of the poor people (Mustafa & Saat, 2013; Bosire et al., 2014; Cinca & Nieto, 2014).

Yaron (1992) proposed a two core criterion dimension framework for measuring the performance of MFIs. The two core include; outreach and sustainability. The outreach refers to the numbers of loans provided to the poor while the sustainability involves the total cost of providing the microloans. The outreach criteria measure the performance of MFIs in terms of the financial services provided to the poor people and those targeted for the loans. Sustainability measures MFIs dependency on subsidies based on the Subsidy Dependent Index (SDI). This framework has gained much acceptance and has been adopted by researchers (Nanayakkara, 2012; Schreiner, 1997).

Zelle and Meyer (2002) developed the three dimension criteria structure by including the welfare impact to the two criteria framework developed earlier by Yaron (1992). According to Zelle and Meyer, the three criteria needed to measure the performance of MFIs include; delivery of their services and outreach, financial sustainability and welfare impact. The performance of the microfinance programmes should be measured based on the three criteria. The Zelle and Meyer model involved three circles and triangles. The inner circle of the triangle of microfinance represents the microfinance institution"s innovations in technology, policy, organisation and management that can affect how well each objective is met. However, there is a trade-off in meeting the objectives of achieving financial sustainability, reaching the poorest and in ensuring the borrower is impacted positively. Nonetheless, there are people who believe that it is not possible for a microfinance institution to achieve financial sustainability and reach very high numbers of the poorest borrowers at the same time.

The study by Mayoux (2001)evaluated the impact of microloans schemes by adopting the donor-led and the practitioner-led prospects. Donor led involves assessing the impact on poverty at the levels of the enterprise and the family. This approach is useful in improving the microfinance services, encouraging innovation, determining the impact of microcredit services in reduction of poverty and women empowerment. The practitioner-led approach however was introduced for gathering the information needed to improve microfinance programs relatively rather than substantiating the impact at the levels of enterprises, families, individuals and communities.

2.6 Summary

The literature and findings of past studies emphasizes on the importance of MFIs as a field of study. In addition, it is also evidence from the discussion in this chapter that limited empirical research has attempted to examine the important strategic management variables to MFIs and their relationships to the performance of MFIs, in particular those operating in the financial industry in Nigeria.

The review of the literature and findings of previous studies specifically indicates that empirical investigation into the relationships between business practices, business strategy, competition and performance of MFIs has not been emphasized. The information and research gaps in the area of strategic management in MFIs justified the need for more studies to be conducted in these areas.

Accordingly, the following chapter presents the theoretical framework linking the research variables related to this study and the methodology adopted to investigate the relationships hypothesized in the research model developed in this study.

CHAPTER THREE

THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY

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3.0 Introduction

This chapter provides the theoretical framework as well as the research methodology adopted in this study. More specifically, the chapter describes as well as explains the research model developed in the study, the research hypotheses of the study, the questionnaire, the sampling framework and sample selection, the data collection method, and the statistical methods used to analyze and test the hypotheses developed in the study.

3.1 The Research Framework

As presented in the previous chapter two, despite the increase in knowledge in the area of strategic management, the concept of strategic management in MFIs has not been the subject of much research. The literature indicates that previous studies on strategic management in the context of MFIs do not offer much in the way of integrating the strategic management variables which appeared to have significant importance to the MFIs and their performance, particularly in the Nigerian context.

In an attempt to narrow the research gap in the area of strategic management in MFIs, this study seeks to advance our understanding of strategic management in the resource base view and the contingency theory by empirically examining the relevant variables which can influence the performance of MFIs. More specifically, this research focuses on business practices, business strategy and competition. Based on the suggested relationships of these variables as presented in the literature and past studies, it was hypothesized that business practices, business strategy and competition can influence the performance of MFIs.

The research model proposed in this study is developed based on the resource based view and the contingency theories. Business practices and strategy are considered organizational resources that have implications not only on organizations but they are also contingency factors that can affect organizational performance. The following section explains briefly the two theories.

3.1.1 The Resource-Based Theory

According to the resource-based view (RBV) theory, in order for organizational resources to provide competitive advantage to a firm, they need to fulfil four important requirements. The four requirement are that the resources must be valuable, rare, inimitable and non-substitutable (Barney, 1991; Mahoney & Pandian, 1992). The resources can be tangible as well as intangible. The resources may include; brand names, knowledge, skills, capabilities, technology, machinery, computers, efficient procedures and financial capital (Wernerfelt, 1984). The RBV theory states that firms can derive their competitive advantage from their organizational resources that are valuable, rare, inimitable and non-substitutable. By having competitive advantage, firms are able to perform better their competitors. In this study, strategic planning practices, lending practices, marketing practice, corporate governance practices and ICT practices and business strategy are considered organizational capabilities that have implication on the performance of the MFIs.

3.1.2 The Contingency Approach to Strategic Management

Business practices have evolved and become sufficiently sophisticated that their adoption can help increase the effectiveness of organizations. More importantly, the ultimate concern of business practices is to help all kinds of organizations to improve their performance (Anyim, Chidi & Badejo, 2012; Paauwe, 2009).

According to the contingency perspective, a different organization within a different environment will require a particular model of strategic management. The contingency theory acknowledges that key business practices differ according to various contingency factors and the requirements of each organization. The contingency theory states that the success of a particular firm depends on how well its business practices are able to match or fit with the contingency factors (situational) such as competition, business strategy and the business needs of the organization.

The research framework developed in this study is driven by the proposition that business practices, business strategy and competition have performance implications. By invoking the notion of these relationships in the context of the contingency theory, the research model developed in this study provides a theoretically defensible framework within which the relationships between business practices, business strategy, competition and performance of MFIs can be investigated.

In addition, this research model is universalistic as it allows for the incorporation of several distinct concepts of business practices, business strategy and business environment. For instance, business practices measured in terms of the practices developed by Kamukama et al., (2011), Tadele, (2013), Aloyce and Victor (2012) and Mersland and Ystein Strm (2009).Likewise, business strategy described in terms of the generic classifications (David, 1994; Galbraith & Schendel, 1983; Hofer & Schendel, 1978; Porter, 1980).In the same manner, competition quantified in terms of its intensity (Porter, 1980).

Figure 3.1 below represents the research model of the study. As shown in Figure 3.1 the research model consisted of four research variables. The four research variables include; business practices as independent variable, business strategy and competition as moderating variables and organization performance as the dependent variable.

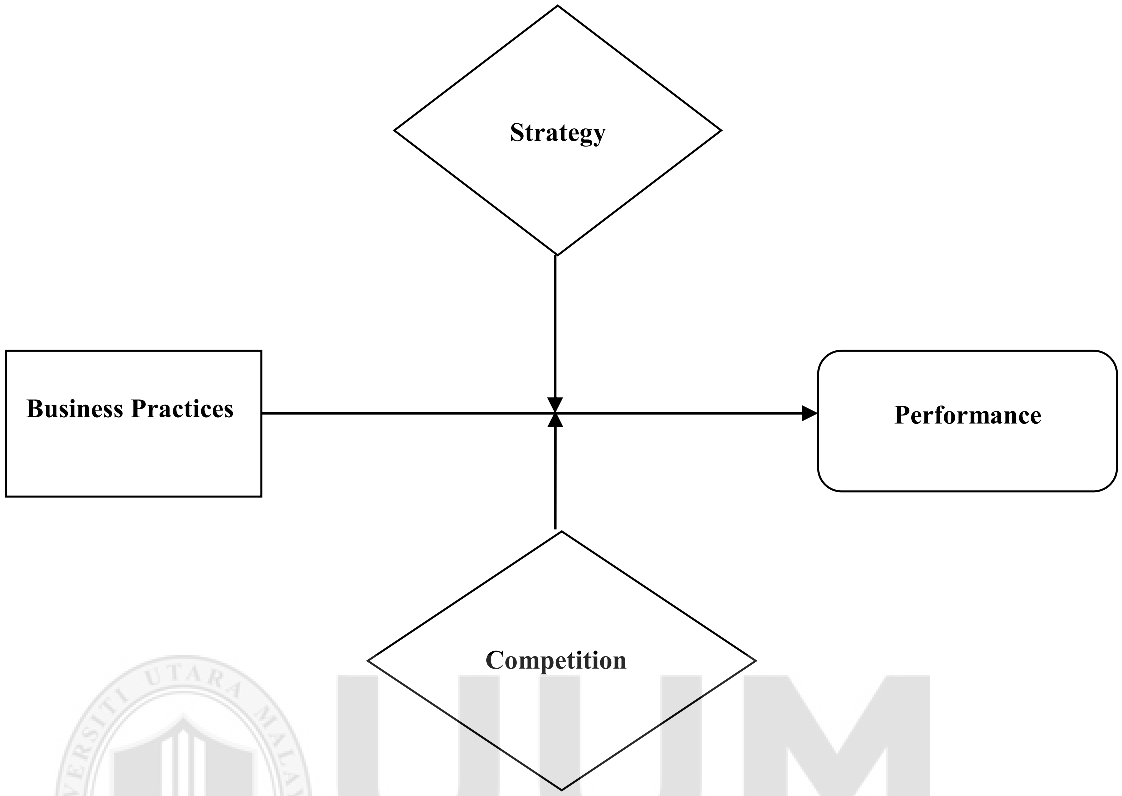

Figure 3.1: The Research Model

The proposition of the research framework is that the relationships between business practices, business strategy and competition have implications on the performance of MFIs. The section below discusses the relationships between the four research variables as presented in the research model.

3.1.3 Relationship between Business Practices and Performance

The model proposes that developing effective business practices should begin by first understanding and knowing the firm‟s competition. In line with the concept of alignment in the contingency approach, the model also suggests that business practices as a contingency variable must be aligned to the competition if the organization is to perform well. A firm that adopts business practices that fit with its environment tends to perform well. A different organization operating in a different environment will require specific business practices. A firm that adopts business practices that do not fit its environment will perform poorly and need to be changed.

The business practices adopted in this study consists of five dimensions, namely; strategic planning practices, lending practices, marketing practices, corporate governance practices, and ICT practices.

The evidence from the literature suggests that these business practices can help organizations to achieve superior performance. For instance, findings of past studies have indicated that the adoption of strategic planning practices can result in better organizational performance (Hopkins & Hopkins, 1997; Pawliczek & Kozel, 2015; Rezamand et al., 2015). Similarly, good lending practices are found to be related to performance of MFIs (Kodongo & Kendi, 2013; Singh & Padhi, 2017; Muhammad Yunus, 1998). Previous studies have also shown that marketing practices are linked to organizational performance (Agyapong, 2015; Homaid et al., 2017; Odhiambo et al., 2015). Evidence from prior research has also suggested the relationship that exists between corporate governance practices and organizational performance (Augustine, 2012; Strøm et al., 2014),and lastly, findings of past study have indicated the association between ICT practices and the performance of MFIs (Aloyce & Victor, 2012; Diniz et al., 2014; Riggins & Weber, 2013).

3.1.4 Relationship between Business Strategy and Organizational Performance

Following the concept of alignment in the contingency approach, the model also suggests that business strategy as a contingency variable. Business strategy needs to be aligned with the business environment if the organization is to perform well. A firm that adopt a business strategy that match with its environment tend to perform better. Porter (1980) and the other prescriptive models have supported also this notion (Homaid et al., 2017; Jauch & Glueck, 1988; Linton & Kask, 2017; Newman, Logad & Hegerty, 1989; Oyewobi et al., 2016; Sharplin, 1985; Thomas L. Wheelen & Hunger, 2013; Yuliansyah et al., 2017).

In addition, the literature also suggests that business strategy has moderating effect on organizational performance (Hitt & Ireland, 1985; Hitt et al., 1982; Mellat-Parasta, Golmohammadib, McFaddenc, 2015; Barrick, Thurgood, 2015). Based on the suggested relationship found in the literature, this model also proposed that contingency relationships do exist between business practices and organizational performance.

3.1.5 Relationship between Competition and Organizational Performance

The literature reveals that competition is considered as one of the most influential external environmental factors that can influence organizational performance. According to Porter (1980), competition in a particular market is driven by five forces and that its intensity can influence the performance of organizations. The contingency theory suggests that there is no one best way to manage a firm. Each different organization is required to cope with competition when operating in a different business environment. For instance, MFIs that face highly competitive environment need to deal and manage their firms in such a way that they avoid or lessen the impact of competition on their organizational performance(Cull, Demirgüç-kunt & Morduch, 2011; Gwasi & Ngambi, 2014).

3.2 Development of the Research Hypotheses

In order to test the proposed relationships between the strategic variables of the research model, this study developed the following hypotheses. As indicated earlier, the literature suggests the general proposition that business practices, business strategy and competition have implications on the performance of MFIs. Applying this general proposition generates the following hypotheses.

Hypothesis 1: There are positive relationships between business practices and performance of MFIs

Previous empirical studies have provided the evidence that indicate the linkage between business practices and organizational performance (Daud & Mohamad, 2010; Hashim, 2011; Hassan, 2010; June & Mahmood, 2011; Subramaniam, Shamsudin & Ibrahim, 2011). In addition, the finding of more recent studies by Kylaheiko et al. (2016), Jayashankar (2012), Kazemian et al. (2015), Ozkaya, Droge, Hult, Calantone and Ozkaya (2015), Dibrell, Craig and Neubaum (2014) and Adeusi et al. (2013) have also demonstrated the existence of the relationship between the dimensions of business practices and organizational performance of MFIs. Consequently, the following hypotheses are proposed for the study.

H1a: There is positive relationship between strategic planning practices and performance of MFIs.

H1b: There is positive relationship between lending practices and performance of MFIs.

.**H1c**: There is positive relationship between marketing practices and performance of MFIs.

H1d: There is positive relationship between corporate governance practices and performance of MFIs

H1e: There is positive relationship between ICT practices and performance of MFIs.

Hypothesis 2: Business strategy moderates the relationships between business practices and performance of MFIs

Previous studies by Hashim and Ahmad (2009), Hashim and Zakaria (2010), Hashim (2015) and Zakaria, Hashim and Ahmad (2016) have found that business strategy is related to organizational performance. In addition, the other studies by Mellat-Parasta, Golmohammadib, McFaddenc (2015), Murray, Barrick and Thurgood (2015), Yuliansyah et al. (2017) and Linton and Kask (2017) have also found that business strategy has interaction effect on the relationships between business practices and organizational performance. Following this view, the following hypotheses are proposed for the study.

H2a: Business strategy moderates the relationship between strategic planning practices and performance of MFIs.

H2b: Business strategy moderates the relationship between lending practices and performance of MFIs.

H2c: Business strategy moderates the relationship between marketing practices and performance of MFIs.

H2d: Business strategy moderates the relationship between corporate governance practices and performance of MFIs

H2e: Business strategy moderates the relationship between ICT practices and performance of MFIs.

H2f: Low cost strategy moderates the relationship between business practices and performance of MFIs.

H2g: Differentiation strategy moderates the relationship between business practices and performance of MFIs.

H2h: Focus strategy moderates the relationship between business practices and performance of MFIs.

H2i: Growth strategy moderates the relationship between business practices and performance of MFIs.

H2j: Harvest strategy moderates the relationship between business practices and performance of MFIs.

Hypothesis 3: Competition moderates the relationship between business practices and performance of MFIs

Findings of past studies have indicated that competition moderates the relationships between business practices and organizational performance (Assefaa et al., 2013; Oyewobi et al., 2016; Vanroose & D"Espallier, 2013). Furthermore, the other studies by Ibrahim and Primiana (2015), Nthigah, Iravo and Kihoro (2014), Cull et al. (2011), Mersland and ystein Strm (2009), Kamukama et al. (2011) and Kodongo and Kendi (2013) emphasized on the importance of competition as an external environmental variable that influence organizational performance. Given this, this study proposed the following hypotheses.

H3a: Competition moderates the relationship between strategic planning practices and performance of MFIs.

H3b: Competition moderates the relationship between lending practices and performance of MFIs.

. **H3c**: Competition moderates the relationship between marketing practices and performance of MFIs.

H3d: Competition moderates the relationship between corporate governance practices and performance of MFIs

H3e: Competition moderates the relationship between ICT practices and performance of MFIs.

3.3 Measurement of Research Variables

As indicated earlier, the research variables involved in this study consist of one independent variable (business practices), two moderating variables (business strategy and competition)and one dependent variable (organizational performance). The section below explains how these focal research variables are measured in the study.

3.3.1 Business Practices

The literature and past studies have presented various business practices adopted by organizations. From the review of past studies, the study has identified several business practices that are considered relevant and applicable to MFIs. The practices include; strategic planning practices, lending practices, marketing practices, corporate governance practices, and ICT practices.

A five point numerical scale ranging from "least applicable" to "most applicable" used to measure the dimensions of the business practices adopted in this study. Each respondent requested to indicate their agreement with the dimensions of the business practices. Table 3.1 below presents the business practices and the items used to measure them.

Table 3.1
Measurement of Business Practices

Variable	Measurement	Source
Strategic Planning Practices	11 items	Hopkins and Hopkins (1997)
Lending Practices	25 items	Kamukama and Ahiauzu (2010)
Marketing Practices	32 items	Austin and Upton (2016) and Orozco (2016)
Corporate Governance Practices	15 items	Mersland & Oystein Strom (2009)
ICT Adoption Practices	30 items	Kagaari et al. (2010), Austin and Upton (2016) and Orozco (2016)

As shown in Table 3.1, the business practices consist of five dimensions. The five dimensions include; strategic planning practices, lending practices, marketing practices, corporate governance practices, and ICT practices. The strategic planning practices measurement consists of 11 items. The items were adapted from Hopkins and Hopkins (1997).

The lending practices was measured using 25 items adapted from the study Kamukama, Ahiauzu and Ntayi (2010). The marketing practices was measured using 32 items adopted from Austin and Upton (2016) and Orozco (2016). The corporate governance practices consist of 15 items borrowed from Mersland and Oystein Strom (2009). The ICT practices have 30 items adapted from Kagaari et al., (2010), Austin and Upton (2016) and Orozco (2016).

3.3.2 Business Strategy

The literature indicates several possible alternative strategies that are available for a firm to pursue. For the purpose of this research, strategy was examined at the business level. Additionally, in the study, an attempt was made to investigate business strategy as a moderating variable that affect the relationships between business practices and performance.

The measurement of business strategy as adopted in this study is provided in Table 3.2 The business strategies include; low cost, differentiation, growth, harvest and focus. The low cost strategy consists of 15 items, the differentiation strategy has 8 items, the growth strategy is measured by using seven items, the harvest strategy comprises five items and the focus strategy has five items.

The low cost, differentiation and focus strategies are adapted from Porter(1980). The growth and harvest strategies are borrowed from the study by Galbraith and Schendel (1983). A five point numerical scale ranging from "least applicable" to "most applicable" was used to measure the five business strategies adopted in this study.

Table 3.2
Measurement of Business Strategy

Variable	Measurement	Source
Low cost strategy	15 items	Porter (1980)
Differentiation strategy	8 items	Porter (1980)
Focus strategy	5 items	Porter (1980)
Growth strategy	7 items	Galbraith and Schendel (1983)
Harvest strategy	5 items	Galbraith and Schendel (1983)

3.3.3 Competition

As one of the important external environmental factors, competition can affect the performance of organization. This is because competition as an important element of the business environment can influence a variety of organizational decisions such as business practices as well as business strategy (Porter, 1980; Beaver & Prince, 2004; Fee, Hadlock, & Pierce, 2013; Kongmanila & Kimbara, 2007; Macmahon, 1996).

Table 3.3 presents measurement of competition. The intensity of competition in this study was measured by using 26 items. The items are adopted from Porter (1980). Using a five-point numerical scale ranging from "strongly disagree" to "strongly agree", respondents was asked to indicate the level of competition that their firms faced.

Table 3.3
Measurement of Competition

Variable	Measurement	Source
Potential Entrants	6 items	Porter (1980)
Industry Competitors	9 items	Porter (1980)
Substitutes Products	4 items	Porter (1980)
Customers	7 items	Porter (1980)

3.3.4 Organizational Performance

As indicated earlier, the literature suggests that research should adopt multiple measures in order to capture more fully the dimensions of the performance of the MFIs. In this study, organizational performance as the dependent variable was measured by using financial and the social indicators as presented in Table 3.4 below.

Table 3.4
Organizational Performance Measurements

Variables	Measurements	Source
Organizational Performance	Rate of loans repayment (%) Value of loans disbursed No. of loans disbursed No. of deposits	Adapted from CGAP/World Bank (2003)
	No. of borrowers Average loan size No. of women borrowers	Adapted from Barry and Tecnary (2014)

As indicated in Table 3.4, the organizational performance measures adopted in this study included financial as well as non-financial measures. The financial performance measurement consist of four items and the social performance measurement consist of three items The financial performance indicators are adapted from the CGAP (2003) and the non-financial performance indicators are adopted from the study by Barry Tacneng (2014).

In this study, the financial performance was evaluated by using the actual figures of Naira for the last five financial years. On the other hand, the non-financial performance measures was evaluated by using the number of active borrowers, average loan size and percentage of women borrowers for the last five financial years.

3.4 The Questionnaire

The structured questionnaire adopted in this study has a total of 201 items and is divided into the following six sections:

Section 1 consists of nine items. These items used to seek information regarding the background of the respondent that include; current position, education, ethnic, gender, and number of years of working experiences.

Section 2 contains 35 items. The 35 items attempts to collect information concerning the characteristics of the MFIs such as year of establishment, location, scheme type, numbers of employees, mission and initial capital and other related characteristics.

Section 3 has 99 items that focuses on the business practices of the MFIs. Of the 99 items, 11 items used to measure strategic planning practices, another 22 items measure lending practices, 28 items measure marketing practices, the other eight items to measure corporate governance practice, and the remaining 30items measure ICT practices.

Section 4collected the data on the business strategy adopted by the MFIs. Among the business strategies include; low cost, differentiation, growth, harvest and focus. There are 15 items to measure low cost strategy, eight items to measure differentiation strategy, seven items to measure growth strategy, five items to measure harvest strategy and another five items to measure focus strategy.

Section 5 gathers the data on the intensity of competition in the financial industry in which the MFIs operate. This section contains 11 items. The items in the section were used to capture the five forces that drive competition faced by the MFIs.

Section 6 focuses on measuring the performance of the MFIs by using seven items. Four of seven items measure financial performance and the remaining three items measure social performance. The data for measuring the performance was collected for over a period of three years.

3.5 Reliability and Validity of Measurement

The reliability and validity of the research variables was analyzed by using the structural equation modeling (PLS-SEM). The coefficient alphas of the measures were used to determine the reliability of the measurement. The construct validity was assessed through discriminant validity and convergent validity. The questionnaire was also assessed for validity through the content (face) validity approach. Copies of the questionnaires were also showed to experts (associate professors and professors) and their feedback suggested that most of the measures reflected their conceptual content. Therefore, some tentative evidence of validity of the variables was obtained in this study.

3.6 Target Population

The target population of this study is the MFIs operating in the financial industry in Nigeria. In the study, the Central Bank of Nigeria (CBN) Directory was used to identify the MFIs in Nigeria. According to the CBN Directory, there are 872 MFIs in Nigeria and these institutions are located in 37 states in the country. This study used the CBN Directory as its sampling frame. Table 3.5 lists the numbers of MFIs according to their locations in the 37 states in Nigeria as well as the 121 MFIs from 27 states that responded.

Table 3.5
Target Population and the Sample firm of MFIs

State	Target Populations	Sample Firm	Percentage (%)
Abia	20	4	0.46
Abuja FCT	80	17	1.95
Adamawa	8	2	0.23
AkwaIbom	15	4	0.46
Anambra	74	5	0.57
Bauchi	12	3	0.34
Bayelsa	3	0	0.00
Benue	10	5	0.57
Borno	4	1	0.11
Cross River	1	0	0.00
Delta	37	2	0.23
Ebony	8	3	0.34
Edo	21	4	0.46
Ekiti	12	0	0.00
Enugu	23	5	0.57
Gombe	4	1	0.11
Imo	3	0	0.00
Jigawa	11	3	0.34
Kaduna	40	12	1.38
Kano	38	5	0.57
Katsina	6	0	0.00
Kebbi	9	3	0.34
Kogi	22	3	0.34
Kwara	23	0	0.00
Lagos	174	18	2.06
Nasarawa	8	2	0.23
Niger	27	3	0.34
Ogun	49	0	0.00
Ondo	16	0	0.00
Osun	33	3	0.34
Oyo	50	3	0.34
Plateau	1	0	0.00
Rivers	6	3	0.34
Sokoto	10	3	0.34
Taraba	1	0	0.00
Yobe	6	2	0.23
Zamfara	7	2	0.23
Total	**872**	**121**	**13.88**

3.7 Data Collection Method

The data for this study was collected through mailed questionnaires. The structured questionnaires were addressed to the Managing Director/CEO, General Managers and Senior Managers of the MFIs. Self-addressed envelope with paid postage stamp is enclosed with each of the questionnaire mailed to the 872 MFIs. Of the 872 MFIs, only

121 MFIs completed and returned the questionnaires. This outcome resulted in the overall response rate of 13.9%.

3.8 Statistical Analyses

This study used the Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze the data collected as well as to test the hypotheses of the study. The first part of the data analysis involved descriptive statistics. This involves determining the percentages, means, modes, standard deviations, minimum and maximum value of the items used in collecting the data for the study. In the second part, the partial least squares (PLS) regression modeling was used for testing the research hypotheses. The PLS analyses used in this study involves the assessment of measurement as well as the structural models. The following section briefly describes the statistical procedures used in this study.

3.8.1 Assessment of the Measurement Model

In the PLS regression analysis, assessment of measurement model was required for testing hypotheses1, 2 and 3. The assessment of measurement model in this study involves examining the individual item reliability, ascertaining internal consistency reliability, ascertaining convergent validity as well as discriminant validity. More specifically, this method was employed for testing the reliability and validity of the items and the focal variables used in this study.

As shown in the table 3.5 to 3.7, the loading of all items is greater than 0.40 and the composite reliability value (CRV) of all constructs is greater than 0.70. The Average Variance Extracted (AVE) values of all constructs are also greater than 0.50, ranging from 0.502 to 0.968. The Composite Reliability (CR) values ranged from 0.759 to 0.994. Taken together, these results statistically fulfilled the convergent validity criteria recommended by Hair et al. (2011). However, from the 139 items of the variables, 41 were deleted because their loadings are below the threshold of 0.40. These results also suggest the reliability of the measures used in the study.

Table 3.6
AVE and Composite Reliability

Variables	Items	Loadings	AVE	Composite Reliability
	CGP1	**0.729**		
	CGP10	**0.665**		
	CGP13	**0.612**		
	CGP2	**0.785**		
	CGP3	**0.681**		
	CGP4	**0.634**		
	CGP5	**0.720**		
	CGP6	**0.753**		
Corporate Governance Practice	CGP9	**0.776**	0.502	0.900
	COM10	**0.724**		
	COM17	**0.640**		
Competition	COM7	**0.780**	0.514	0.759
	ICTAP1	**0.778**		
	ICTAP10	**0.726**		
	ICTAP11	**0.732**		
	ICTAP2	**0.635**		
	ICTAP3	**0.623**		
	ICTAP4	**0.692**		
	ICTAP5	**0.743**		
	ICTAP6	**0.763**		
	ICTAP7	**0.764**		
ICT Practice	ICTAP8	**0.718**	0.517	0.914
	LP1	**0.835**		
	LP10	**0.780**		
	LP2	**0.833**		
	LP3	**0.832**		
	LP8	**0.722**		
Landing Practices	LP9	**0.749**	0.629	0.910

Table 3.6
Continued

Variables	Items	Loadings	AVE	Composite Reliability
	MP10	**0.808**		
	MP11	**0.848**		
	MP12	**0.632**		
	MP13	**0.741**		
	MP14	**0.714**		
	MP15	**0.583**		
	MP16	**0.859**		
	MP17	**0.787**		
	MP18	**0.793**		
	MP19	**0.738**		
	MP20	**0.765**		
	MP25	**0.628**		
	MP26	**0.670**		
	MP27	**0.662**		
	MP28	**0.641**		
	MP29	**0.703**		
	MP30	**0.519**		
	MP31	**0.563**		
	MP7	**0.878**		
	MP8	**0.799**		
Marketing Practice	MP9	**0.850**	0.533	0.959
	P1	**0.596**		
	P2	**0.902**		
	P5	**0.850**		
Performance	P7	**0.876**	0.665	0.886
	SPP1	**0.708**		
	SPP10	**0.814**		
	SPP11	**0.820**		
	SPP2	**0.857**		
	SPP3	**0.645**		
	SPP4	**0.602**		
	SPP8	**0.848**		
Strategic Planning Practice	SPP9	**0.687**	0.568	0.912

Table 3.7

AVE and Composite Reliability (Second Order)

First Order	Second Order	Items	Loadings	AVE	CR
		FS1	0.9728		
		FS2	0.9849		
		FS3	0.9815		
		FS4	0.9904		
Focus Strategy		FS5	0.9902	0.9682	0.9935
		GS1	0.6978		
		GS2	0.7028		
		GS3	0.9347		
		GS4	0.9059		
		GS5	0.9265		
		GS6	0.9444		
Growth Strategy		GS7	0.8899	0.6568	0.8542
		LCS1	0.8887		
		LCS10	0.9437		
		LCS11	0.9153		
		LCS13	0.9028		
		LCS14	0.9461		
		LCS15	0.9158		
		LCS2	0.8921		
		LCS3	0.8581		
		LCS4	0.9439		
Low cost Strategy		LCS5	0.9058	0.8311	0.9801
		Focus	0.9940		
		Growth	0.7690		
	Strategy	Low cost	0.4810	0.6040	0.8090

Table 3.8

Discriminant Validity

	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Corporate Governance Practice	**0.709**									
Competition	0.291	**0.717**								
ICT Practice	0.139	0.078	**0.719**							
Landing Practices	0.273	0.004	0.052	**0.793**						
Marketing Practice	0.677	0.272	0.276	0.215	**0.730**					
Performance	0.452	0.412	0.224	0.248	0.522	**0.815**				
Strategic Planning Practice	0.169	0.035	0.072	0.168	0.176	0.248	**0.753**			
Low Cost Strategy	0.254	0.018	0.441	0.394	0.365	0.303	0.505	**0.912**		
Growth Strategy	0.119	0.075	0.531	0.427	0.146	0.421	0.312	0.255	**0.810**	
Focus Strategy	0.307	0.406	0.456	0.516	0.203	0.171	0.222	0.376	0.405	**0.984**

3.8.2 Assessment of the Structural Model

Having ascertained the measurement model, the study assessed the structural model. The assessment of the structural model involve the assessment of significance of path coefficients, the determinant of level of R^2 values, the assessment of the effect size, the assessment of predictive relevance as well as the assessment of the moderating effect. In the assessment of significance of the path coefficients, the study applied 5000 bootstrap samples and 121 cases as required by the standard bootstrapping technique (Hair, Hult, Ringle and Sarstedt, 2014).

3.9 Summary

This chapter focuses on the theoretical framework and the research methodology adopted in conducting this study. More specifically, the chapter explains the research hypotheses, research variables adopted in the study, the questionnaire, population of the study and the sampling framework, the data collection method, and the statistical methods used in the study.

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CHAPTER FOUR

THE RESULTS

4.0 Introduction

In this chapter, the results of the study are presented in two parts. In the first part, the chapter provides the descriptive statistics of the profile of the respondents, the organizational characteristics of the participating MFIs as well as the research variables investigated in the study. Following this, the second part shows the results of the hypotheses testing. The research hypotheses developed in the study was tested by using the structural equation modeling (PLS-SEM).

4.1 Profile of the Respondents

The data for the study was collected from 121 microfinance institutions (MFIs) in Nigeria. Out of the 121 respondents, 58 respondents were General Managers, another 47 were Senior Managers and the remaining 16 respondents were Managing Directors and Chief Executive Officers of the MFIs. Table 4.1 presents the profile of the 121 respondents that participated in the study.

As shown in Table 4.1, 90 (74.4 percent) of the total of 121 respondents were male and the remaining 31 respondents (25.6 percent) were female. In terms of their age, 52 respondents (43 percent) were between the ages of 30 and 40 years old, another 52 respondents (43 percent) were between 41 to 50 years old and the remaining 17 respondents (14 percent) were between 51 and 60 years old.

As for their ethnic background, 44 respondents (36.4 percent) were from the Yoruba tribe, 28 respondents (23.1 percent) were members of the Igbo tribe, another 25 respondents (20.7 percent) presents from the Hausa tribe and the remaining 24 respondents (19.8 percent) represented the other minority tribes.

With regard to the education of the respondents, 51 respondents reported that had a bachelor degree, another 41 respondents indicated that had a master"s degree and the remaining 29 respondents disclosed that had a diploma or the national certificate of education (NCE).

As far as their current work experience is concerned, 58 respondents (47.9 percent) reported that they have been working in their financial institutions between four to five years. The other 41 respondents (33.9 percent) indicated that they have been working in their organizations between one to three years. The other 15 respondents (12.4 percent) stated that they have been with their organizations between six to seven years. The remaining seven respondents (5.8 percent) had worked for less than a year in their financial institutions.

With regard to their work experience in the microfinance industry, 92 respondents (76 percent) indicated that they had between five to nine years of experience in the industry, the other 26 respondents (21.5 percent) reported having 10 years of experience and the remaining three respondents (2.5 percent) stated that they have between one to four years of experience in the microfinance industry.

Table 4.1
Profile of the respondents

Profile	**Frequency**	**Percentage**
Gender:		
Male	90	74.4
Female	31	25.6
Age:		
30-40 years	52	43.0
41-50 years	52	43.0
51-60 years	17	14.0
Yoruba	44	36.4
Igbo	28	23.1
Hausa	25	20.7
Other tribes	24	19.8
Level of Education:		
Bachelor	51	42.1
Masters	41	33.9
Diploma/NCE	29	24.0
No. of years in MFIs		
4-5 Years	58	47.9
1-3 Years	41	33.9
6-7 Years	15	12.4
Less than 1 year	7	5.80
Experience in the Microfinance Industry:		
5-9 Years	92	76.0
10 years and above	26	21.5
1-4Years	3	2.50

4.2 Characteristics of the MFIs

The organizational characteristics of the 121 microfinance institutions that participated in the study are summarized in Table 4.2. As presented in Table 4.2, the age of the 121 MFIs ranged from three years to nine years old. Of the 121 MFIs, 101 MFIs (83.5 percent) reported that their institutions were between six to nine years old. The remaining 20 MFIs (16.5 percent) indicated that their financial institutions were between three to five years old.

As for the amount of capital, 45 MFIs (37.2 percent) stated that their capital was between 20 to 29 million Naira, another 43 MFIs (35.5 percent) had between 30 to 39 million

Naira, the other eight MFIs (6.6 percent) reported having between 40 to 49 million Naira, another nine MFIs (7.4 percent) stated they had between 50 to 99 million Naira, only two MFIs (1.7 percent) cited their capital was between 100 to 199 million Naira, and the remaining 14 MFIs (11.6 percent) disclosed that they had between 200 to 300 million Naira.

With regard to their sources of funds, 85 MFIs (70.2 percent) revealed that their shareholders" funds as their main source of funding, another 16 MFIs (13.2 percent) indicated that government grants as their main source of fund and the remaining 20 MFIs (16.5 percent) stated that grants from NGOs as their main source of fund.

As far as the ownership of the MFIs is concerned, 51 MFIs (42.1 percent) in the study were owned by the community, another 30 MFIs (24.8 percent) were owned by their shareholders, the other 21 MFIs (17.4 percent) were owned by their partners and the remaining 19 MFIs (15.7 percent) were owned by NGOs.

In terms of the number of full time employees working in the financial institutions, 12 MFIs (9.9 percent) had between 51 to 60 employees, another 19 MFIs (15.7 percent) had between 61 to 70 employees, the other 25 MFIs (20.7 percent) had between 71 to 99 employees, another 22 MFIs (18.2percent) reported having between 100 to 199 employees and the remaining 24 MFIs (19.8 percent) stated that they had between 200 to 299 employees working in their institutions.

As for their targeted borrowers, 51 MFIs (42.1 percent) focused only on individual customers while the remaining 70 MFIs (57.9 percent) emphasized on both individual and group customers. In addition, 20 MFIs (16.5 percent) reported that they targeted only women as their major clients. However, the remaining 101 MFIs (83.5 percent) revealed that their borrowers included both women and men.

With regard to the breadth of their business operations, 95 MFIs (78.5 percent) disclosed that their institutions operated only locally. Another 10 MFIs (8.3 percent) stated that their financial institutions operated within the states in Nigeria. The remaining 16 MFIs (13.2 percent) indicated that they operated nationwide.

In terms of the business legal form of the MFIs, 51 MFIs (42.1 percent) of the 121 MFIs registered their financial institutions as partnerships while the remaining 70 MFIs (57.9 percent) were legally formed as private limited companies.

As for their number of borrowers, 54 MFIs (44.6 percent) reported having between 100 to 499 borrowers, the other 40 MFIs (33.1 percent) stated that they had between 500 to 999 borrowers, another 14 MFIs (11.6 percent) indicated that they had between 1,000 to 4,999 borrowers and the remaining 13 MFIs (10.7 percent) revealed that their institutions had between 5,000 to 10,000 borrowers.

Table 4.2
Characteristics of the MFIs

Characteristics		Frequency	Percentage (%)
Age of the MFIs:			
	6-9 years old	101	83.5
	3-5 years old	20	16.5
Capital of MFIs:			
	20-29 million	45	37.2
	30-39 million	43	35.5
	200-300 million	14	11.6
	50-99 million	9	7.4
	40-49 million	8	6.6
	100-199 million	2	1.7
Source of funds:			
	Shareholders" funds	85	70.2
	Government grants	16	13.2
	Grants from NGOs	20	16.5
Types of owners:	Community	51	42.1
	Shareholders	30	24.8
	Partners	21	17.4
	NGO	19	15.7
Number of employees:			
	51-60 employees	12	9.9
	61-70 employees	19	15.7
	71-99 employees	25	20.7
	100-199 employees	22	18.2
	200-299 employees	24	19.8
Target borrowers:			
	Individual only	51	42.1
	Both individual and group	70	57.9
	Women only	20	16.5
	Both women and men	101	83.5
Breath of Operations:			
	Local	95	78.5
	State	10	8.3
	National	16	13.2
Legal Forms of MFIs:			
	Partnership	51	42.1
	Private limited company	70	57.9
Total No. of Borrowers:			
	100-499 borrowers	54	44.6
	500-999 borrowers	40	33.1
	1,000-4,999 borrowers	14	11.6
	5,000-10,000 borrowers	13	10.7

4.3 Products and Services Provided by the MFIs

The financial products and services provided by the 121 MFIs are listed in Table 4.3. As presented in Table 4.3, two MFIs (1.7 percent) offered only consumer microloan, another two MFIs (1.7 percent) provided consumer and agricultural loans, the other eight MFIs (6.6 percent) dispersed trading and livestock loans, the other 13 MFIs (10.7 percent) rendered trading and agricultural loans, another nine MFIs (7.4 percent) provided trading, education and agricultural loans to their customers, 43 MFIs (35.5 percent) offered loans for developing work skills and agriculture and the remaining 44 MFIs (36.4 percent) dispersed loans for petty businesses.

Apart from the financial products, the MFIs in the study also provided several different types of financial services. As shown in Table 4.3, eight MFIs (6.6 percent) offered microcredit services only, 11 MFIs (9.1 percent) provided savings, 14 MFIs (11.6 percent) accepted savings and sold insurance, another 12 MFIs (9.9 percent) offered saving schemes as well as funds transfer, the other 15 MFIs (12.4 percent) provided funds transfer, another 28 MFIs (23.1 percent) rendered, savings, funds transfer and supply agricultural products services, 21 MFIs (17.4 percent) offered services such as savings, funds transfer, insurance as well as financial training, and the remaining 12 MFIs (9.9 percent) provided savings, funds transfer, insurance, training, and business consulting services.

Table 4.3
Products and Services Provided by the MFIs

Products and Services	Frequency	Percentage (%)
Type of Microloans:		
Consumer microloan	2	1.7
Consumer and agricultural loans	2	1.7
Loans for trading and buying livestock	8	6.6
Trading and agricultural loans	13	10.7
Trading, education and agricultural loans	9	7.4
Loans for developing work skills and agricultural	43	35.5
Petty businesses loans	44	36.4
Type of Financial Services:		
Microloans only	8	6.6
Savings	11	9.1
Saving and insurance	14	11.6
Funds transfer ,and insurance	12	9.9
Funds transfer	15	12.4
Savings, funds transfer supply of agricultural product	28	23.1
Savings, funds transfer, insurance and training	21	17.4
Savings, funds transfer, Insurance , training , business and consulting	12	9.9

4.4 Lending Policies of the MFIs

Table 4.4 presents the lending policies adopted by the MFIs in the study. Of the 121 MFIs, 20 MFIs (16.5 percent) indicated that their borrowers consisted of poor people that earned less than US$2 a day. The remaining 101 MFIs (83.5 percent) reported that they provided lending facility to all groups of customers.

In terms of the minimum and maximum amount of loans granted by the MFIs, 27 MFIs (22.3 percent) indicated offering between N10,000 to N20,000, the other 11 MFIs (9.1 percent) provided between N100,000 to N200,000, another 17 MFIs (14 percent) dispersed between N100,000 to N200,000 and the remaining 83 MFIs (68.6 percent) granted between N500,000 to N600,000.

As for the loans repayment installment, seven MFIs (5.8 percent) received repayment installment on daily basis, another 89 MFIs (73.6 percent) collected their loan installments weekly and the remaining 25 MFIs (20.7 percent) allowed their borrowers to repay their loans installment on a monthly basis.

In terms of the interest rates of the loans, 27 MFIs (22.3 percent) indicated they charged less than 5% per month, another eight MFIs (6.6 percent) stated that their rates ranged between 11%-15% per month, the other 56 MFIs (46.3 percent) reported their rates were between 16%-20% per month and the remaining 30 MFIs (24.8 percent) charged more than 20% per month.

As far as the tenure of the loans is concerned, 22 MFIs (18.2 percent) indicated that their loans were for three months, another 80 MFIs (66.1 percent) reported that their loans were for six months and the remaining 19 MFIs (15.7 percent) stated that their loans were for one year.

With regard to the time taken to process and approve the loan applications, 53 MFIs (43.8 percent) indicated that their institutions took about 10 days, and other 40 MFIs (33.1 percent) reported that they required about 15 days and the remaining 28 MFIs (23.1

percent) stated their institutions took about 30 days to process as well as approve their loans applications.

In terms of collateral, 101 MFIs (83.5 percent) indicated that their institutions required a guarantor for their loans while the remaining 20 MFIs (16.5 percent) did not required any form of guarantee. In addition, the borrowers were also given a grace period before their first repayment installment. With regard to the grace period of the repayment of the loans, eight MFIs (6.6 percent) gave seven days, the other 102 MFIs (84.3 percent) allowed 15 days and the remaining 11 MFIs (9.1 percent) granted a period of one month.

Table 4.4
Lending Policies of the MFIs

Lending Policies	Frequency	Percentage (%)
Type of customers:		
Customer that earned less than US$ 2 per day	20	16.5
Other customer	101	83.5
Firm's minimum loan/credit amount:		
10,000-20,000	27	22.3
25,000-35,000	16	13.2
40,000-50,000	41	33.9
55,000-80,000	8	6.6
85,000-100,000	18	14.9
100,000-200,000	11	9.1
Firm's Maximum Loan/Credit Amount:		
100,000-200,000	17	14
250,000-350000	16	13.2
400,000-450,000	5	4.1
500,000-600,000	83	68.6
Loans Installment Schedule:		
Daily	7	5.8
Weekly	89	73.6
Monthly	25	20.7
Interest Rate Charged;		
Less than 5% per month	27	22.3
11%-15% per month	8	6.6
16%-20% per month	56	46.3
more than 20% per month	30	24.8

Table 4.4
Continued

Lending Policies	Frequency	Percentage (%)
Duration of Loans:		
3 months	22	18.2
6 months	80	66.1
1 year	19	15.7
Duration of Processing and Approval of Loans:		
10 days	53	43.8
15 days	40	33.1
30 days	28	23.1
Documents Required for Loans Application:		
Application form only	20	16.5
Application and guarantors form	31	25.6
Application and group cross guarantee form	17	14
Application and guarantors ,customers address verifications forms	17	14
Application, guarantor, and business verification forms	36	29.8
Guarantor Required for Loan Application:		
Guarantor required	101	83.5
Guarantor not required	20	16.5
Loans Grace Period after Disbursement:		
7 days	8	6.6
15 days	102	84.3
One month	11	9.1

4.5 Descriptive Statistics of the Research Variables

The descriptive statistics of the research variables investigated in the study included, business practices, business strategy, intensity of competition and performance. Table 4.5 presents the mean and standard deviation scores of the research variables involved in this study.

Table 4.5
Descriptive Statistics of Research Variables

Variable/ Dimensions	N	Number of Items	Minimum	Maximum	Mean (M)	Std. Deviation (SD)
Business Practices	**121**	**99**	**1.00**	**5.00**	**3.979**	**0.103**
SPP	121	11	1.00	5.00	3.828	0.566
LP	121	22	1.00	5.00	3.792	0.361
MP	121	28	1.00	5.00	4.006	0.474
CGP	121	8	1.00	5.00	4.237	0.500
ICTP	121	30	1.00	5.00	4.036	0.316
Business Strategy	**121**	**27**	**4.00**	**5.00**	**4.381**	**0.338**
LCS	67	15	4.00	5.00	4.096	0.872
GS	18	7	4.00	5.00	4.663	0.225
FS	36	5	4.00	5.00	4.383	0.716
Competition	**121**	**9**	**1.00**	**5.00**	**3.284**	**0.712**
COM	121	9	1.00	5.00	3.284	0.712
Performance	**121**	**4**	**4839.50**	**226500.00**	**15273.270**	**2509.276**
P1	121	1	4839.50	236353.60	18445.230	5764.065
P2	121	1	6740.20	251440.00	21323.962	3173.023
P3	121	1	4680.00	226500.00	11583.802	25642.217
P4	121	1	2060.20	24940.00	9740.160	5730.806

In the study, business practices as the independent variable was measured in terms of strategic planning, lending practice, marketing practice, corporate governance and information and communication technology (ICT) practice. The following section provides the mean and standard deviation values of these variables.

4.5.1 Strategic Planning Practice

The strategic planning practice adopted in this study were measured based on 11 items. Table 4.5.1 presents the mean and standard deviation scores of the strategic planning practice. As shown in Table 4.5.1, the mean values ranged from 3.64 to 3.90. The mean values in Table 4.5.1 suggest that the MFIs to certain extent practice strategic planning in their institutions.

Table 4.5.1
Strategic planning practice

Item	Mean	SD
Strategic plan	3.87	.645
Business vision	3.87	.706
Business mission	3.85	.615
Stating objectives	3.90	.663
Internal environment assessment	3.85	.715
External environment analyses	3.67	.735
Strategy formulation	3.83	.699
Strategy implementation	3.87	.718
Performance assessment	3.64	.753
Strategy evaluation	3.86	.636
Strategy control	3.90	.688

4.5.2 Lending Practice

Lending practice as one of the business practices in this study was measured based on 22 items. The mean and standard deviation scores of the dimensions of the lending practice are presented in Table 4.5.2. As shown in Table 4.5.2, the mean values ranged from 3.51 to 4.14.

Table 4.5.2
Lending practice

	Mean	SD
Lending policies	3.87	.706
Loans to individuals	3.89	.693
Loans to group	3.93	.721
Loans to organizations	3.45	.885
Weekly repayment	3.50	.941
Loans to women	3.51	.807
Loans to the poor	3.58	.793
Loans to all customers	4.00	.764
Financial advice and training	4.14	.675
Reasonable interest rate	4.11	.705
Timely loans approval	3.83	.628
Loans processing charges	3.79	.710
Loans without collateral	3.80	.678
Business loans	3.85	.641
Personal loans	3.83	.703
Loans documentation	3.61	.746
Guarantors Required	3.84	.719
Personal repayment	3.86	.745
Machine repayment	3.68	.777
Employees repayment collection	3.85	.615
Earlier loans settlements	3.83	.715
Free earlier settlements	3.83	.654

4.5.3 Marketing Practice

The marketing practice in this study was measured by using 28 items. The mean and standard deviation of the measures of the marketing practice are presented in Table 4.5.3. As indicated in Table 4.5.3, the mean scores ranged from 3.59 to 4.40. Taken together, these results suggest that the MFIs adopted marketing practice in their institutions.

Table 4.5.3
Marketing practice

	Mean	SD
Marketing plan	3.59	0.882
Market research	3.59	0.863
Consumer‟s behavior studying	3.62	0.777
Several loans offers	4.03	0.706
Value services provided	4.1	0.625
Understanding borrowers needs	4.19	0.722
Customers satisfaction	4.02	0.747
Existing services improvement	3.96	0.768
New services offers	4.03	0.73
Services differentiation	3.99	0.725
Value added services	3.99	0.822
Marketing strategies implementation	3.99	0.811
Print media advertisement	3.98	0.836
Social media promotion	3.83	0.863
Mobile app customers inquiry	3.98	0.785
Internet marketing advertisement	4.01	0.769
Mobile advertising	3.96	0.81
Information through text messages to customers	3.97	0.741
Promotion to larger group	3.7	0.98
Advertising budget for business objectives	3.72	0.985
Location-targeted mobile advertising	3.75	0.924
Sales promotion program	3.71	0.851
Clients interaction promotion	4.21	0.819
Publicity promotion	4.4	0.769
SMS for approved loans	4.27	0.806
SMS for missed installment	4.32	0.858
Facebook and Twitter promotion	3.83	0.863
Website promotion	4.37	0.877

4.5.4 Corporate Governance Practice

In the study, corporate governance practice was measured by using eight items. Table 4.5.4 presents the mean and standard deviation scores of the eight items used for measuring corporate governance practice. The mean values ranged from 4.00 to 4.45. The high mean values seem to suggest that the MFIs adopted corporate governance.

Table 4.5.4
Corporate governance practice

Item	Mean	SD
Board involves in building vision, mission and direction of MFIs	4.19	1.04
Board involvement in resources allocation	4.15	.980
Establish general policies by the board	4.23	.955
Board focuses on shareholders" interests	4.41	.853
Board monitors organizational performance	4.40	.801
Board monitors management	4.45	.719
Board contributes to the formulation of the MFIs" business strategy	4.06	.649
Board supports management	4.00	.707

4.5.5 ICT Practice

The study used 10 items to measure the ICT practice adopted by the MFIs. The mean and standard deviation values of the 30 measures of ICT practice are indicated in Table 4.5.5. As presented in Table 4.5.5, the mean values ranged from 3.83 to 4.26. These results suggest that the MFIs adopted ICT.

Table 4.5.5
ICT practice

	Mean	SD
ICT infrastructure and equipment	4.06	0.649
Up-to-date hardware	3.96	0.712
Up-to-date software	4	0.719
Cloud computing	4.14	0.789
Used Spreadsheet	4.03	0.73
Adopt Smartphone apps	3.94	0.734
Low network downtime	4.26	0.78
End-users/supports staff communications	4.03	0.645
Adopted Up-to-date ICT	4.01	0.736
Right ICT investment	4	0.785
Taught employees new technology	4.01	0.725
Overcome fear of technology	3.97	0.706
Plant the seeds of technological awareness	4.12	0.968
Stay ahead of the technology curve	4.11	0.99
Developing technology awareness	4.17	0.879
Able to compete with ICT	4.19	0.925
ICT work for the organization	3.97	0.706
Pooling technological resources	3.83	0.663
Technology sharping competitive edge	3.87	0.706
Distributes computer controls	4.08	0.653
Perform repetitive tasks error free	4.07	0.697
Eliminate guesswork	4.1	0.625
Computerize system services.	4.03	0.657

Table 4.5.5
Continued

	Mean	SD
Computerize workflow.	3.98	0.796
Integrate inventory systems	4.08	0.872
Installed point-of-sales terminals.	4	0.785
Computerized loan applications process	4.07	0.655
Computerized loans repayment monitoring	4.01	0.725
Provide information about services on website	4.04	0.624
Use social media platforms promote services.	3.97	0.73

4.6 Business Strategy

In the study, business strategy was examined as one of the moderating variables. The study adopted five types of business strategy. The five strategies investigated in the study included, low cost strategy, differentiation strategy, growth strategy, harvest strategy and focus strategy. Table 4.6 presents the business strategy as adopted by the MFIs in the study. The information in Table 4.6 shows that 67 MFIs (55.4 percent) used low cost strategy, the other 18 MFIs (14.9 percent) implemented growth strategy, and the remaining 36 MFIs (29.8 percent) employed focus strategy.

Table 4.6
Business strategy

Business Strategy	Frequency	Percentage
Low cost strategy	67	55.4
Differentiation strategy	0	0.00
Growth strategy	18	14.9
Harvest strategy	0	0.00
Focus strategy	36	29.8
Total	121	100

4.7 Competition

Competition as the other moderating variable in the study was measured based on nine items. Table 4.7 shows the mean and standard deviation scores of the nine items that was used to measure the intensity of competition. As indicated in Table 4.7, the means values of the intensity of competition in the microfinance industry ranged from 3.10 to 3.55. These results appear to indicate that there was certain level of competition in the microfinance industry in Nigeria.

Table 4.7
Competition

Item	Mean	SD
Cost to enter business	3.36	1.285
Great deal to get in business	3.50	1.355
Approval difficulties	3.47	1.329
Many competitor	3.27	1.183
Competitors are equal	3.18	1.245
Great overhead	3.55	1.103
Easy switching by customers	3.14	1.247
Firms must succeed or will go out	3.21	1.251
Firms are here to stay	3.10	1.207

4.8 Performance

In this study, the average performance was used to assess the organizational performance of the MFIs. The performance measures consisted of average of loans repayment, value of loans disbursed, number of borrowers and number of women borrowers. Table 4.8 summarizes the minimum, maximum, mean, and standard deviation scores for the average performance of the MFIs.

Table 4.8
Performance of MFIs

Indicators	Minimum	Maximum	Mean (M)	Std. Deviation (SD)
Loans repayment	4839.50	236353.60	18445.230	5764.065
Loans disbursed	6740.20	251440.00	21323.962	3173.023
Total Borrowers	4680.00	226500.00	11583.802	2564.217
Women borrowers	2060.20	24940.00	9740.160	5730.806

4.9 The Data Screening Analysis

For the PLS SEM data analyses to be effective, the following preliminary data screening were performed. The data screening analyses includes the missing value analysis, the assessment of outliers, and the multicollinearity test. The following section briefly describes the data screening performed in the study.

4.9.1 Missing Value Analysis

In the original dataset, about 47 (0.21%) of the 22,143 data points were randomly missed. Specifically, strategic planning practice, marketing practice, lending practice, corporate governance practice, ICT practice and competition had missing value of 9, 7, 6, 11, 8 and 6 respectively. The randomly missing values were replaced using mean substitution (Tabachnick & Fidell, 2007).

4.9.2 Assessment of Outliers

In order to detect any observation which might appear to be outside the analyses value labels, the frequency tables were tabulated for all the focal variables. The frequencies were tabulated using minimum and maximum number of the value. Based on the analysis of frequency of the variables, there was no any value found to be outside the expected range.

Furthermore, the data were examined for univariate outliers using standardized values of ± 3.29 ($p < .001$) as recommended by Tabachnick and Fidell (2007). The result of the analyses shows that, none of the cases were identified using univariate outliers analysis.

4.9.3 Multicollinearity Test

To detect multicollinearity, the correlation matrix as well as the examination of the correlation matrix of the exogenous latent constructs were perform. The result of the correlation matrix shows 0.70 which indicates there was no multicollinearity among the exogenous latent constructs (Hair, Black, Babin & Anderson, 2010).

Following the examination of the correlation matrix, the variance inflated factor (VIF) and tolerance value were examined. Table 4.9.1 shows the result of all the VIF are less 5 and the tolerance values greater than 0.20. This indicates that multicollinearity did not exist among the exogenous latent constructs in this study (Hair, Ringle & Sarstedt, 2011).

Table 4.9.1
Tolerance and Variance Inflation Factors (VIF)

Model	Tolerance	VIF
SPP	0.453	2.205
LP	0.449	2.226
MP	0.463	2.162
CGP	0.396	2.523
ICTP	0.908	1.101
COM	0.837	1.194
LCS	0.201	4.980
FS	0.384	2.606
GS	0.317	3.152

a. Dependent Variable: P

Common Method Variance Test

As shown in the table 4.9.2, the result of the factor analysis indicates the first factor variance which is the highest factor variance as 17.76%, which is less than 50%. The result indicates that no single factor accounted for the majority of covariance in the predictor and criterion variables (Podsakoff, MacKenzie & Podsakoff, 2012).

Table 4.9.2
Common Method variance test

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Var %	CM %	Total	Var %	CM %	Total	Var %	CM %
1	23.04	26.18	26.185	23.04	26.185	26.185	15.62	**17.758**	17.758
2	12.64	14.36	40.548	12.64	14.363	40.548	10.23	11.626	29.383
3	6.821	7.751	48.300	6.821	7.751	48.300	8.291	9.421	38.804
4	5.030	5.716	54.015	5.030	5.716	54.015	7.579	8.613	47.417
5	4.271	4.854	58.869	4.271	4.854	58.869	4.916	5.586	53.003
6	3.381	3.842	62.711	3.381	3.842	62.711	4.613	5.242	58.245
7	3.230	3.670	66.381	3.230	3.670	66.381	4.048	4.600	62.845
8	2.569	2.920	69.301	2.569	2.920	69.301	3.097	3.519	66.364
9	1.878	2.134	71.435	1.878	2.134	71.435	2.723	3.095	69.459
10	1.756	1.996	73.431	1.756	1.996	73.431	2.411	2.740	72.199

Extraction Method: Principal Component Analysis.

4.10 The summary of the assessment of measurement mode

As stated in the previous chapter, for the PLS data analyses to be carry out it is necessary to ascertain the measurement model. Table 4.10 shows the Average Variance Extracted (AVE) and Composite Reliability (CR) of all the constructs in this study. The AVE values of all constructs are greater than 0.50, ranging from 0.502 to 0.968 and the CR values ranged from 0.759 to 0.994. Taken together, these results statistically fulfilled the measurement model requirement criteria recommended by Hair et al. (2011).

Table: 4:10
Reliability and validity of constructs

Latent Variable	No. of indicators	AVE	CR
SPP	11	0.568	0.912
LP	22	0.629	0.910
MP	28	0.533	0.959
CGP	8	0.502	0.900
ICTP	30	0.517	0.914
LCS	15	0.831	0.980
GS	7	0.657	0.854
FS	5	0.968	0.994
COM	9	0.514	0.759
P	4	0.568	0.912

4.11 Hypotheses Testing

The hypotheses of the study involved testing the relationships between business practices, business strategy, competition and performance of the MFIs. By using the Smart PLS 2, the hypotheses were tested by using the bootstrapping method. The path coefficients derived from the bootstrapping method were used to determine the statistical significance of the relationships between business practices, business strategy, competition and performance. The statistical significance of the relationships between these variables was based on the T-values and P-values of the path coefficients. In the study, the two-tailed test was adopted and based on the following T-values and P-values; T-value (±2.57) and P-value (0.01), T-value (±1.96) and P-value (0.05), and T-value (±1.65) and P-value (0.10).

4.11.1 Relationship Between Business Practices and Performance

Table 4.11.1 and figure 4.2 below presents the correlation results between the business practices and the performance of the 121 MFIs that participated in the study. The results indicate that there were positive significant relationship between business practices and the performance of the MFIs. More specifically, the results indicate positive relationships between strategic planning practice, lending practice, marketing practice, corporate governance practice, ICT practice and the performance of MFIs. The results are as follows; ($\beta = 0.380$, $t = 4.830$, $p < 0.000$) to ($\beta = 0.132$, $t = 1.747$, $p < 0.042$).

Table 4.11.1
Correlations between Business Practices and Performance

Hypothesis	**Beta**	**Standard Error**	**T-Statistics**	**P-Value**	**Decision**
H1a: SPP -> P	0.155	0.047	3.316***	0.001	Supported
H1b: LP -> P	0.108	0.049	2.207**	0.015	Supported
H1c: MP -> P	0.380	0.079	4.830***	0.000	Supported
H1d: CGP -> P	0.132	0.075	1.747**	0.042	Supported
H1e: ICTP -> P	0.100	0.039	2.586**	0.005	Supported

Note: ***P<0.01, **P<0.05, *P<0.1

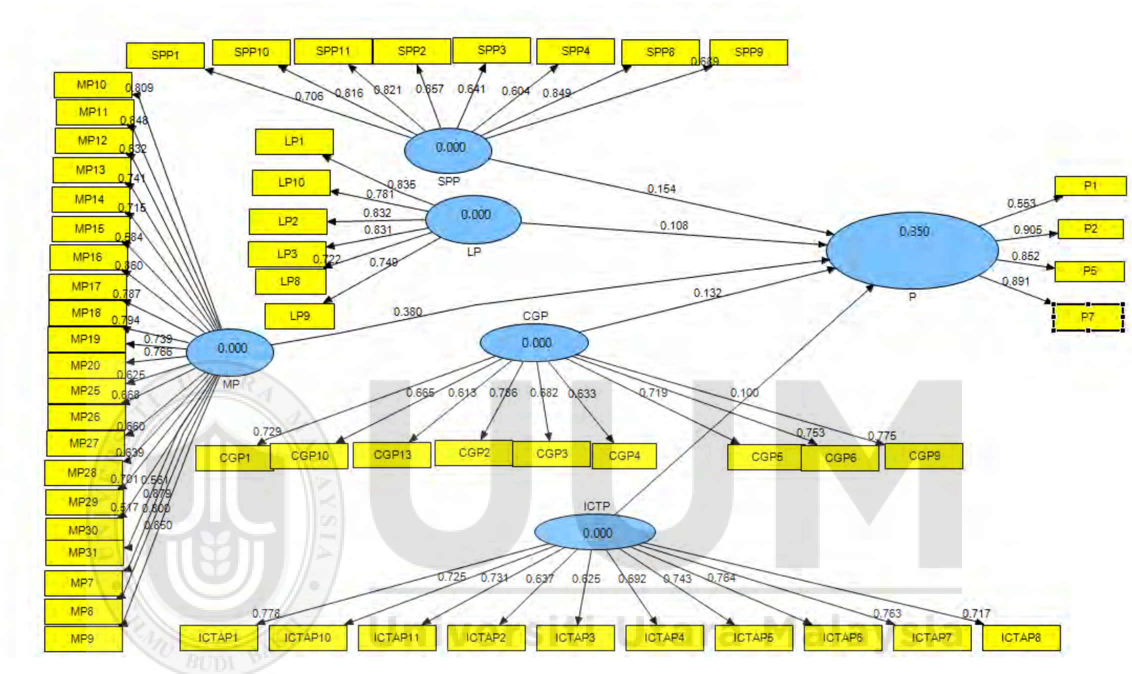

Figure 4.1
Direct Relationship Algorism Model

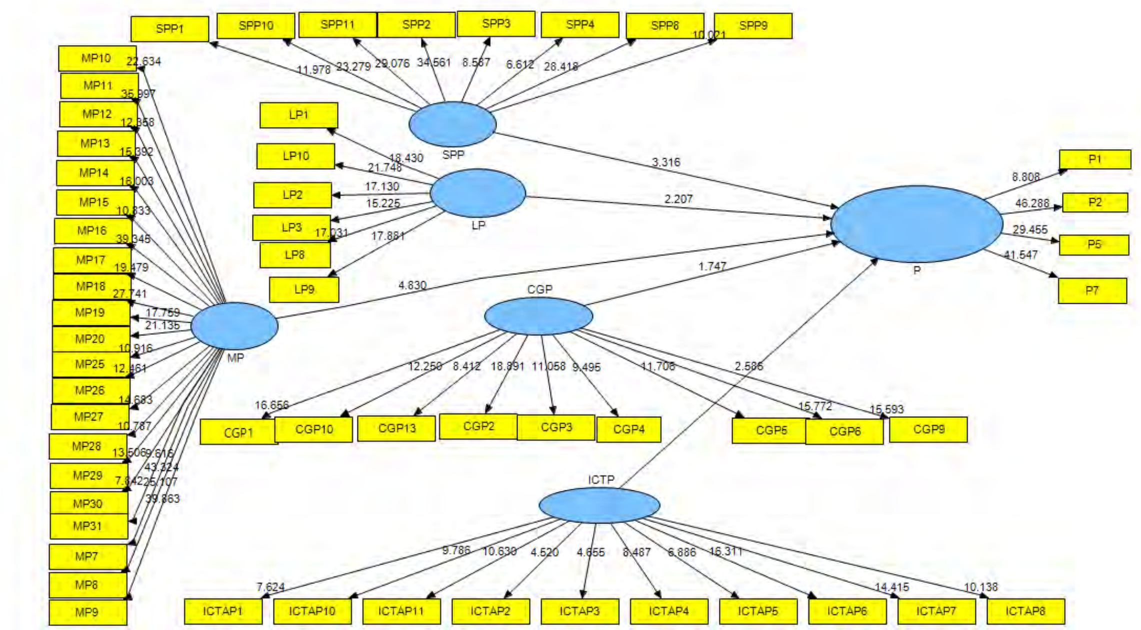

Figure 4.2
Direct Relationship Bootstrapping Model

4.11.2 Moderating Effect of business Strategy on the Relationship between Business Practices and Performance

The results of the study also indicated the moderating effect of business strategy on the relationship between the five dimensions of the business practices and the performance of the MFIs in the study. The results in Table 4.9.2 and figure 4.4 show the moderating effect of strategy on the relationship between marketing practices and the performance as ($\beta = 0.327$, $t = 2.950$, $p < 0.002$). In addition, the results shows that, specifically low cost strategy moderates the relationship between business practices and the performance of MFIs as indicates as ($\beta = 0.207$, $t = 3.445$, $p < 0.000$).

Table 4.11.2
Result of hypotheses 2

Hypothesis	Beta	Standard Error	T-Statistics	P-Value	Decision
H2a: SPP * STR -> P	0.010	0.050	0.209	0.417	Not Supported
H2b: LP * STR -> P	0.011	0.077	0.139	0.445	Not Supported
H2c: MP * STR -> P	0.327	0.111	2.95**	0.002	Supported
H2d: CGP * STR -> P	0.224	0.257	0.872	0.192	Not Supported
H2e: ICTP * STR -> P	0.205	0.128	1.605*	0.056	Not Supported
H2f: BP * FS -> P	0.068	0.182	1.203	0.116	Not Supported
H2g: BP * GS -> P	-0.013	0.041	0.363	0.359	Not Supported
H2h: BP * LCS -> P	0.207	0.073	3.445***	0.000	Supported

Note: ***P<0.01, **P<0.05, *P<0.1

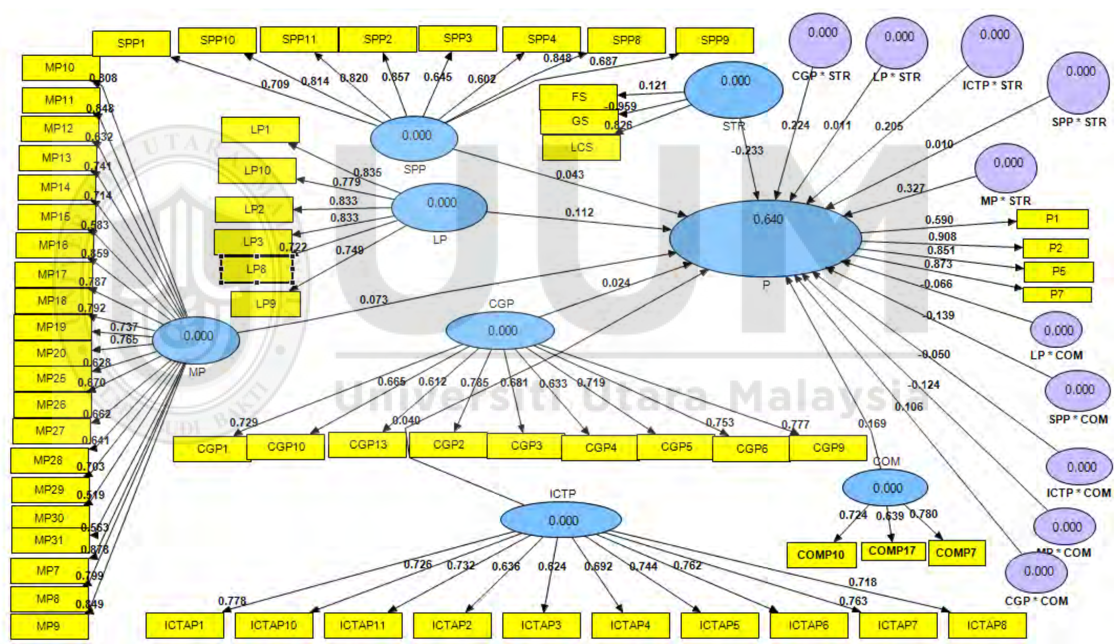

Figure 4.3
Algorism Combined Model

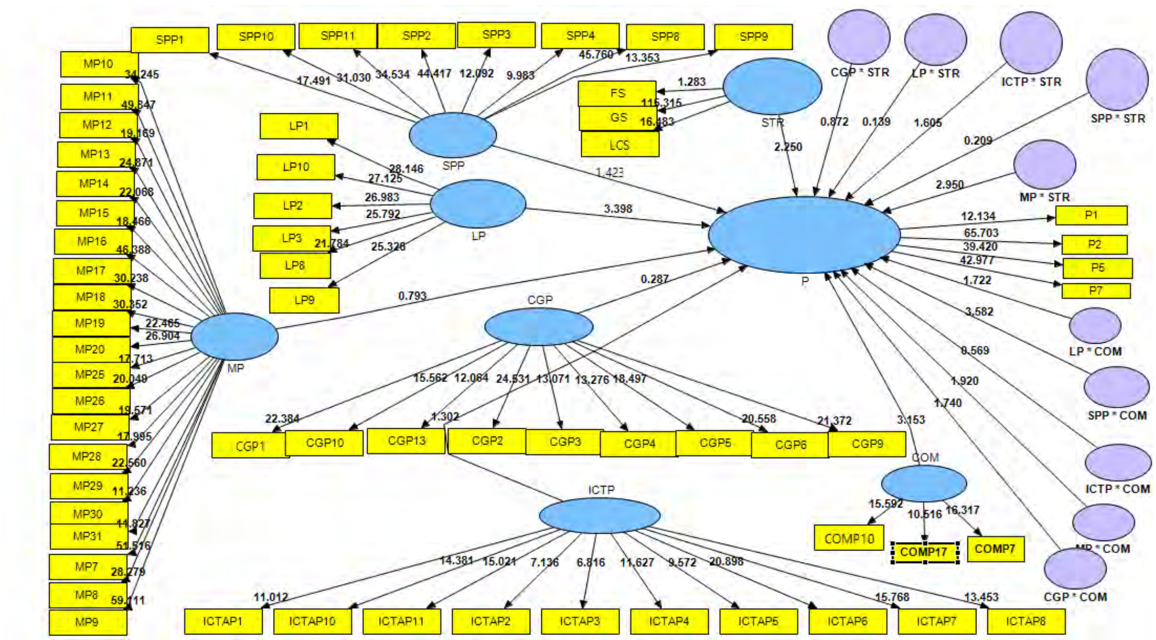

Figure 4.4
Bootstrapping Combined Model

4.11.3 Determining the Effect Size of the Business Strategy

Determining the effect size is necessary to establish the strength of the moderating effect of the moderating variable in the model. Moderating effect size ($f2$) value of 0.02 can be considered as small. The effect size of 0.15 could be express as medium and the effect sizes of 0.35 may be regarded as large effect on the model (Hair, Hult, Ringle, & Sarstedt, 2014). Determining of the strength of the moderating variable could be established by using the following formula:

Effect size: ($f2$) $=\dfrac{R^2 model\ with\ moderator - R^2\ model\ without\ moderator}{1 - R^2\ model\ with\ moderator}$

Based on the above formula, the results show that business strategy has a large effect as a moderator. Table 4.9.3 presents the results of the effect size of business strategy.

Table 4.11.3
Effect size of business strategy

Moderator	R^2 Included	R^2 Excluded	f-squared	Effect size
Strategy	0.640	0.496	0.400	Large

4.11.4 Moderating Effect of Competition on the Relationship between Business Practices and Performance

The results presented in table 4.11.4 and figure 4.4 showed the moderating effect of intensity of competition on the relationship between the five dimensions of the business practices and the performance of the MFIs. More specifically, the results show that intensity of competition moderates the relationship between strategic planning practice, lending practice, marketing practice and corporate governance practice and the performance of MFIs. The results are as follows; (β =-0.139, t = 3.582, p < 0.000), (β =-0.066, t = 1.722, p < 0.044), (β =-0.124, t = 1.920, p < 0.029) and (β = 0.106, t = 1.740, p < 0.042) respectively.

Table 4.11.4
Result of hypotheses 3

Hypothesis	Beta	Standard Error	T- Statistics	P-Value	Decision
H3a: SPP * COM -> P	-0.139	0.039	3.582***	0.000	Supported
H3b: LP * COM -> P	-0.066	0.038	1.722*	0.044	Supported
H3c: MP * COM -> P	-0.124	0.065	1.920*	0.029	Supported
H3d: CGP * COM -> P	-0.106	0.061	1.740*	0.042	Supported
H3e: ICTP * COM -> P	0.050	0.089	0.569	0.285	Not Supported

Note: ***P<0.01, **P<0.05, *P<0.1

4.11.5 Determining the Effect Size of the Competition

The results indicated in Table 4.11.5 suggest that the intensity of competition has a medium effect as a moderator on the model. As shown in Table 4.9.5, intensity of competition has a medium effect on the entire model.

Table 4.11.5
Effect size of competition

Moderator	R^2 Included	R^2 Excluded	f-squared	Effect size
Competition	0.640	0.570	0.194	Medium

4.11.6 Summary of the Results of the Hypotheses Testing

The results of analyses of the data collected from the 121 MFIs supported the three hypotheses developed in the study. Table 4.11.6 summarizes the results of the three hypotheses that were tested in the study. As indicated in Table 4.11.6, the results supported hypotheses 1, 2 and 3.

Table 4.11.6
Summary of the Research Hypotheses

Hypothesis	**Decision**
H1: There are positive relationships between business practices and performance of MFIs	**Supported**
H2: Business strategy moderates the relationships between business practices and performance of MFIs	**Supported**
H3: Competition moderates the relationship between business practices and performance of MFIs	**Supported**

4.12 Summary

This chapter presents the results of the study. In the first part, the chapter provided the information on the profile of the respondents, the characteristics of the MFIs, the financial products and services that they provided their lending policies and the descriptive statistics of the research variables adopted in this study. In the second part, the chapter presents the results of the hypotheses testing. The results of the study appear to support the three hypotheses developed in the study. Accordingly, the following chapter five presents the discussion and conclusion of the study.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.0 Introduction

This chapter presents the discussion and conclusions regarding the major findings of the study in three sections. The chapter begins by providing a brief overview of the study. Following this, the second section discusses the research results as well as the conclusions of the study. The contributions, implications, limitations of the study as well as suggestions for possible further research in the area of strategic management in microfinance institutions (MFIs) are identified and explained in the third section.

5.1 Overview of the Study

This study investigates MFIs in Nigeria from the perspective of strategic management. The study attempted to examine the influence of strategic management variables on the performance of MFIs. More specifically, the primary objective of the study was to examine empirically the influence of business practices, business strategy and competition on the performance of MFIs in the financial industry in Nigeria.

This study was a cross-sectional sample survey of licensed MFIs that operated in Nigeria. The primary data for the study was collected from the MFIs by using structured questionnaires. The questionnaires were mailed to the managers of the MFIs that were registered with the Central Bank of Nigeria. The data in this study was gathered from a total of 121 MFIs in Nigeria. The 121 MFIs that were involved in the study represented 27 of the total of 37 states in Nigeria.

This study primarily attempted to answer the following research questions:

1) What business practices do the MFIs in Nigeria adopt?
2) What are the business strategies implemented by the MFIs in Nigeria?
3) How intensified is competition in the microfinance industry in Nigeria?
4) Are there any relationships between the business practices and organizational performance of MFIs in Nigeria?
5) Do the business strategies of the MFIs moderate the relationships between business practices and their organizational performance?
6) Does competition moderate the relationships between business practices and their organizational performance?

In addition the above research questions, the three main research hypotheses developed for the study included the following:

Hypothesis 1: There are relationships between business practices and performance of MFIs.

Hypothesis 2: Business strategy moderates the relationships between business practices and performance of MFIs.

Hypothesis 3: Competition moderates the relationships between business practices and performance of MFIs.

Based on the empirical results of the statistical analyses of the data collected in the study, the following section discusses and provides the conclusions of the major findings that hold significant importance in this study.

5.2 Discussions of the Research Results

In this study, the research variables; business practices (strategic planning, lending practices, marketing practices, corporate governance practices and ICT practices), business strategy (low cost, differentiation, focus, growth and harvest) and competition (intensity of competition) were measured and analyzed to determine their influence on the performance of the MFIs in Nigeria.

With regard to the influence of business practices, business strategy and competition on the MFIs, average performance was used to measure these institutions. In the study, rate of loans repayment, value of loans disbursed, loan size, number of loans disbursed, number of deposits, number of borrowers and number of women borrowers were used to assess the average performance of the MFIs in Nigeria.

The results of the study indicate that, in general most of the MFIs surveyed adopted the business practices as identified in the literature. The empirical information generated by this study suggests that MFIs in Nigeria adopted the following business practices; strategic planning, lending practices, marketing practices, corporate governance practices and ICT practices. Furthermore, the results also show that the MFIs implemented business strategy as presented in the literature. In addition, the information also indicates that the MFIs faced certain level of competition in the financial industry in Nigeria.

With regard to the linkage between business practices and the performance of the MFIs, the results also show statistically significant relationships. The findings also suggest the moderating effects of business strategy and competition on the relationships between business practices and the performance of the MFIs studied.

Accordingly, the following section discusses the results of the study.

5.2.1 Business Practices Adopted By MFIs

This study identified and examined five areas of business practices relevant and applicable to the MFIs. The five areas of business practices included; strategic planning, lending practices, marketing practices, corporate governance practices and ICT practices. With regard to their adoption among the MFIs, the results appear to show that these financial institutions to a certain level embrace all the five areas of the business practices.

Of the five business practices examined in the study, the results appear to indicate that corporate governance practices as the most dominant business practice adopted by the MFIs that participated in the study. The mean value of corporate governance practices was 4.24. This is followed by ICT practices (4.04), marketing practices (4.01), strategic planning practices (3.83) and lending practices (3.79).

Corporate Governance Practices

The results of the study suggest that the MFIs emphasized on good corporate governance practices. According to the results, corporate governance is the most adopted practice among the MFIs in the study. As indicated in Table 4.5, the results show that 97.0 percent of the 121 MFIs practiced corporate governance. This finding is consistent with findings of previous studies that also revealed that corporate governance are important to financial institutions and that they also ultimately help to improve their organizational performance (Adeusi, Akeke, Aribaba & Adebisi, 2013; Augustine, 2012; Beisland, Mersland & Oystein, 2013; Johnson and Greening, 1999; Kongmanila & Kimbara, 2007; Madrara, 2012; Mersland & ystein Strom, 2009; Strøm et al.,2014; Thrikawala, Locke & Reddy, 2013).

ICT Practices

With regard to ICT practices, the results of the study also show that the MFIs adopted these practices. As shown in table 4.5, the result indicated that 98.0 percent (mean score 4.04 and standard deviation of 0.32) of the 121 MFIs given importance to the adoption of ICT practices in their institutions.

Findings of previous studies have also found that MFIs adopted ICT practices (Aloyce & Victor, 2012; Diniz et al., 2014; Kagaari et al., 2010; Kauffman & Riggins, 2012; Riggins & Weber, 2013). In addition, these practices of ICT are associated with the performance of MFIs according to these researchers.

Marketing Practices

The results of the study also seem to suggest that the MFIs in this study stressed on marketing practices. The results indicate that marketing practice as the third most adopted practices among the MFIs in the study. As shown in Table 4.5, the results indicated that 95.0 percent (mean score 4.0 and standard deviation of 0.47) of the 121 MFIs had given attention to marketing practices in their financial institutions.

This finding further support previous research has also provided evidence that suggested that MFIs not only engaged in marketing practices but also these practices are related to their organizational performance. For example, the studies by Jayashankar (2012), Kazemian *et al*. (2015) Subramanian and Gopalakrishna (2001), Ozkaya, Droge, Hult, Calantone and Ozkaya (2015)and Homaid et al., (2017)found that marketing as a strong predictor of organizational performance.

Strategic Planning Practices

As far as strategic planning is concerned, the results also suggest the MFIs in the study emphasized on this important business practice. According to the results of the study, strategic planning is the fourth most adopted practice by the MFIs. As shown in Table 4.5, the results indicated that 92.0 percent (mean score of 3.83 and standard deviation of 0.57) of the 121 MFIs had at least given some attention to the strategic planning in their institutions.

These findings add support to previous studies that suggest MFIs like other business enterprises do practice some form of strategic management. This finding is consistent with the earlier observations made by Bracker and Pearson(1986), Covin and Slevin (1989), Pleitner (1989) as well as the more recent studies by Ridwan, (2015), Auka and Langat (2016), Dibrell, Craig and Neubaum (2014) and Kylaheiko et al.(2016). These more recent studies found that MFIs not only practiced strategic planning but also the practice influenced their organizational performance.

The findings of the present study also suggest the theoretical relevance of strategic planning to the study of organizations such as MFIs. The earlier strategic management theorists such as Gilmore (1966), Tourangeau (1981), Curtis (1983), Wheelen and Hunger (1995) Scarborough and Zimmerer (1996) and David (1999) have long acknowledged the theoretical relevance as well as the applicability of strategic management to organizations such as MFIs.

Lending Practices

The result of the study indicated that MFIs emphasized on certain types of lending practices. As shown in Table 4.5, the result show that 95 percent (mean score 3.79 and standard deviation of 0.36) of the 121 MFIs have given some attention to specific lending practices in their financial institutions. However, according to the study, the lending practices appear to the least most adopted practice by the MFIs that participated in the study.

The finding of this research is also consistent with previous studies. Findings of previous studies have also indicated that as financial institutions, MFIs adopt specific lending practices. In addition, these studies reveal that the lending practices used by these institutions have positive effect on their organizational performance(Al-Azzam, Carter Hill & Sarangi, 2012; Chowdhury, 2005; Kodongo & Kendi, 2013; Moser, 2013; Quidt et al., 2016; Singh & Padhi, 2017; Muhammad Yunus, 1998).

5.2.2 Business Strategy

Table 4.6 presents the business strategy distribution across the 121 MFIs in this study. The figures indicate that of the MFIs studied, 67 MFIs adopted the low cost strategy, another 36 MFIs used the focus strategy and the remaining 18 MFIs utilized the growth strategy.

As shown in Table 4.6, the figures indicate that the low cost strategy (strategy that focuses on high productivity, low margin products, budget price and cheapest product) as the most dominant business strategy adopted by the MFIs studied. Of the 121 MFIs, 67 (55.4%) institutions used the low cost strategy.

Following the low cost strategy, the figures in Table 4.6 suggest that the focus strategy (strategy that focuses on custom-made, best meets customer needs, and specific customer group or region) as the second most common business strategy employed by the MFIs that were involved in the study. Of the total of 121 MFIs, 36 (29.8%) institutions embraced the focus strategy.

The growth strategy (business strategy that focuses on risk taking, expansion, aggressive search for market share, use price cuts, and promotional campaign) was utilized by 18 (14.9%) of the 121 MFIs surveyed.

In general, these findings indicate that the generic strategy types (low cost and focus strategies) developed by Porter are not only relevant to large firms, but also MFIs. These findings appear to concur with the early studies conducted by Dess, Lumpkin and Convin (1997) and Pearce and Robinson (1994) as well as previous studies by Homaid et al. (2017), Yuliansyah et al., (2017), Soltanizadeh et al., (2016), and Oyewobi et al. (2016). These studies found empirical evidence that suggest MFIs adopted different business strategies such the three generic strategy types. In addition, the studies discovered that MFIs that adopted certain business strategy types were more viable for certain industrial environments.

5.2.3 Intensity of Competition

The result of the analysis indicated that MFIs that participated in this study are faced by intensity of competition in the industry. As shown in table 4.7, the result indicated mean score of 3.28 and standard deviation of 0.71. This reveals some evidence of degree of intensity of competition in the MF industry.

The findings suggest that the MFIs that participated in the study were faced with intensity of competition regardless of the type of product and services they offers or lending policies they embrace.

The finding is in line with the previous studies by Cull et al. (2011), Gwasi and Ngambi (2014), Moradi et al., (2017) and Nkundabanyanga et al. (2017). According to these studies, MFIs faced not only intense competition in the financial market but also the intensity of competition had affected their organizational performance.

5.2.4 Relationships between Business Practices and Performance of MFIs

The results show significant positive relationships between business practices and performance of the MFIs. The results showed that five dimensions of the business practices are significantly correlated with the performance of the MFIs. The business practices included; strategic planning practice, lending practice, marketing practice, corporate governance practice and ICT practice ($\beta = 0.132$, $t = 1.747$, $p < 0.042$) to ($\beta = 0.380$, $t = 4.830$, $p < 0.000$).

The finding of this study appears to concur with previous research that provided evidence that indicate the linkage between business practices and organizational performance (Daud & Mohamad, 2010; Hashim, 2011; Hassan, 2010; June & Mahmood, 2011; Subramaniam, Mohd Shamsudin & Ibrahim, 2011). Furthermore, the finding of this study has been found to be consistent with the more recent studies by Rezamand et al., (2015), Haldar and Stiglitz (2016)and Homaid et al.(2017). These studies also demonstrated the existence of the relationship between the dimensions of business practices and organizational performance of MFIs.

5.2.5 Moderating Effects of Business Strategy on Performance

The results appear to support the hypothesis that business strategy moderates the relationships between business practices and the performance of the MFIs that were involved in the study. Table 4.11.2 present the results of the empirical tests. As hypothesized, the findings suggest the moderating effect of business strategy on the business practices-performance relationship.

The results indicated that among the business practices, one is found to be significantly moderate by the strategy on the relationship with the performance. The result showed that, business strategy moderates the relationship between marketing practice on the performance of MFIs indicates as ($\beta = 0.327$, $t = 2.950$, $p < 0.002$). In addition, the results of the hypothesis testing show that specifically low cost strategy moderates the relationship between business practices and the performance of MFIs as indicates as ($\beta = 0.207$, $t = 3.445$, $p < 0.000$).

Taken together, the results of the study seem to indicate that business strategy to certain extent moderates the relationship between business practices and performance of the MFIs surveyed. This evidence reveals that business practices acting alone are not sufficient to explain the changes in the performance of MFIs. The findings also suggest the need for MFIs to adopt their business practices that focus on their business strategy. It is only when the business practices match or fit their business strategy the business practices may be effective in improving the performance of the MFIs.

These findings appear to add support to the theoretical argument that business practices is key contingency variable for strategy implementation. It is also in line with the normative suggestion of the strategy theorists that effective business strategy are developed based on competitive advantage that can be derived from the business practices found in organizations. Business strategies developed based on competitive advantage are not only effective but they also can help organizations to compete as well as improve their performance. This finding is consistent with the results of the earlier studies by Hitt and Ireland (1985 & 1986). The results of the studies by Hitt and Ireland indicated that business strategy has a moderating effect on the relationship between distinctive capabilities and organizational performance. In addition, more recent studies by Mellat-Parasta, Golmohammadib, McFaddenc (2015), Linton and Kask (2017)and Murray, Barrick and Thurgood (2015) indicate that business strategy has moderating effect on organizational performance.

5.2.6 Moderating Effects of Competition on Performance

The results showed that competition moderates the relationship between strategic planning practice, lending practice, marketing practice and corporate governance practice and the performance of MFIs (β =-0.139, t = 3.582, $p < 0.000$), (β =-0.066, t = 1.722, $p < 0.044$) , (β =-0.124, t = 1.920, $p < 0.029$) and (β = 0.106, t = 1.740, $p < 0.042$) respectively.

This finding is in line with the views of early authors such as Venkatraman and Prescott (1990), Hitt, Ireland and Palia (1982), Prescott (1988), Hitt and Ireland (1986) and Hofer

(1975) considered environment as one of the important contingency factors. Additionally, findings of the studies by Chena, Wangb, Nevoc, Benitez-Amadod and Koua (2015), Gwasi and Ngambi (2014), Oyewobi et al., (2016), Vanroose and D'Espallier(2013) and Martina and Javalgib (2015) have also found that competition has a moderating effect on organizational performance.

5.3 Conclusion

This study tested three major research hypotheses which were derived from previous theoretical and empirical research. The hypotheses stated that business practices are related to the performance of MFIs and that business strategy and competition moderate the relationship between business practices and the performance of MFIs.

The empirical analyses of the data obtained from the 121 MFIs which participated in this study indicate statistically significant results with regard to the testing of the research hypotheses. Further, these results are consistent with the findings of previous studies as well as they reinforce the importance of contingency theory in strategic management research. At the general level, the results of this study provide the preliminary support for applying the logic of contingency theory of strategic management to the study of MFIs in the financial industry in Nigeria. In addition, this study lends some support to the position that concepts such as business practices, business strategy and competition are sufficient for guiding research on MFIs. More specifically, this present study provides the following conclusions:

1. The performance of the MFIs tend to be related the business practices adopted by these institutions. That is, the performance as measured by rate of loans repayment, value of loans disbursed, loan size, number of loans disbursed, number of deposits, number of borrowers and number of women borrowers. This finding is also consistent with many of the earlier studies which found similar significant results.

2. With regard to business strategy as having moderating effect on the business practices-performance relationship, the results were significant. The results of the moderated multiple regression analyses suggest that business strategy is important as a moderating variable that affect the business practices-performance relationship. This finding adds supports to the earlier studies.

3. The findings also reveal that intensity of competition has moderating effect on the relationship between business practices and the performance of the MFIs. This finding is in line with the expectation that the intensity competition in a particular industry can affect the performance of firms that operate in the industry.

5.4 Contributions of the Study.

There are significant theoretical contributions of this study. By conducting the sample survey and providing empirical data from actual MFIs, this research has extended the knowledge regarding the relevance and applicability of strategic management to the MFIs in Nigeria.

From the theoretical perspective, the study has expanded our knowledge regarding the relative contributions of business practices, business strategy and competition to the performance of MFIs. More specifically, at the theoretical level, this study reinforces the importance of contingency theory in strategic management research. In addition, this research has also furthered our understanding and knowledge regarding the effects of the moderating variables such as business strategy and competition on the relationship between business practices and performance of MFIs.

5.4.1 Contributions to Knowledge

A thesis, the idea of which is a collection of evidence concerning the issues being studies, is the product of both literature as well as empirical investigations. The strength of a thesis primarily rests upon its ability to provide new contributions to the body of knowledge. As far as the present thesis is concerned, in this matter, the study is offering the following:

a. Conceptual developments of MFIs in the Nigerian context:
    i. Defines microfinance from both quantitative and qualitative perspectives. Conventionally, microfinance in Nigeria is defined from the quantitative perspective only.
    ii. Suggests the introduction of the principle of one type of MFI one definition. On the contrary, the normal practice in Nigeria has been on

a single (general) definition in describing what constitute a MFI (without taking into consideration the type of MFI).

The above contributions to the conceptual developments are presented in chapter two of this study.

b. Discovers alternative sources of data base on MFIs:

   i. Identifies more reliable and accurate data source on MFIs in Nigeria. Previous studies were based on less reliable data sources and did not seem to make attempts to seek for alternative and more reliable data sources. This study adopts the data base obtained from the Central Bank of Nigeria which appears to be more reliable and accurate.

c. Probably one the comprehensive study of MFIs in Nigeria:

   i. Identifies some of the most important research issues in the area of MFIs in the Nigeria context. These issues are highlighted in chapter one of this study.

   ii. Identifies the important research issues in the area of in strategic management in MFIs. The literature review in chapter three deals with these issues.

   iii. Solves some of the methodological problems found in previous studies on MFIs. As indicated in chapter 2, previous studies on MFIs in Nigeria have not adequately addressed methodological problems such as the use of theoretical framework and testing of hypotheses.

iv. Furthermore, many of the earlier studies on MFIs were very limited in focus and many did not attempt to provide appropriate definitions of microfinance and use more reliable data source on MFIs.

d. Pioneers the study on the application of strategic management principles and philosophy in the management of MFIs:

i. Adopts the contingency approach to the study of strategic management in MFIs in the Nigerian context. As noted in chapter two, previous studies on MFIs tend to be very descriptive in nature, that is, they tend to observe certain aspects of MFIs (such characteristics) and then reporting these characteristics.

e. Produces a contingency model of strategic management in MFIs that incorporates business practices, business strategy and competition. Very few past studies have examined multiple variables (particularly moderator variables) and their relationships with the performance of MFIs.

g. Produces results that shed light on business practices adopted by MFIs which few studies have investigated in the Nigerian context.

h. Produces results that suggest performance of MFIs is related to the five areas of business practices. Very few studies have examined this relationship in the Nigeria context.

i. Produces results that suggest business practices-performance relationships are moderated by business strategy and intensity of competition. Previous research mainly focused on single moderator variable.

5.5 Implications of the Study

As a whole, the findings of this study indicated that strategic management is relevant and applicable to MFIs as it is to large firms. This research indicated that strategic management variables such as business practices, business strategy and competition can influence the performance of MFIs. The findings of the study present interesting implications for the following groups of people involved with these financial institutions.

5.5.1. Implications for Owners and Managers of MFIs

The findings of the present study indicated that various strategic variables have different impact on the performance of MFIs. Based on the findings of this study, the first important lesson to be learned by owner as well as managers of MFIs is that there is no one best business strategy for MFIs. The results suggest that different MFIs in the financial industry to adopt different business strategy. This finding seems to imply that a particular MFI in should adopt a certain strategy that suit its business requirements.

The findings of the study suggest that business practices-performance relationship is moderated by business strategy as well as the level of competition. In view of this, owner and managers of MFIs should focus on adopting business practices that align with their business practices as well as be able to cope with their competition in order to improve their performance.

Given the increased competition in developing countries like Nigeria, and the problem of lack of strategic resources among the local MFIs, it becomes critical for these financial institutions to concentrate their efforts on formulating and implementing effective business strategy that are based on the competitive advantage that may be derived from adopting the best business practices for MFIs.

Further, in deciding the choice of business strategy types, owner and managers of MFIs must assess their industrial environment, competition and business practices. For instance, differentiation strategy (which focuses on best product, best quality, great image, best service, premium price and intensive campaign) requires relatively high level of business practices for the successful implementation of this particular business strategy.

In addition, owner and managers must be aware of the need to match their business practices with changes occurring in their business environment. In order to ensure that their financial institutions would perform better, owner and managers must ensure that their business practices can adapt to their changing business environment, particularly in terms of coping with the competition.

The results of the study also show that owner and managers of MFIs also need to be aware of the need to continuously develop their information and communication technology (ICT) capabilities in order to become more competitive in the financial industry. The findings imply that better ICT may have higher impact on the performance of the MFIs.

Based on the results of this present study, owner and managers must realize that measurement of organizational performance of MFIs is complex construct. The findings of the study show that performance results from the relationships among many different strategic factors. As such, the MFIs need to be aware that the relationships between business practices, business strategy and competition have different impacts on their performance, depending on which components of performance are considered.

5.5.2. Implications for Teaching

First, teachers in the areas of business and management need to be made aware of the importance of strategic management as a field of study as well as good business practice. With regard to this, findings of the study suggest the theoretical as well as the practical relevance of strategic management to MFIs.

The findings of the study provide evidence to teachers regarding the use of more practical approaches and models in teaching strategic management, particularly among the owners and managers of MFIs. This study provides a starting point for the adoption of the contingency theory/approach in teaching strategic management.

Second, trainers and teachers in business disciplines, having becoming aware of the significance of the moderating variables such as business strategy and competition should learn, understand, as well as focus more on teaching techniques of selecting and developing effective business practices based these moderating variables.

5.5.3. Implications for the Government

From the point of public policy, the findings of this study oppose the prevailing manner in which microfinance and MFIs are defined and promoted in MFIs. The prevailing position is that MFIs are defined based on fixed quantitative criteria. The prevailing definitions of MFIs were developed based on quantitative characteristics such as financial products and services, capital requirements and loans classifications.

However, the fixed quantitative criteria are not able to capture the true nature of MFIs currently operating in the financial industry in Nigeria. As such, this study proposes the adoption of qualitative criteria that include; actively managed by its owners, adopt highly personalized management style, largely local in its areas of operations and largely dependent on internal sources of capital to finance its growth. The adoption of this proposed framework for redefining MFI would not only assists the government to define this institution more appropriately but would also make them better understand what constitutes a MFI in the Nigerian context.

Understanding the strategic management process is of great value to not only MFIs, but also the MFIs supporting agencies. The fragmented manner in which the assistance is being introduced implied that the government has not place much attention on strategic management in managing their agencies.

According to Meier and Pilgrim (1994), the lack of strategic focus such as the lack of MFIs participation in the design and implementation of the support programs, the centralized top-down approach, and the bureaucratic implementation by the government agencies have resulted not only in the duplication of efforts, but also contributed the magnitude of the programs to be limited.

In order for an agency to become effective, it must incorporate the strategic management process in its operations. With strategic management, the MFI supporting agencies can develop and implement more effective strategies in providing the needed assistance to these financial institutions, particularly in encouraging their growth, establishing new MFIs and increasing their survival rates in the microfinance industry.

5.6 Limitations of the Study

The nature of the research questions of this study required extensive contact with as many owner and managers in a limited environmental setting. Getting the MFIs to participate in the research was the major problem that this study faced, particular among the new financial institutions. When contacted, many of them refused to participate. This problem and other issues have contributed to the limitations of the study. The following limitations of this study should be considered when interpreting the results and conclusions of this study.

The first limitation of the study was related to the number of MFIs in the financial industry which was selected for this study. The number of firms surveyed in this study may be small. Although the final sample size consisted of 872 MFIs, only 121 MFIs participated in the study.

Second, the sample was confined MFIs located in 26 of the 37 states in Nigeria. The 121 institutions when grouped by each state ranged from 1 to 18 institutions (see Table .3.5). For instance, there are 174 MFIs in the state of Lagos. Of the 174 questionnaires mailed to the MFIs in Lagos, only 14 MFIs completed and returned the questionnaires. Their small numbers in each state could have affected the variance of the variables, particularly those related to the financial industry and firm effects.

Third, the data used in the performance measures was self-reported. As such, the accuracy and reliability of the data used in the study depended entirely on the figures as reported by the respondents. There was no other source available to check the reliability of the self-reported performance data.

The above limitations were judged to be unavoidable. However, some of the above limitations that accompanied this research might be overcome in the future if more MFIs could be encouraged to participate.

5.7 Suggestions for Future Research

As indicated earlier, despite the relevant and applicability of strategic management to MFIs, empirical research in these areas are still very limited in Nigeria. This research suggests opportunities for researchers interested in further exploring the notion that strategic management can influence the performances of MFIs.

The conclusions of this study suggest that business practices, business strategy and competition to a certain extent influence the performance of MFIs in Nigeria. Notwithstanding these conclusions which are based on one study, the findings should be regarded as only suggestive. More empirical research is therefore needed and will be particularly useful in providing more empirical evidence to support the theory that strategic management can help improve the performance of MFIs, specifically the MFIs operating in the financial industry in Nigeria.

Investigating several extensions of the present work presents a good starting point for future research in the area of MFI. Certainly, the other relevant aspects of the business strategy as suggested in the literature which this study did not address, would present as research opportunities to be investigated further.

For instance, it is important to note that the business strategy observed in this study may not necessarily prevail among all the MFIs in the financial industry in Nigeria. This is because the MFIs evolve through different stages of development. Therefore, there is a need then to investigate at MFIs at their different level of development. Like other organizations, MFIs at different stage of development tend to adopt different business practices as well as business strategy. By doing so, more comprehensive theory and understanding of MFIs can be developed. This is particularly important in the Nigerian context, where very few studies have focused on examining the performance of MFIs at different stages of development.

Future research in strategic management and performance of MFIs should also attempt to incorporate additional environment measures such as munificence (the degree of resource abundance and the capability to support growth) and heterogeneity (dissimilarity among MFIs in terms of ownership, capital structure, resources and management style). This might help to indicate stronger moderating effects of the other organizational and external factors, and might also possibly give insight in the industry effects (such as inter-industry and intra-industry) on the performance of the MFIs.

In addition, actual environmental measures should be adopted instead of perceived measures. This would assist in overcoming the accuracy of responses from the owner/managers which are based on perceptions at different points of time as well as subjected to the respondents‟ interpretations and selective memory.

Future research on MFIs might also fruitfully focus on investigating the impact of industrial effects and entrepreneurial orientation on the performance of MFIs. Hopefully, these efforts would increase the level of sophistication and practical utility of strategic management in MFIs.

Given that the scope of strategic management is wide and complex, future research should also attempt to incorporate other relevant components of the strategic management process such as the implementation, evaluation and control of strategy in MFIs. This will help in the understanding as well as assist in developing the whole prescriptive theory of the strategic management process (formulation, implementation, evaluation and control of strategy).

A move toward an investigation of the importance of examining the descriptive approach of the strategic management process (Mintzberg,1987) is another possible research opportunity. This will further assist in the understanding of how business strategy is actually crafted in these financial institutions. This can be initially investigated among a smaller sample, but within certain states and eventually conducted across the whole country.

Finally, this research is an attempt to empirically test strategic management variables (business practices, business strategy and competition) that can influence the performance of MFIs in the context of the contingency theory. The significant findings among these strategic variables provide the insights into some of the factors influencing MFIs performance that may be used as the starting pointing for understanding strategic management among Nigerian MFIs as well as in providing the direction for future research in this area of study.

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APPENDIX A

REREARCH QUESTIONNAIRE

Othman Yeop Abdullah
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Dear MD / GM /SM /,

ACADEMIC RESEARCH QUESTIONNAIRE

I am a doctoral student at the above-named university, currently working on my PhD thesis title "Business practices, strategy, competition and performance of MFIs in Nigeria"

Thank you in advance for taking your valuable time to fill in this questionnaire. Please be assured that your responses will only be used for academic purpose. Hence, your identity will never be known throughout any part of the research process.

Thank you very much in anticipation of your responses.

Yours sincerely,

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SECTION I: Background of Respondent

Please fill in the information relating to your background and tick (√) the most appropriate answers where applicable.

Name of your company___________________________________

1. **What is your gender?**

   ☐ Male
   ☐ Female

2. **How old are you? ____ years old**

3. **What is you ethnic background:**

   ☐ Hausa
   ☐ Yoruba
   ☐ Igbo
   ☐ Others (Please specify)____________________

4. **What is your position in the company?**

   ☐ Managing Director/CEO
   ☐ General Manager
   ☐ Senior Manager
   ☐ Others (Please Specify)___________________________

5. **How long have you work in this company? _____ years**

6. **How many years of work experience do you have in the micro finance industry?**

   ☐ 10 years and above
   ☐ 5 -9 years
   ☐ 1-4 years
   ☐ Less than 1 year

7. Do you have any commercial bank work experience?

☐ Yes
☐ No

8. If you answer Yes to question seven, please state below the number of years

___________Years

9. What is your highest education qualification?

☐ PhD
☐ Master‟s Degree
☐ First Degree
☐ Diploma/NCE/ its equivalents
☐ Secondary School Certificate
☐ Others (Please Specify)____________________

SECTION II: Company Background

Please fill in the information relating to your company background and tick (√) the most appropriate answers where applicable.

10. Your firm is located in the state of:

☐ Kano
☐ Sokoto
☐ Lagos
☐ Kaduna
☐ Others (Please Specify)_________________

11. What is the type of your microfinance institution (MFI)?

☐ Community Bank MFI
☐ Private MFI
☐ Government MFI
☐ NGO MFI
☐ Foreign MFI

12. When was your company established?__________

13. What is the primary objective of your firm?

- [ ] Fulfil social responsibility
- [ ] Profit oriented
- [ ] Others (Please Specify)_________________

14. Who are the owners of this company?

- [ ] Members
- [ ] Community
- [ ] Shareholders
- [ ] Partners
- [ ] Individuals
- [ ] Government
- [ ] Non-government organization

15. What is the total number of owners of this company?______ owners.

16. What type of financial products and services do your company provide?

- [ ] Microcredit
- [ ] Accept deposit
- [ ] Funds transfer
- [ ] Others (Please Specify)__________________

17. The initial paid up capital of your firm was:

- [ ] Less than N10,000,000
- [ ] N10,000,000-N20,000,000
- [ ] More than N20,000,000

18. What is the current paid up capital of the firm?_____________________

19. How many full time employees did your company have when it first started its business operations. _________ employees

20. Currently, how many full time employees do your company have? __________employees

21. What is the main source of fund for this organisation? (tick as many as applicable)

- [ ] Shareholders" funds
- [ ] Grants from government
- [ ] Grants from NGO
- [ ] Loans from commercial banks
- [ ] Others (please specified)________________________

22. Did your firm receive any form of subsidy or grants?

- [ ] Yes .
- [ ] No

23. If you answer Yes to question 22, please state below the name of the agency or organization that provided the subsidy or grant to your company.

Name of agency:______________________________________

24. Does your firm require customers to provide some form of collateral for borrowing?

- [ ] Yes
- [ ] No
- [ ] Some times

25. Your company provide microcredit to?

- [ ] Individual only
- [ ] Group only
- [ ] Both individual and group

26. Does your firm give financial training to your client after giving them loans?

- [ ] Yes
- [ ] No

27. Who are the target borrowers of your company?

- [ ] Women only
- [ ] Men only
- [ ] Both women and men

28. Your company provides loans to:

- [ ] People who earned US$2 (N440) per day and below
- [ ] People who earned more than US$2 per day.
- [ ] People who are rich
- [ ] Any customer

29. What is the minimum amount loan/credit provided by your firm? N__________

30. What is the maximum amount loan provided by your firm? N______________

31. What loan instalment repayment schedule does your firm adopt?

- [ ] Daily
- [ ] Weekly
- [ ] Monthly
- [ ] Others (specify)________________

32. What interest rate do you charge for your loans?

- [ ] Less than 5% per month
- [ ] 5% per month
- [ ] 6% -10% per month
- [ ] 11% to 15% per month
- [ ] 16% to 20% per month
- [ ] More than 20% per month

33. How long is the duration of your loan?

- [ ] Six months
- [ ] One year
- [ ] 1 to 2 years
- [ ] 3 to 4 years
- [ ] 5 to 6 years

34. How long do your company take to process and approve a loan application?

_____ day

35. What kind of documentation do you require from your customers when they apply for a loan from your organization?

____

36. Does your company require your borrowers to have someone to guarantee the loans provided to them?

- [ ] Yes
- [ ] No

37. Does you firm grants grace period before any loan instalment started? If yes what is the period after the disbursement day?

____

38. How many financial products and services do your company provide to your customers? _____ financial products. _____ financial services.

39. Please list the types of microcredit/loan schemes below:

1. ____
2. ____
3. ____
4. ____
5. ____

40. Please list the types of financial services below:

1. ____
2. ____
3. ____
4. ____
5. ____

41. What is your legal form of your organization?

☐ Sole proprietorship
☐ Partnership
☐ Private limited company
☐ Public limited company
☐ Others (specify)_____________

42. What was the initial number of borrowers when your company started the business? _____ borrowers

43. What is the total number of borrowers at the end of last fiscal year? ________ borrowers.

44. List at least five most pressing problems that your organisation is currently facing?

1. …………………………………………………………
2. ………………………………………………………….
3. ………………………………………………………….
4. ………………………………………………………….
5. ....

(You may use an extra sheet if you wish)

SECTION III: Business Practice

Instructions: Below are statements that describe how you may think about your organisation right now. Please use the following scales to indicate your level of agreement each statement:

Least applicable 1 2 3 4 5 most applicable

No	***Strategic Planning Practice***	
	In our organization, we:	
1	have a written strategic plan	1 2 3 4 5
2	developed a clear business vision	1 2 3 4 5
3	have a clear business mission statement	1 2 3 4 5
4	state the organizational objectives clearly	1 2 3 4 5
5	assess our internal organizational environment	1 2 3 4 5
6	analyze our external business environment	1 2 3 4 5
7	formulate business strategy	1 2 3 4 5
8	implement our formulated strategy	1 2 3 4 5
9	assess the performance of our organization	1 2 3 4 5
10	evaluate the implemented strategy	1 2 3 4 5
11	control the strategy that we implemented	1 2 3 4 5
	Lending Practice	
1	We have specific lending policies	1 2 3 4 5
2	We provide loans to individual customers	1 2 3 4 5
3	We give loans to group applicants	1 2 3 4 5
4	We offer loans to organizations	1 2 3 4 5
5	Our loans repayment is on weekly basis	1 2 3 4 5
6	Our target borrowers are women	1 2 3 4 5
7	We target people with low income as our customers	1 2 3 4 5
8.	Our loans are not limited to the poor people	1 2 3 4 5

9.	We provide financial advice and training to our clients upon approving their loans	1 2 3 4 5
10	We charge reasonable interest rate to our clients	1 2 3 4 5
11	We process and approve loans applications as soon as possible	1 2 3 4 5
12	We charge a fee for every loan processed and approved	1 2 3 4 5
13	We do not need any collateral for our loans	1 2 3 4 5
14.	We provide loans for business purpose	1 2 3 4 5
15.	We provide loans for personal use	1 2 3 4 5
16.	We require documentation for our loan application	1 2 3 4 5
17.	We require guarantors for our loan application	1 2 3 4 5
18.	We require borrowers to pay their loans installment in person	1 2 3 4 5
19.	We allow borrowers to pay their loans installments through the cash deposit machine.	1 2 3 4 5
20	Our employees personally collect the loan installments from our borrowers on a regular basis	1 2 3 4 5
21.	We allow our borrowers to settle their loans earlier	1 2 3 4 5
22.	We do not charge interest for early settlement of loans	1 2 3 4 5
23.	We impose a late payment charge on repayment installment overdue	1 2 3 4 5
24	Our borrowers need to follow the terms and conditions of our loans	1 2 3 4 5
25	Amount of loans approved is based on the borrowers‟ ability to pay back the loans	1 2 3 4 5
	Marketing Practice	
1	We have a written marketing plan	1 2 3 4 5
2	We emphasize on market research	1 2 3 4 5
3	We study consumer behavior in the micro finance market	1 2 3 4 5
4	We offer several types of loans to customers	1 2 3 4 5

5	Our firm provide services that offer value to customers	1 2 3 4 5
6	Our firm understand the needs of our borrowers	1 2 3 4 5
7	We focus on customers satisfaction	1 2 3 4 5
8	We attempt to improve our existing financial products and services	1 2 3 4 5
9	We continue to offer new financial products and services	1 2 3 4 5
10	We differentiate our loans and financial services from our competitors	1 2 3 4 5
11	We provide more value to our borrowers	1 2 3 4 5
12	Our interest rates are more reasonable than the competitors	1 2 3 4 5
13	Our firm implements marketing strategies	1 2 3 4 5
14	We use print media to advertise our products and services	1 2 3 4 5
15	We use social media to promote our products and services	1 2 3 4 5
16	Customers could inquire about our products and services through our mobile app	1 2 3 4 5
17	Our company use Internet marketing to advertise our financial products and services to our customers	1 2 3 4 5
18	Our company used mobile advertising	1 2 3 4 5
19.	We send text messages that informed our customers about our new products and services	1 2 3 4 5
20.	We used mobile app to deliver messages to cellular subscribers	1 2 3 4 5
21.	Our firm advertising programs focus on promoting our loans and financial services to a larger group of people	1 2 3 4 5
22.	Our advertising budget is structured to meet our business objectives	1 2 3 4 5
23.	We adopt location-targeted mobile advertising	1 2 3 4 5
24.	We conduct sales promotion program such as consumer promotion	1 2 3 4 5
25.	Our employees promote our products and financial services through interacting with clients.	1 2 3 4 5
		1 2 3 4 5

26.	We use publicity to promote our financial products and services to our clients	1 2 3 4 5
27.	We send SMS to inform our clients the approval of their loans	1 2 3 4 5
28.	We send SMS to inform our clients if they miss their loan installment	1 2 3 4 5
		1 2 3 4 5
29.	We use mobile advertising to target our customers	1 2 3 4 5
30.	We use social media such as Facebook and Twitter to promote our products and services	1 2 3 4 5
31.	We use our website to promote our products and services	1 2 3 4 5
32.	We use our website to provide current information on our products and services to our customers.	1 2 3 4 5
		1 2 3 4 5

Corporate Governance Practice: The following questions are related to the practice of corporate governance in your organisation; please fill in the information that is the most appropriate answers where applicable.

1. Does your company have a board of directors?
   ☐ Yes
   ☐ No

2. How many members are there in the board of directors? ___________ members

3. Does your company has a board of advisors?
   ☐ Yes
   ☐ No

4. How many members are there in the board of advisors? ___________ members

5. Does the CEO of the company also act as the Chairman of the Board?
   ☐ Yes
   ☐ No

6. Is the CEO of your firm a woman?
   ☐ Yes
   ☐ No

7. Does the internal auditors report to the board of directors?
   ☐ Yes
   ☐ No

8.	The Board involves in building the company‟s vision, mission and providing overal direction.	1 2 3 4 5

9.	The Board involves in reviewing and approving the allocation of the company‟s resources	1 2 3 4 5
10.	The Board establish general policies for the company	1 2 3 4 5
11.	The Board looks after the interests of the company‟s shareholders	1 2 3 4 5
12.	The Board spend its time monitoring the performance of the company	1 2 3 4 5
13.	The Board spend its time monitoring the behaviour of the management team	1 2 3 4 5
14.	The Board contribute directly to the development of the strategy of the company	1 2 3 4 5
15.	The Board provide support to the management of the company	1 2 3 4 5
	Information and Communication Technology (ICT) Adoption Practice: Please use the following scales to indicate your level of agreement on each statement **Least applicable 1 2 3 4 5 most applicable**	
1.	Our organization has the necessary ICT infrastructure and equipment	1 2 3 4 5
2.	The organization use up-to-date hardware	1 2 3 4 5
3.	The organization use up-to-date software	1 2 3 4 5
4.	Our company use cloud computing	1 2 3 4 5
5.	Our company use spreadsheet	1 2 3 4 5
6.	We use smartphone apps to conduct market survey study	1 2 3 4 5
7.	There is a low network downtime in this organization	1 2 3 4 5
8.	Good communication exists between those who support and those who use ICT in this organization	1 2 3 4 5
9.	We keep up-to-date on advancement of ICT	1 2 3 4 5
10.	We continue to invest in the right ICT	1 2 3 4 5
11.	Our organisation teach employees to use the new technology effectively	1 2 3 4 5
12.	Our organisation help to overcome any fear of technology	1 2 3 4 5
13.		1 2 3 4 5

14.	Our organisation plant the seeds of technological awareness	1 2 3 4 5
15.	We stay ahead of the technology curve	1 2 3 4 5
16.	Our organisation develop a technology awareness program	1 2 3 4 5
17.	My company is able to compete with ICT	1 2 3 4 5
18.	We make ICT work for the organization	1 2 3 4 5
19.	Our organisation is pooling of technological resources	1 2 3 4 5
20.	We use technology to sharpen the organization‟s competitive edge	1 2 3 4 5
	We distributes computer controls throughout the organization.	1 2 3 4 5
21.	We perform repetitive tasks error free with the computer	1 2 3 4 5
22.	We eliminate guesswork with the help of computer	1 2 3 4 5
23.	My organisation matches financial products and services to customer needs with a computer system.	1 2 3 4 5
24.	My organisation matches workflow with computerized scheduling and control.	1 2 3 4 5
25.	We reduce costs by using the computer to integrate storage and inventory systems	1 2 3 4 5
26.	My organisation make the computer serve the customer by installing point-of-sales terminals.	1 2 3 4 5
27.	We use ICT to process and our loan applications	1 2 3 4 5
28.	We monitor loans repayment through ICT	1 2 3 4 5
29.	We provide valuable information about our financial products and services on our website	1 2 3 4 5
30.	We use social media platforms such as Facebook and Twitter to inform and promote our financial products and services.	1 2 3 4 5

SECTION IV: Business Strategy

Please tick (√) **only one** of the following **strategies** best describes the business strategy adopted by your firm.

Least applicable 1 2 3 4 5 most applicable

	Low Cost Strategy	
1.	We charge lower interest rate on loans	1 2 3 4 5
2.	We charge lower management fee on the loans	1 2 3 4 5
3.	We pay higher interest rate for our cash deposits	1 2 3 4 5
4.	We charge lower fee on services (funds transfers, ATMs)	1 2 3 4 5
5.	My organisation utilize computer to minimize operating costs	1 2 3 4 5
6.	My organisation utilize Internet to minimize operating costs	1 2 3 4 5
7.	My organisation offer specific financial products at lower interest rate	1 2 3 4 5
8.	My organisation develop image as provider of cheapest financial products	1 2 3 4 5
9.	My organisation able to provide financial products cheaper than competitors	1 2 3 4 5
10.	We target customers who are sensitive to interest rate	1 2 3 4 5
11.	My organisation outsource some tasks in order to lower costs	1 2 3 4 5
12.	We provide financial products more efficiently than competitors	1 2 3 4 5
13.	My organisation usually target mass market	1 2 3 4 5
14.	My organisation tight cost and overhead control	1 2 3 4 5
15	We minimize costs in service, sales force and advertising	1 2 3 4 5
		1 2 3 4 5
	Differentiation Strategy	
1.	We provide financial training to our customers upon loan approvals	1 2 3 4 5
2.	We provide financial advice to customers that apply loans for their business	1 2 3 4 5
3.	We attend to all customers enquiry before processing and approving loans	1 2 3 4 5
4.		

5.	Our financial products are better than our competitors	1 2 3 4 5
6.	My organisation offer customized financial products to customers	1 2 3 4 5
7.	We offer better financial services to customers	1 2 3 4 5
8.	We offer new financial products to customers	1 2 3 4 5
	We focus on customer service	1 2 3 4 5
	Growth Strategy	
1.	We continue to introduce new financial products and services	1 2 3 4 5
2.	We continue to increase our range financial products and services	1 2 3 4 5
3.	We increase our geographical locations to increase our market share in the microfinance industry	1 2 3 4 5
4.	We increase our promotion campaigns to increase the numbers of our customers	1 2 3 4 5
5.	We spend on marketing activities to promote our financial products and services to new customers	1 2 3 4 5
6.	We increase our sources of funding to provide more loans to customers	1 2 3 4 5
7.	We increase the number of loan officers to increase the amount of loans	1 2 3 4 5
	Harvest Strategy	
1.	Our organization reduce its operation costs	1 2 3 4 5
2.	We implement stringent costs control	1 2 3 4 5
3.	We have not make any new investment in the organization	1 2 3 4 5
4.	We have reduce our promotional expenses	1 2 3 4 5
5.	We have reduce the number of financial products and services in the company	1 2 3 4 5
	Focus Strategy	
1.	My organization targets only certain customers	1 2 3 4 5
2.	My organization offers loans only to certain market segment	1 2 3 4 5

3.	My organization emphasizes on the marketing of only specialty financial products and services	1 2 3 4 5
4.	My organization provides loans based on the specific needs of the local market	1 2 3 4 5
5.	We provide specific loan for niche market	1 2 3 4 5

SECTION V: Competition

The following are some of the factors that affect your competitive position. Using the following scheme, rate the intensity of competition that you perceived your company has been experiencing.

1.	The cost to enter this business is great	1	2	3	4	5
2	Our financial products and services are highly differentiated	1	2	3	4	5
3	It takes a great deal of capital to get into this business	1	2	3	4	5
4.	It would be expensive for our customers to switch to another lender	1	2	3	4	5
5	It is very difficult to get government approval to operate a business like ours	1	2	3	4	5
6	The chances of a new firm entering this business and threatening our firm are not very great	1	2	3	4	5
7	There are many competitor in this business	1	2	3	4	5
8	All competitors in this business are about equal	1	2	3	4	5
9	The markets for our financial products are growing slowly	1	2	3	4	5
10	There is a great deal of costly overhead in this business	1	2	3	4	5
11	It is easy for our customers to switch to other lenders	1	2	3	4	5
12	No two firms are alike in this business	1	2	3	4	5

13	Most firms in this business must succeed or they will go out of business	1	2	3	4	5
14	The majority of firms in this business are here to stay	1	2	3	4	5
15	What my competitors do really doesn"t make much difference to my firm	1	2	3	4	5
16	There are many other financial products and services that have the same purpose as ours	1	2	3	4	5
17	Other types of financial products and services can do about what ours does but at a lower cost	1	2	3	4	5
18	Firms that provide a financial product that performs the same function as ours are very profitable in their other markets	1	2	3	4	5
19	I am concerned about other types of financial products and services that can do exactly what ours does.	1	2	3	4	5
20	We have relatively few customers who borrow a large part of our loans	1	2	3	4	5
21	Our financial product accounts for a large part of the customer"s income	1	2	3	4	5
22	Most firms in our business offer a standard commodity-like financial product	1	2	3	4	5
23	It is easy for customers to switch to another lender	1	2	3	4	5
24	There is very little profit in the financial products and services that our customers borrowed.	1	2	3	4	5
25	Our customers know all about our business and how profitable it is.	1	2	3	4	5
26	I would say that our customers have very little influence over lenders in our business	1	2	3	4	5

SECTION VI: Performance Indicators
Please provide the following financials and non financials of your firm for the past five years and use estimation where the information required is not readily available. (Please be assured that all information given in this questionnaire is for the sole purpose of this research only and it **WILL NOT** be disclosed to any other party)

	Indicators	**2011**	**2012**	**2013**	**2014**	**2015**
1.	Rate of loans repayment (%)					
2.	Value of loans disbursed					
3.	No. of loans disbursed					
4.	No. of deposits					
5.	No. of borrowers					
6.	Average loan size					
7.	No. of women borrowers					

Thank you very much for your time and effort used in completing this questionnaire.

APPENDIX B

CROSS LOADINGS

	CGP	COM	ICTP	LP	MP	P	SPP	STR
CGP1	**0.729**	0.404	0.119	0.232	0.480	0.245	0.135	0.399
CGP10	**0.665**	0.089	0.144	0.183	0.448	0.457	0.139	0.165
CGP13	**0.612**	0.107	0.047	0.161	0.391	0.098	0.218	0.254
CGP2	**0.785**	0.212	0.053	0.278	0.551	0.259	0.079	0.387
CGP3	**0.681**	0.240	0.078	0.128	0.484	0.204	0.226	0.337
CGP4	**0.634**	0.252	0.031	0.164	0.348	0.181	0.249	0.338
CGP5	**0.720**	0.300	-0.038	0.231	0.423	0.230	0.164	0.115
CGP6	**0.753**	0.222	0.083	0.148	0.479	0.298	0.044	0.236
CGP9	**0.776**	0.163	0.193	0.207	0.597	0.487	0.039	0.169
COM10	0.140	**0.724**	-0.002	-0.066	0.085	0.276	-0.077	0.230
COM17	0.056	**0.640**	-0.063	0.009	0.127	0.191	-0.067	0.228
COM7	0.345	**0.780**	0.162	0.051	0.319	0.375	0.149	0.207
ICTAP1	0.097	0.041	**0.778**	-0.193	0.155	0.154	0.041	0.159
ICTP10	0.072	0.075	**0.726**	-0.133	0.200	0.185	-0.056	0.206
ICTAP11	0.051	0.073	**0.732**	-0.094	0.199	0.127	0.016	0.300
ICTAP2	0.005	-0.050	**0.635**	-0.132	0.082	0.042	-0.066	0.165
ICTAP3	0.134	0.039	**0.623**	-0.117	0.203	0.061	0.081	0.154
ICTAP4	0.051	-0.086	**0.692**	-0.117	0.185	0.153	0.076	0.227
ICTAP5	0.056	-0.029	**0.743**	-0.208	0.070	0.035	0.114	0.137
ICTAP6	0.111	0.064	**0.763**	0.083	0.179	0.195	0.066	0.121
ICTAP7	0.168	0.171	**0.764**	0.120	0.321	0.244	0.146	0.115
ICTAP8	0.149	0.049	**0.718**	0.070	0.171	0.123	0.042	0.176
LP1	0.286	0.021	-0.121	**0.835**	0.219	0.158	0.119	0.169
LP10	0.225	0.021	0.053	**0.780**	0.254	0.256	0.047	0.230
LP2	0.235	-0.009	-0.106	**0.833**	0.120	0.190	0.270	0.228
LP3	0.207	0.023	-0.120	**0.832**	0.094	0.147	0.155	0.287
LP8	0.050	-0.049	-0.054	**0.722**	0.115	0.147	0.172	0.109
LP9	0.253	0.004	0.025	**0.749**	0.167	0.222	0.082	0.126
MP10	0.433	0.188	0.298	0.085	**0.808**	0.384	0.078	0.229
MP11	0.482	0.201	0.299	0.172	**0.848**	0.496	0.078	0.165
MP12	0.312	0.103	0.184	0.048	**0.632**	0.218	-0.050	0.254
MP13	0.453	0.142	0.279	0.071	**0.741**	0.381	-0.025	0.321
MP14	0.397	0.143	0.283	0.145	**0.714**	0.328	-0.022	0.337
MP15	0.271	0.138	0.279	0.101	**0.583**	0.252	-0.149	0.311
MP16	0.484	0.170	0.277	0.093	**0.859**	0.463	0.059	0.118
MP17	0.446	0.219	0.159	0.166	**0.787**	0.426	0.088	0.107

MP18	0.383	0.118	0.270	0.092	**0.793**	0.379	0.025	-0.010
MP19	0.341	0.132	0.208	0.153	**0.738**	0.360	0.050	0.094
MP20	0.428	0.096	0.155	0.199	**0.765**	0.394	0.093	0.333
MP28	0.690	0.345	0.104	0.153	**0.641**	0.356	0.112	0.132
MP29	0.753	0.256	0.049	0.287	**0.703**	0.362	0.138	0.057
MP30	0.665	0.309	0.066	0.202	**0.519**	0.274	0.146	0.115
MP31	0.127	0.278	0.099	0.280	**0.563**	0.203	0.128	0.300
MP7	0.439	0.188	0.298	0.110	**0.878**	0.462	0.067	0.165
MP8	0.440	0.147	0.283	0.176	**0.799**	0.456	0.173	0.154
MP9	0.425	0.172	0.316	0.122	**0.850**	0.470	0.089	0.298
P1	0.184	0.348	0.050	0.183	0.134	**0.596**	0.264	0.207
P2	0.368	0.345	0.208	0.226	0.427	**0.902**	0.211	0.066
P5	0.399	0.337	0.228	0.169	0.454	**0.850**	0.159	0.184
P7	0.465	0.338	0.207	0.230	0.587	**0.876**	0.206	0.158
SPP1	0.149	-0.003	-0.042	-0.021	-0.012	0.161	**0.708**	0.319
SPP10	0.173	-0.023	0.115	0.156	0.157	0.196	**0.814**	0.465
SPP11	0.222	-0.010	0.132	0.100	0.068	0.163	**0.820**	0.309
SPP2	0.185	0.094	0.057	0.180	0.121	0.259	**0.857**	0.680
SPP3	0.025	-0.026	-0.015	0.007	-0.079	0.144	**0.645**	0.188
SPP4	-0.004	0.116	0.029	0.126	0.077	0.159	**0.602**	0.076
SPP8	0.111	0.051	0.066	0.231	0.107	0.234	**0.848**	0.172
SPP9	0.130	-0.051	0.075	0.162	0.106	0.110	**0.687**	0.161
FCS	0.439	0.188	0.298	0.511	0.178	0.462	0.367	**0.994**
GS	0.285	0.034	0.017	0.180	0.121	0.259	0.557	**0.769**
LCS	0.165	0.359	0.066	0.292	0.119	0.274	0.146	**0.481**