STRATEGIC POSITIONING AND PERFORMANCE OF MICROFINANCE INSTITUTIONS IN NAIROBI CITY COUNTY, KENYA

BY

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT) OF KENYATTA UNIVERSITY

NOVEMBER, 2023

DECLARATION

This project is my original work and has not been presented for a degree or any other award in any university. No part of this research report should be reproduced without the authority of the author or/ and Kenyatta University.

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I confirm that the work reported in this project was carried out by the candidate with my approval as the University Supervisor.

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DEDICATION

This research report is dedicated to my parents, Shadrack Wekesa Kapukha and Annet Tumwine Wekesa, who have supported my education and are committed to helping me succeed in all my endeavors. They have always encouraged and believed in me. Their relentless love, effort, hard work, and devotion set a path for me to aim at achieving a master's degree.

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ABBREVIATIONS AND ACRONYMS

MFI(S)	-	Microfinance Institutions
NACOSTI	-	National Commission of Science, Technology and Innovation.
NBK	-	National Bank of Kenya
RBV	-	Resource Based View
SEM	**-**	Structured Equation Modelling
SME	-	Small and Medium Enterprises
SPSS	**-**	Statistical Package for Social Sciences

OPERATIONAL DEFINITION OF TERMS

Customer Focus	It involves continuously improving an organization's products and services based on customer preferences. It will be measured as building trust, handling complaints, and prioritizing customer needs
Differentiation	Establishing a competitive advantage for a product or service to make it more appealing to a certain target market. This entails differentiating it from both goods produced by other businesses and other goods provided by the same business.
Information Technology	The abilities a computer, application software, or telecommunication offers. It will be measured as mobile technology, IT capabilities and risk, and security management.
Performance	A broad measure of a firm's financial well-being resulting from effective and efficient utilization of the firm's resources out of which revenues are generated. Performance will be measured with customer satisfaction, efficiency, and market share.
Resource Allocation	It involves how resources are distributed, be it financially or among various groups of people or individuals competing. It will be measured as human resources, financial resources, and physical resources
Strategic Positioning	The choice by organization executives to identify their space, brand, and company identity in a particular market, as well as the advantages to be emphasized and the types of categories to be addressed. It will be measured as strategic leadership, resource allocation, information technology, customer focus, and differentiation.
Strategic Leadership	A leader's capacity to create an organizational goal and persuade employees to work hard to accomplish that goal. Strategic leadership will be measured with Evaluation and control, Strategy implementation, Environmental scanning, Minimum labor, and quality resources.

ABSTRACT

Microfinance organizations operating within Nairobi City County, Kenya, are primarily dedicated to supporting small businesses by providing modest loans without stringent collateral requirements. The performance of the microfinance institutions depends on their strategic planning and overall execution of the plans to attain market advantage and compete in the market. Despite ability of these organizations to grant improved access to loans, savings, and insurance, studies carried out on this area suggest that the problem of often overlooking the broader organizational perspectives has been persistent. Further review of recent studies has established that the performance of microfinance institutions in Kenya has been declining. However, there was scarce information on the effect of strategic positioning on the performance of microfinance institutions in Nairobi City County. As such, the present study sought to investigate the significance of strategic positioning in shaping the success of microfinance organizations in Kenya.The study sought to examine the effect of strategic leadership, resource allocation, information technology, customer focus, and differentiation on the performance of microfinance institutions in Nairobi City County. The study was mainly anchored on resource-based view and supported by dynamic capability and life-cycle theories. A target population of 300 employees was targeted from which a sample of 172 research participants was recruited. The sample was chosen using a combination of sampling and stratified sampling procedures. Surveys served as the major data collection method. A pilot study was carried out to enhance the validity and reliability of data collection instruments. Prior examination of the data collection instrument by experts and collection enhance the reliability of data collection instruments. Analysis used both descriptive and multiple regression analyses.The findings of the study indicated the urgency for microfinance organizations to adopt growth strategies that encompass innovative digital advancements, the introduction of novel products, innovation-focused strategies, and the digitization of services. The findings further highlighted the pivotal roles played by strategic positioning, strategic leadership, information technology integration, and differentiation in significantly shaping microfinance institutions' performance.The findings also indicated that a unit enhancement of strategic positioning indicator had a significant enhancement on their individual performance but also in the competitive positioning of firms operating within the same industry However, the impact of customer focus and resource allocation did not exhibit the same level of significance. In light of the findings, the study recommended the reinforcement of strategic positioning, optimized resource allocation, embracing technological integration, and an unwavering focus on customer needs. These recommendations are poised to amplify the success of microfinance institutions operating within the competitive landscape of the Kenyan banking industry. The study extends future research avenues, suggesting the exploration of diverse leadership styles, resource allocation strategies, and the undertaking of comparative analyses to glean more profound insights into the enduring impacts of these factors on microfinance institutions.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

On a global scale, strategic positioning involves the deliberate formulation and execution of plans to create a unique and valuable position within a competitive environment (Morduch & Haley, 2018). In the realm of microfinance institutions (MFIs), strategic positioning is pivotal for sustainability and impact. It involves crafting a distinctive identity and service offering tailored to the needs of underserved populations while considering the competitive landscape (Kisuna & Gogo, 2017). Global studies indicate that MFIs in the US differentiate themselves by specializing in certain financial products, leveraging technology for wider outreach, or emphasizing social impact metrics to attract investors and donors (Morduch & Haley, 2018). In this light, strategic positioning assists MFIs in aligning their operations with the specific socio-economic contexts of the communities they serve, enhancing their relevance and effectiveness in delivering financial services to the unbanked or underbanked. According to Morduch and Haley (2018), strategic positioning in microfinance is instrumental in navigating the complexities of local markets while simultaneously addressing the financial needs of marginalized populations. In UK and China, MFIs have used strategic positioning to maximize their impact, foster financial inclusion, and achieve long-term sustainability, thus contributing significantly to poverty alleviation efforts.

According to McKinley (2018), Africa is the second most profitable and growing microfinance banking market in the world, with high credit risk, low income, and poor banking distribution services regarded as the primary roadblocks to mainland banking. Throughout 2012 and 2013, bank profitability improved dramatically, with 35 banks in Sub-Saharan Africa increasing their profitability from 170 million to over 300 million. Notwithstanding this remarkable success in the banking business, development in the western banking sector has been slow, owing to large, labor-intensive publication procedures and high employee costs, which have stifled profitability possibilities (Mutua, Jagongo & Simiyu, 2020).

Without hesitation, Sub-Saharan Africa's most active microfinance market is in Kenya. Kenya is proud of its diverse structured systems and vast distribution network that serves the needy (Nyachwaya &Rugami, 2020). According to Mburu (2019), the network is guided by the legislative and supervisory framework of both the Microfinance guidelines of 2008 and the Microfinance Act of 2006. The establishment of a banking and financial industry has been hampered by a series of linked constraints that have functioned as the primary promoters of microfinance demand. The framework and character of Kenya's banking and finance industry; an absence of guidelines and control essential for changes in banking and finance; and profit-driven banking organizations' traditional commercial activities are only a few of these restrictions (Nzongang&Nishimikijimana, 2013).

1.1.1 Performance of Microfinance Institutions

According to Karuga, Gichunge, and Kirimi (2021), The indicator of a company's financial health is performance, resulting from the effective and efficient utilization of the firm's resources, out of which revenues are generated. It's also a tool that allows shareholders and experts to evaluate and compare the profitability of similar firms in making informed financial choices. It understands how a business may profitably manage its members' assets, obligations, and financial concerns. Most businesses place a high focus on monitoring their financial performance to secure long-term viability and the possibility of improving the company's worth (Dang, 2021)

According to Jamil and Siddiqui (2020), performance may be quantified using various variables, the most important of which are financial ratios. Javeed and Tabassam (2018) note that performance indicator is critical for the operational management of any financial company. According to academics, various studies have attempted to determine the optimal performance metrics. Despite this, no performance measurement has been designated as being capable of measuring complete performance yet. According to Javeed and Tabassam (2018), some indicators have been categorized into accounting and marketing-based ones. There are many indicators that can indicate the performance of the company including profitability, expansion of the business in terms of the market share and satisfaction of customer’s level. Profitability is a very good indicator of a company's success and performance (Otundo, 2019). Saved profits are stored in the bank as capital and can be used to develop the business in terms of expanding geographically, increasing production, or other plans. Profitability analysis is conducted by comparing revenues, expenditures, and profitability. The term "profit" refers to the variance between total income or earnings and total costs or expenses over a specific time period. (Arbelo, Arbelo-Pérez & Pérez-Gómez, 2020). A higher level of profit implies a better performance and efficiency within an organization. One of the metrics that is most frequently used in microfinance is an organization's profitability. It helps in determining whether the bank is profitable or not.

Customer satisfaction can be used to gauge performance. Customer satisfaction may be linked to financial performance and value creation, as well as customer acquisition and retention. Customer satisfaction should not be confused with customer loyalty or perceived customer lifetime value. Customer satisfaction should be correlated to performance on a consistent basis. A customer's satisfaction is influenced by their perception of the financial and banking services provided (Pichler, Cordazzo& Rossi, 2018). The degree of client satisfaction may have an influence on a financial institution's performance. Customer satisfaction is not constant, it can be changed or improved upon, or can decline depending on the customers' perception of their valuable experience (Agyei-Boapeah et al., 2020). One challenge is for identifying levels and drivers of same with the various microfinance institutions in Nairobi, Kenya, which can differ based on cultures and customs between urban and rural areas. Customer satisfaction levels can be used to determine the performance of a company.

The expansion of the business in terms of the market share can also be used to determine the performance of a company. Market share measures how well a company is performing in relation to the whole market or sales of a product, service or good (Kar & Swain, 2014). Large companies with a high market share usually have lower profit margins, while they are able to expand and attract new customers by either increasing volume or by lowering prices. The expansion of the business in terms of the market share helps in providing services to end customers (Agyei-Boapeah et al., 2020). Customers readily pay a higher price for goods and services, if they can benefit from a larger number. The growth of the business in terms of the market share is useful in determining the performance of a company.

1.1.2 Strategic Positioning

The choice by executives to identify an organization’s space, brand and company identity to maintain in a particular market, as well as the types of advantages to be emphasized and the types of categories to be addressed, is known as strategic positioning (Lewis, Dobbs &Veerapillai, 2017). As a result, strategic positioning is referred to as a plan for identifying and allocating resources to certain market niches (Philip, 2018). Gachara and Okeyo (2021) operationalized strategic positioning as strategic leadership and assets, product differentiation, and continuous improvement, while Bett (2020) operationalized it as segment positioning, defensive, adaptive, and standby positioning. Strategic leadership, resource allocation, information technology, customer focus, and differentiation were the indicators used for strategic positioning in this study.

Strategic leadership is said to be a leader's capacity to create an organizational goal and persuade employees to work hard to accomplish that goal (Sabourin, 2021). Strategic leaders plan ahead of time to establish the firm's course (Philip, 2018). When they monitor and deal with the crucial sectors of their surroundings, their confidence increases (Hambrick, 2020). Strategic leaders make and convey decisions about the future of their company (Odhiambo &Mang'ana, 2022). They set the firm's objectives and methodologies, create the firm's frameworks and mechanisms, regulate and key proficiencies, handle different constituencies, select top personnel, train the next emerging executives, give strategic direction, sustain an impactful organizational culture, uphold a scheme of ethical principles, and perform as the firm's delegate to government and other groups and coworkers. This type of strategic leadership should be equipped to handle uncertainty, ambiguity, and excessive workload, which necessitates adaptation and timeliness (Boal &Hooijberg, 2018).

Resource allocation involves distributing resources among various groups of people or individuals competing (Philip, 2018). Resource allocation also refers to the process by which assets are assigned and managed in such a way that it supports an organization toward its strategic goals, which are being planned. It also involves the management of assets that are quite tangible such as hardware for the provision of encouragement of an organization (Friebel *et al.*, 2009). It was operationalized as physical, financial, and human resources.

Information technology is the ability a computer, application software, or telecommunication has to offer (Dang, 2021). Information technology comprises several categories: computer engineering, hardware technology, multimedia information, information channels or systems, industrial automation, office automation, and specific automation resources (Bett, 2020). It also refers to applying various resources to manage the firm's data. In this study, information technology was measured as mobile technology, IT capabilities, risk, and security management.

Customer focus involves continuously improving an organization's products and services based on customer preferences, which in turn helps improve organizational performance and enhance competitive advantage (Omran, 2013). According to Ndede (2020), customer focus has to do with converting certain inputs into outputs based on customers' requirements and is also beneficial. Rahman (2017) measured customer focus as customer centricity, loyalty, retention, satisfaction, and relationship management. In this study, customer focus was measured as creating trust, handling complaints, and prioritizing customer needs.

Differentiation involves the development of plans and strategies that can help an organization improve performance and competitive advantage (Anekwe, Onudugu, Ndubuisi & Grace, 2021). It requires providing services or products that are quite different from competitors but also in line with market demands and customers' preferences (Kotler & Keller, 2014). According to Kubai, Karanja, and Kihara (2021), differentiation involves uniquely producing a particular product, offering services in a unique way, and marketing products and services in a unique way. In this study, differentiation was measured as product differentiation, service differentiation, and market differentiation.

1.1.3 Microfinance institutions in Nairobi, Kenya

It is defined under the Microfinance Act (2006) as an enterprise where the person running the enterprise offers himself out as receiving deposits on a regular. The Microfinance Act of 2006 regulates microfinance institutions; however, they are not completely licensed banks. However, because they utilize client deposits to create money for autonomous loans, they are exposed to the same criteria as full-fledged banks (Issaias, Odondo & Okelo, 2021). Demand deposits are accepted by microfinance institutions, which utilize them to create cash for the distribution of loans to consumers (Alastair, 2015). Kenya is rated first in Africa and sixth globally in microfinance activities (Karanja & Simiyu, 2022).

Only 56 of Kenya's almost 250 microfinance organizations are accredited with AMI, an umbrella organization. There were 13 microfinance institutions that offered deposit services in Nairobi, Kenya as of December 2020. Rafiki Microfinance Bank, Century MFI, Sumac MFI bank limited, Kenya Women Finance Trust (KWFT), SME Program (SMEP), Uwezo MFI, and Faulu Kenya are among the prominent companies in the industry (Ndirangu, Kiragu, &Ngunyi, 2020). Kenya's microfinance business caters to low-income earners and MSEs involved in non-agricultural profitable operations. MFIs have made important advances in goods and services used by MSEs over time (Joshua, Olweny&Oloko, 2021). The overall capital of the microfinance industry has been on a steady trend for more than three years, having banks dominating the industry (Mwara& Nyaga, 2013). Further, Muthiya (2022) established that regulation of strategic innovation influences performance of MFIs in Nairobi, Kenya. This informed the need for strategic positioning among MFIs given the regulated environment within which they operate. Kimiti, Muathe and Murigi (2022) further recommended the need for MFIs to build preferable protections and capabilities to enhance their competitive advantage.

1.2 Statement of the Problem

Although micro-financing is among the methods for strengthening the poor's capacity, which is largely ignored by commercial credit facilities, and progressing them to entrepreneurial ventures that are financially viable, the sector faces several challenges in Kenya. Microfinance institutions have witnessed a drop in their performance over the years. In 2015, their profitability was reported to be 26% which later declined to 25% in 2016, 21.1% in 2017, and 21% in 2018. Similarly, their profitability fell from 27.1% in 2015 to 25% in 2016, 23% in 2017 (CBK, 2018). Furthermore, their market share fell from 1.05% in 2014 to 0.79% in 2018, and in 2020, they made a total loss of Ksh.2.2 billion (CBK, 2020). The drop-in performance in the industry was mostly due to a 7.0% drop in financial income, or Ksh.1.0 billion. The sector's yield based on assets and equity declined to -0.9% and -5.5%, respectively, due to poor profitability, from -0.5% and -3.2% the preceding year (CBK, 2019). According to AMFI (2019), institutions offering only credit services recovered gradually between March and June 2019 but then deteriorated, whereas others stalled between November and December 2019. Strategic positioning lays the groundwork for effectiveness and success in service delivery, regardless of the form or type of services offered by a company.

Several studies on strategic positioning and organizational performance have highlighted various gaps. Kasuni, Mandere, and Njeru (2022) discovered a substantial way in which there is a connection between strategic positioning with profitability of commercial banks, but their focus was on commercial banks in Nairobi, Kenya. Gachara and Okeyo (2021) indicated that strategic positioning substantially impacts competitive advantage, but the study was not focused on the banking industry. Wanjogu, Mwara, and Nyaga (2013) indicated that strategic positioning ranked low in affecting the organizational Performance of only microfinance institutions offering deposit services in Nyandarua County, Kenya. Odunmbaku and Akinlabi (2021) findings demonstrated that strategic positioning significantly impacts the performance of little insurance businesses in Nigeria. Due to these limitations, the purpose of this study was to investigate how strategic positioning affected the performance of microfinance institutions in Nairobi, Kenya.

1.3 Objective of the Study

1.3.1 General Objective

The study sought to examine the effect of strategic positioning on the performance of microfinance institutions in Nairobi, Kenya

1.3.2 Specific Objectives

In specific terms, the investigation aimed to:

i. Examine the effect of strategic leadership on the performance of Microfinance institutions in Nairobi, Kenya
ii. Investigate the effect of resource allocation on the performance of Microfinance institutions in Nairobi, Kenya
iii. Examine the influence of information technology on the performance of Microfinance institutions in Nairobi, Kenya.
iv. Investigate the effect of customer focus on the performance of Microfinance institutions in Nairobi, Kenya
v. Determine the effect of differentiation on the performance of Microfinance institutions in Nairobi, Kenya

1.4 Research Questions

Based on the objectives, the following questions were raised:

i. How do microfinance institutions in Nairobi, Kenya, perform in relation to strategic leadership?
ii. How does the distribution of resources impact the effectiveness of microfinance organizations in Nairobi, Kenya?To what extent does information technology affect the performance of Microfinance institutions in Nairobi, Kenya?
iii. What is the influence of customer focus on the performance of Microfinance institutions in Nairobi, Kenya?
iv. What is the influence of differentiation on the performance of Microfinance institutions in Nairobi, Kenya?

1.5 Significance of the Study

The research findings were considered useful to microfinance institutions in developing and implementing strategic positioning policies to improve organizational performance. The findings were also valuable to microfinance bank management in determining the impact of different strategic positions on their performance and deciding which to adopt and which to avoid. Finally, the study was anticipated to be useful to academics as a source of knowledge for upcoming studies on strategic positioning.

1.6 Scope of the Study

The study examined how strategic positioning affect Kenyan microfinance institutions performance. Although there are many factors that affect performance of micro-finance institutions in Nairobi City County, the study was restricted to the element of strategic positioning. Further, although strategic positioning has various indicators, the study focused on strategic leadership, resource allocation, information technology, customer focus, and differentiation, while the dependent variable was performance.

Although there were many theories that would have anchored the study, the study utilized RBV Theory, Dynamic Capabilities Theory, Resource Dependency Theory, and Stakeholder Theory. The timeline scope of the research ranged from 2015 to 2023 with the view of covering changes that may have occurred in the course of time. This scope of time was chosen because it covers a wide range of years within which current effect of strategic positioning on the performance of micro-finance institutions could be measured.

1.7 Study Limitations

The type of research equipment employed is one of the study's shortcomings. Utilizing questionnaires in this research was a tool that is associated with information concealment on the side of respondents who willingly decline or give out incorrect information about their organization's performance, owing to fear of competition from other market competitors. The limitations were addressed by voluntarily informing respondents of the study's objective. Additionally, the researcher reassured the respondents on the significant need to keep the information secret and discrete.

1.8 Organization of the Study

The first Chapter of the research discussed the background of the study, the problem statement, objectives, research questions, importance, scope, and limitations. In chapter two, the examination of the study's theoretical underpinnings and empirical works was documented. In chapter three, the methodology was detailed while highlighting the design, population, sampling, collection instrument and procedure, data analysis, and ethical considerations. In chapter four, the findings of the study were presented while chapter five presented the summary, conclusion and recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This phase of the inquiry contains documentation of the theoretical linkage. According to the summary of the examined research, this section of the study also represented the conceptual framework and the gaps that other works had identified and that this study intended to fill.

2.2 Theoretical Review

This section of the study focused on underpinning the theoretical framework of the study. The main theory of the study was Resource-Based Theory. Dynamic Capability Theory and Life-cycle theory were used to enhance the theoretical framework of the study.

2.2.1 Resource-Based Theory

Resource-based Theory was developed by Barney in 1991. The theory was developed to explain the fundamental impact of a company developing its substitutable resources. It states that when an organization develops strategic resources that are unique from other organizations, it enhances development of competitive advantage over rivals. When a company adopts a valuation strategy that has not been applied by present or future competitors, it gains a competitive advantage (Barney, 1991). The organization is considered competitive when other businesses cannot emulate its rewards (Barney, 1991). Thus, the resource-based theory emphasizes on the significance of differentiation variable. It states that favourable competitive advantage results from an organization's resources and core competencies. Based on this hypothesis, organizational resources provide a corporation with a long-term competitive edge. These include the advantages that may be utilized to develop and execute plans (Barney, 1991). According to Thompson, Strickland, and Gamble (2009), resources and capabilities are what the organization is considered to excel at or a feature that boosts its market competitiveness. A material or intangible resource should be used. While tangible resources like capital, land, geographic position, property, plants, and equipment are crucial, intangible resources like identity, prestige, human resources, patents, and proprietary information provide a corporation with a long-term competitive edge.

Barney (1991) concluded that non-imitable and unique resources are the most valuable organizational asset and are only held by a few participants in the sector and cannot be replaced. These resources are one-of-a-kind and, as a result, tools that help businesses to create revenues that exceed sector norms and gain market control (Barney &Hersterly, 2010). According to Thompson et al. (2009), resources that might add to a strategic edge are those that competitors lack. The more challenging and costlier it takes to imitate a particular resource or capabilities, the most largely its competitive advantage was. Strategic positioning is a step towards enhancing the internal resources of an organization. This way, the hypothesis is consistent with the independent variables of the current study since resources that have been created over a longer time tend to be seen as unique and uncommon. Competitors should not have equal strategic alternatives for a resource that might provide a company with a competitive edge.

Technology in the resource-based theory is extensively used since it develops tools that provide a company with information and the ability to communicate with other organizations, thus creating a competitive advantage. Technology can be used in this theory to create the scarce resources for a company, thus enabling firms to develop their competitive advantages (Chaudhuri et al., 2022). Technology that is developed to minimize the cost and maximize revenue could be considered a competitive advantage. Since this technology offers advantages in terms of lowering costs and boosting revenue streams, competitors find it challenging to replicate it. The use of this specific type of technology was useful in assessing the strengths and weaknesses of banks in Nairobi, Kenya.

The resource-based strategy can also be used to foster customer satisfaction. The most vital resources are intangible, as they are hard to imitate. Customer happiness and market performance can both increase when a company creates a finite set of strategic resources. Customer satisfaction is also dependent on the quality of service provided. Customers prefer to have an organization that has competitive advantages in order to secure benefits and avoid losses. The performance of a company varies depending on the services provided to customers (Ali et al., 2021). The resource-based theory helps to provide innovative products and services that boost customer satisfaction. This theory aligns with the independent variables of the study. The performance of an organization can be determined by the manner in which it serves customers. Customers are loyal to organizations that offer their best services. When companies lose their competitive advantage, they may lose their customers as well.

The resource-based strategy can also be used for differentiation purposes. Differentiation in an organization can be achieved by improving the performance in a manner that is not common in other firms. When a business develops resources that are not imitated by competitors, the differentiation of products was achieved. Differentiation is helpful in garnering customer loyalty and brand equity. Differentiation can provide companies with long-term advantages over their competitors (Le & Lei, 2018). The resource-based strategy aligned with the independent variables of this study, as it aimed at enhancing differentiation and providing unique products or services to customers.

2.2.2 Dynamic Capabilities Theory

Teece, Pissano, and Shuen (1997) presented this hypothesis. Dynamic capabilities theory opined that most business-inclined organizations should always try to rearrange their capacities and resources to reach a certain level and conceptualize responsibility for withstanding the unstable and shaky environment. It involves the firm's capacity to extend, create, and recreate resources constantly to attain sustainability that will stay for a longer period (Helfat&Peteraf, 2009). Dynamic capabilities are believed to involve processes in which the major processes are utilized in the recreation of competitive positions such that it goes from being short-term to being long-term in terms of competitive advantage. Dynamic capabilities theory indicates how a specific organization or firm can be found, created, and also redefined to be able to navigate the several favorable circumstances which are entrepreneurial in both volatile and hard surroundings which are quite external (Ambrowsini& Bowsman, 2009). The dynamic capabilities theory is way beyond the notion that competitive advantage depends on acquiring firms' valuable, inimitable and rare resources.

Dynamic capabilities involve certain processes which allow organizations to source for competitive advantage (Muithya&Muathe, 2020). The dynamic capabilities theory is an alternative mode in solving most of the weaknesses involved in the RBV theory. By integrating and expanding their portfolio and resources, most businesses can adapt to the constantly changing environment according to the dynamic capabilities idea. (Teece, Pissano&Shuen, 1997). As such, it connects strongly to the independent variables of strategic leadership, resource allocation, information technology, customer focus and differentiation. Dynamic capabilities theory has been criticized a lot due to its lack of clarity on the constituents of its major concepts

(Ambrosini &Browsman, 2009). However, dynamic capabilities theory plays essential roles in the analysis of cost leadership and focuses on differentiation strategies (Helfat&Peteraf, 2009).

The dynamic capabilities theory entails the implementation of technology. Technology is important while implementing this principle as technology helps in better ways to provide customers with what they want. Technology enables business organizations to communicate effectively which is a key competitive advantage (Ferreira et al., 2020). The dynamic capabilities theory can help firms develop a competitive advantage. Technology can be used to do this.Technology always helps firms to reach their goals by providing the needed support. For example, technology is utilized in phone lines in order to make communication easier and faster. The Internet is also an essential tool that allows customers to make payments and look for information related to their transactions. Technology provides core benefits that allow businesses to thrive in this dynamic environment and the dynamic capabilities theory can be of help (Muithya&Muathe, 2010).

The dynamic capabilities theory can also be used for differentiation purposes. This is because the dynamic capabilities theory propounds that competition of firms should be viewed as an evolutionary process in which the process of selection should be a dynamic one. This means that there needs to be interactions between different firms to help all of them develop their unique capabilities (Dias et al., 2021). Differentiation can also be achieved by ensuring that organizations strive to provide products or services that are unique, higher quality, and more innovative. The dynamic capabilities theory was helpful in providing differentiation and improving customer satisfaction.

The dynamic capabilities theory can also be used for maintaining customer satisfaction. The dynamic capabilities theory contains the notion that firms should always strive to improve their customer satisfaction. This theory can be used in order to find the most efficient methods and tactics in managing customer service (Gupta et al., 2020). This is because customer service is critical for firm survival. In addition, by determining ways to keep customer loyalty high, firms can find it easier to create long-term customer relationships.

2.2.3 Life-cycle Theory

This was developed in the 1950s by Franco Modigliani. The theory holds that the population or otherwise known as households will make decision on the current expenditure efficiently depending on the future income needs and spending requirements (Cady et al., 2019). The life cycle theory hypothesizes that businesses and companies also go through the life cycle process. Therefore, the businesses develop various policies that will make the operations as efficient as possible. The rise or decline in companies depends on the level of control and flexibility of the business (Cox & Tam, 2018). These two aspects speak to the variables of strategic leadership, information technology, customers focus and differentiation which need to manifest a high level of flexibility going by the constantly changing business environments in which organizations operate. In this light, the theory suggests that businesses can be controlled to a great extent when they are young (the growth stage), but they are typically uncontrolled as they get older (the collapse) (Adizes, 2011). Therefore, it is evident that when the business has a better plan, strategic positioning, marketing plans, better cash flow, and human resource management strategies, and overall sound management of the financial resources, the business is likely to perform better.

The life-cycle theory also involves technology. The life-cycle theory in essence represents that companies have a life span and mature over time. This can be seen through the products they deal with. One of the major factors related with growth is technology (Markard et al., 2020). Most organizations change their products with time as people get more innovative over time. As such, the life-cycle theory shows that technology indirectly leads to product changes, whereas creating brand new ones with time.

Customer satisfaction is also embedded in the life-cycle theory. According to the life-cycle theory, people's actions are determined by the life-cycle hypothesis, which contends that our propensity to spend is influenced by our level of income. This also leads to the need for customer satisfaction. Companies need customers to be satisfied in order for them to encourage them and increase their spending; this is how firms make profits (Mitchele & Clark, 2019). Therefore, it is important for companies to give their customers what they want when they are able, as this can lead to customer satisfaction over time as well as bringing in more revenue. The life-cycle theory provides useful reasoning that can be used to improve customer satisfaction.

Differentiation is also a component of the life-cycle theory. The life-cycle theory states that consumers have a preference for products that are unique and different (and even superior) to those of competitors (Liu, 2020). This is because we tend to buy more products when they are unique and different. The life-cycle theory explains that this information can be used in order to market the services more effectively in order to attract customers with the need for differentiation being prominent in the market environment.

2.2.4 Adoption Theory

David Kirk developed the adoption theory in the 1970s to explain why products are adopted. He observed that as more consumers became aware of a product, more of them would use it. Two important reasons for adoption that he identified were the existence of buyers (the desire to own and use a product) and the communication process (the ability to persuade others to adopt). The adoption theory further suggests that when enough people use a new product, it is likely to be adopted by others who have not yet experienced. The adoption theory is useful for understanding the adoption process (Atalykova et al., 2021). The theory breaks down into three stages: invention, diffusion, and adoption. At the first stage of the adoption process, inventors design innovations. This can be seen in terms of new products or services where there is a prototype which was tested and possibly modified through trials until it reaches its final form.

Once a product is ready for market and has been successfully sold to buyers, it is disseminated to potential adopters (such as potential customers). This step is crucial as it determines whether the product or service will be successful. After potential adopters have accepted the innovation, they are ready to adopt it. The success of a company depends largely on how willing potential adopters are to adopt a new product or service.The adoption theory is concerned with technology. The Adoption Theory states that the availability of a technology will lead to a greater utilization of it (Islam et al., 2018).

Customer satisfaction is also an aspect of the adoption theory. Customers are more likely to be satisfied and stick with a brand if it can deliver goods that satisfy their requirements and expectations. The adoption theory can be used to improve customer satisfaction by ensuring new products satisfy customer needs (Marinkovic et al., 2020). The adoption theory is useful in understanding customer satisfaction as it explains why customers vary from one another and how customers have different expectations from products.

Differentiation is another aspect of the Adoption Theory. The Adoption Theory states that consumer attitudes and attitudes towards products are related to some extent, but not entirely. This is because there are some distinctions between consumers who attach importance to how a product distinguishes itself from others, and those who focus more on how it satisfies needs (Wisdom et al., 2014). As such, it is important for firms to differentiate their products so consumers can distinguish them from those of competitors. An example of differentiation can be seen in the marketing technique of product bundling. In product bundling the seller offers a product plus a free extra product with it. Subsequently, both products would be bought by consumers and thus increase the sales for the firm (Islam et al., 2018). The adoption theory is useful in explaining how firms should differentiate their products to improve customer satisfaction and market share.

2.3 Empirical Review

In this section, literature was reviewed to highlight the gaps that the current study sought to fill. The review was organized according to the objectives of the study. Knowledge, contextual and conceptual gaps were identified and the elaboration on how the current study sought to fill those gaps done.

2.3.1 Strategic Leadership and Performance

Saidykhan (2020) determined the impact of strategic leadership on the performance of the National Water and Electricity Company Gambia (NAWEC) using a quantitative study approach and 116 individuals who were recognized as active NAWEC employees. Questionnaires were administered to one hundred and eighty (180) individuals who happened to be the study's sample size through a purposive sampling technique. The inferential analysis showed that strategic leadership significantly affected their productivity. In contrast to the previous study’s use of a purposive sampling technique. As such this left a methodological gap which the current study sought to fill through the use of census sampling.

The Wakhisi (2021) study examined how state-controlled sugar producing enterprises in Nairobi, Kenya, fared in terms of their use of strategic leadership. The research came to the conclusion that the variables are statistically positively linked.A survey form of design obtained a sample size of two hundred and sixty-nine (269) individuals. Data was sourced from semi-structured questionnaires distributed and the documentary analysis of the state-owned firm in Nairobi, Kenya. Inferential means of data analysis were utilized. Despite the findings of the forgoing study, the manufacturing industry was its focus. The current study focused on the micro-financing sector.

Research by Katsuni, Manore, and Njeru (2022) looked into how strategic leadership impacted the overall Performance of eight Tier I financial institutions in Nairobi, Kenya. A substantial quantity of data was collected throughout the examination utilizing questionnaires that had both closed- and open-ended questions, which was carried out using experimental research procedures. The study's results were summarized for simple viewing using descriptive methods and regression. The research shows that commercial banks in Nairobi, Kenya may benefit greatly from having strong strategic leadership. This study methodologically concentrated on a descriptive approach to the leadership and performance of microfinance institutions which fills the methodological gap left by the previous paper.

Waithaka, Gakure, and Wanjau (2013) conducted the study in Nairobi, Kenya, to look into how leadership qualities affect the success of microfinance firms there. The research was conducted using a variety of methodologies, including deductive, positivist, and explanatory approaches.

The performance of the company and the CEO's leadership abilities were found to be strongly correlated.The current study adopted a descriptive approach aimed at delving deeper into the influences of strategic positioning of Kenya's Microfinance institutions on organizational Performance in Nairobi, Kenya.

Studying how strategic leadership affects the efficiency of Kenya's international organizations, Kabetu and Bravo (2018). Humanitarian organizations in Nairobi, Kenya fared better when their leaders adapted their styles to the changing needs of their organizations and staff. The effect of leadership on strategic positioning adoption and performance was not examined in this research. The study's objective was to examine how strategic positioning affects the effectiveness of Kenyan microfinance institutions.

2.3.2 Resource Allocation and Performance

In a research study on resource allocation in project management, Nedzelksy (2016) identified resource allocation as a crucial component. It has been highlighted that one of the largest information sets is related to the representation of project resources in groups. Resource allocation helps in the resource distribution to various specified projects task. The findings of the Study show that after a skill set source has been utilized, the time frame of the task tends to be reduced. The study's main focus was on how resource allocation affects project management, whereas the new study investigated how resource allocation impacts the efficiency of microfinance institutions.

As postulated by Pinha and Ahluwalia (2019), who researched the management of resources and its influence on project duration and cost, concluded in their findings that a software tool was developed in a bid to provide solutions to the manager in charge of project work in order to provide the most efficient solution. The research discussed that most resource allocation problems are caused mathematically through optimization issues, which minimizes the total duration due to many series constraints. The previous study was focused on project cost and duration while focusing on microfinance institutions in Nairobi, Kenya was the present study's goal.

Abdi (2020) sought to assess resource management and its effect on Wajir County, Kenya, road infrastructure projects. The study explained resource allocation to be such that if it has been efficiently managed, project managers will be able to effectively and efficiently manage the resources and allocate them properly. The allocation of resources effectively leads to easy role identification of various tasks. The result findings showed that resource allocation significantly impacts project performance. Although conducted in Nairobi, Kenya, it was based on road infrastructures, while the current study was centered on microfinance institutions.

Silva and Oliveira (2020) investigated how innovation affected the distribution of material and intangible resources in different institutions. The research objective was to examine how strategic innovation in resource allocation influences the Performance of organizations. It established that due to the dynamic circumstances in which the organizations operate, innovation in the allocation of resources had a sizeableimpact on the Performance of an organization. While this study targeted the element of resource allocation, it did not focus on microfinance organizations. The current study looked at the performance of microfinance institutions in Nairobi, Kenya to determine how resource allocation and strategic positioning affect performance.

2.3.3 Information Technology and Performance

Mitic, Popovic, Postin, Cilerdzic, and Szabo (2021) examined IT role in improving organizational Performance. A questionnaire gathered primary data from middle managers of one hundred and two (102) companies in Serbia. Through t-test, correlation, and descriptive means, analysis was done. According to the research findings, the degree of information technology in financial institutions has a marginally beneficial impact on organizational Performance. Despite the fact that the current study was carried out in Kenya, the earlier investigation was carried out in Serbia leaving contextual gaps that the current study sought to fill.

Using a survey study design, Alam et al. (2022) investigated the effect of ICT on business Performance and innovation by collecting primary data from SMEs in Western Queensland. A random selection was made to select one thousand (1000) respondents who served as the sample size. The results obtained from the descriptive analysis revealed that ICTs positively influence the Performance and firm-level innovation of the firms. The previous study used a random sampling method, and hence, the current study used a census sampling method.

Pashtun and Harandi (2022) researched IT resources' relationship with organizational Performance. The research utilized a quantitative approach. Data was obtained through the distribution of two different questionnaires, which are for the IT managers and the executives, which amounts to a total of one hundred and forty (140) respondents. The investigation was carried out through structural equation modeling, and the results revealed that Information Technology management and strategic integration contribute, in some way or another, to the enhancement of the overall Performance of the company. In the previous research, a method of random sampling was used, but the one now being conducted utilized a census sampling method.

In contrast to the quantitative research strategy taken in the prior Study, the present study will use the qualitative research approach.

2.3.4 Customer Focus and Performance

Ullah *et al.* (2016) investigated customer focus impact on the organizational Performance of Telecommunication organizations in Pakistan. Competitive advantage was incorporated as the mediating variable as the Study targeted nine telecommunications companies in Pakistan. A structured questionnaire that was used to collect primary data and submitted to content and construct validity testing using convergent and discriminant validity approaches was used. SPSS version 18 was used for both inferential and descriptive analyses. These two factors were shown to have a positive association in this study. Previous research was conducted in Pakistan, but the next one was in Nairobi, Kenya.

Wanjogu and Waithaka (2021) conducted research in the county of Nyandarua in Nairobi, Kenya, focusing on microfinance institutions that take deposits and their organizational Performance with a strategic customer focus. The research targeted 86 managers from 11 microfinance institutions in Nyandarua County, Kenya, using a descriptive approach and census sampling method. A semi-structured questionnaire was utilized to collect main data, and business manuals, financial records, and management records were used to collect secondary data. According to the findings, strategic customer focus considerably impacts microfinance institutions' Performance. The forgoing study utilized a secondary source of data, while this present study utilized a primary source of data.

Wanjiru and Wambugu (2022) looked at the impact of customer focus on gross premium and market share as profitability metrics for Kenyan insurance companies. The resource dependency theory and the balance scorecard theory were discussed. According to the findings, strategic customer focus had a favorable but minor influence on both markets share gross premium and insurance firm market share gross premium in Nairobi, Kenya. The prior study placed more of an emphasis on insurance companies, in contrast to the current study, which concentrated on microfinance institutions in Nairobi, Kenya.

2.3.5 Differentiation and Performance

Widuri and Sutanto (2019) revealed the differentiation effect on earnings management. A cross-sectional regression was carried out on sixty-five (65) manufacturing firms in Indonesia that were on the stock exchange from 2011 to 2015. The analysis of the research questions was done using regression analyses. At the end of the study, it was discovered that differentiation significantly influences actual earnings and management decisions. The study by Widuri and Sutanto (2019) was focused on Indonesian manufacturing companies, nevertheless. Therefore, the present study was conducted on Kenya's microfinance institutions to fill the contextual gap left by the previous study.

Islami et al. (2020) determined how the differentiation model affects the designation of organizational performance using qualitative methods. Data was gathered from one hundred and twenty-three (123) manufacturing organizations, serving as the sample size. The chosen respondents were given questionnaires to complete in order to collect first-hand information. For the data analysis, structural equation modeling was used. According to the findings, pursuing a differentiation strategy results in both an improvement in the organization's performance and a competitive advantage (Islami et al., 2020). The forgoing study utilized qualitative methods, while the present study used a quantitative approach.

Elikwu and Mohammed (2020) sought to determine the differentiation on Nigeria's small-scale manufacturing industry's performance using a cross-sectional approach. The data was collected by administering questionnaires to one hundred and ninety-three (193) people who were the respondents through a purposive and random sampling method. Cronbach alpha test was used in the reliability testing, while frequency tables and regression tests were used for presentation. It was revealed that product package differentiation significantly influences organizational performance and customer acceptability. The previous study employed a cross-sectional approach, while the present study utilized a descriptive one.

2.4 Summary of Literature Review and Research Gaps

Review of literature revealed, knowledge, conceptual, contextual and methodological gaps. Table 2.1 highlights the research gaps identified in the empirical review. It presents a summary of the study, the purpose of the study, the key findings, research gaps and details of how the current study sought to fill the identified gaps.

Table 2.1: Summary of Literature Review and Research Gaps

Researcher/Year	**Purpose of the study**	**Key Findings**	**Research Gaps**	**Addressing Research Gaps**
Nedzelksy (2016).	Research on the resource allocation in project management as a major aspect of project management	The research indicated that after a skill set source has been utilized, the time frame of the task tends to be reduced.	The focus of the study was on project performance	The current study's main area of interest was organizational performance.
Elikwu*et al.* (2020).	Small-scale manufacturing firm	The findings revealed that	A cross-sectional	A descriptive method of

	Performance was studied to ascertain the impact of uniqueness.	product package differentiation significantly influences organizational performance	method was employed	design was adopted
Abdi (2020)	Aimed to evaluate resource management and how well it performed on road projects in Kenya's Wajir County.	The result findings showed that resource allocation significantly impacts project performance.	The study was on road infrastructure projects	The present study focused on microfinance institutions performance
Islami *et al.*	Investigated how the	The findings	The qualitative	The present

(2020)	differentiation model affects the designation of organizational performance.	indicated that the organization's performance improved as a result of following differentiation strategy leads.	approach was employed	study made use of a quantitative approach
Saidykhan (2020)	Strategic leadership impact on NAWEC performance	The study found that many aspects of strategic leadership significantly affect	The study utilized a purposive sampling technique	The present study used a census sampling technique

		NAWEC's success in Gambia.		
Mitic *et al.* (2021)	Assessed the impact of IT on productivity in the workplace	The result of the study depicted that the information technology level affects organizational performance positively.	Serbia was the region of study	Kenya was the region of the study
Wanjogu*et al.* (2021)	Investigated customer focus effect on performance in Nyandarua County,	According to the findings, strategic customer focus	The study utilized secondary data	The current study used primary data

	Kenya	considerably impacts microfinance institutions' performance.		
Kasuni*et al.* (2022)	Investigated strategic leadership and profitability in Nairobi, Kenya.	The study discovered a positive relationship between the variables	The study centered on commercialized banking	The current study was centered on microfinance institutions
Wanjiru *et al.* (2022).	looked at the impact of customer focus on Kenyan insurance companies	According to the findings, strategic customer focus had a favorable	The study was based on insurance companies	This current study was based on microfinance

		but minor influence on both markets share gross premium and insurance firm market share gross premium in Nairobi, Kenya.		institutions
Kabetu, D. G. &Iravo, M. A. (2018).	The impact of strategic leadership on the effectiveness of Kenya's international aid agencies.	The research discovered that humanitarian groups that prioritized developing	The study did not focus on the role of leadership in adopting strategic	This research aimed to analyze how strategic positioning affects the

		their core competencies and practiced adaptive leadership saw improved results.	positioning and how this flexibility influences performance.	effectiveness of Kenyan microfinance institutions.
Wanjiru et al. (2022).	looked at the impact of customer focus on Kenyan insurance companies	According to the findings, strategic customer focus had a favorable but minor influence on both markets share gross	The study was based on insurance companies	This current study was based on microfinance institutions

		premium and insurance firm market share gross premium in Nairobi, Kenya.		
Silva and Oliveira (2020)	They examined how innovation affects how firms allocate their concrete and intangible resources.	ICTs positively influence the performance and firm-level innovation of firms.	While this study targeted the element of resource allocation, it did not focus on microfinance organizations.	This study examined the influence of strategic positioning concerning resource allocation and examine how it influences

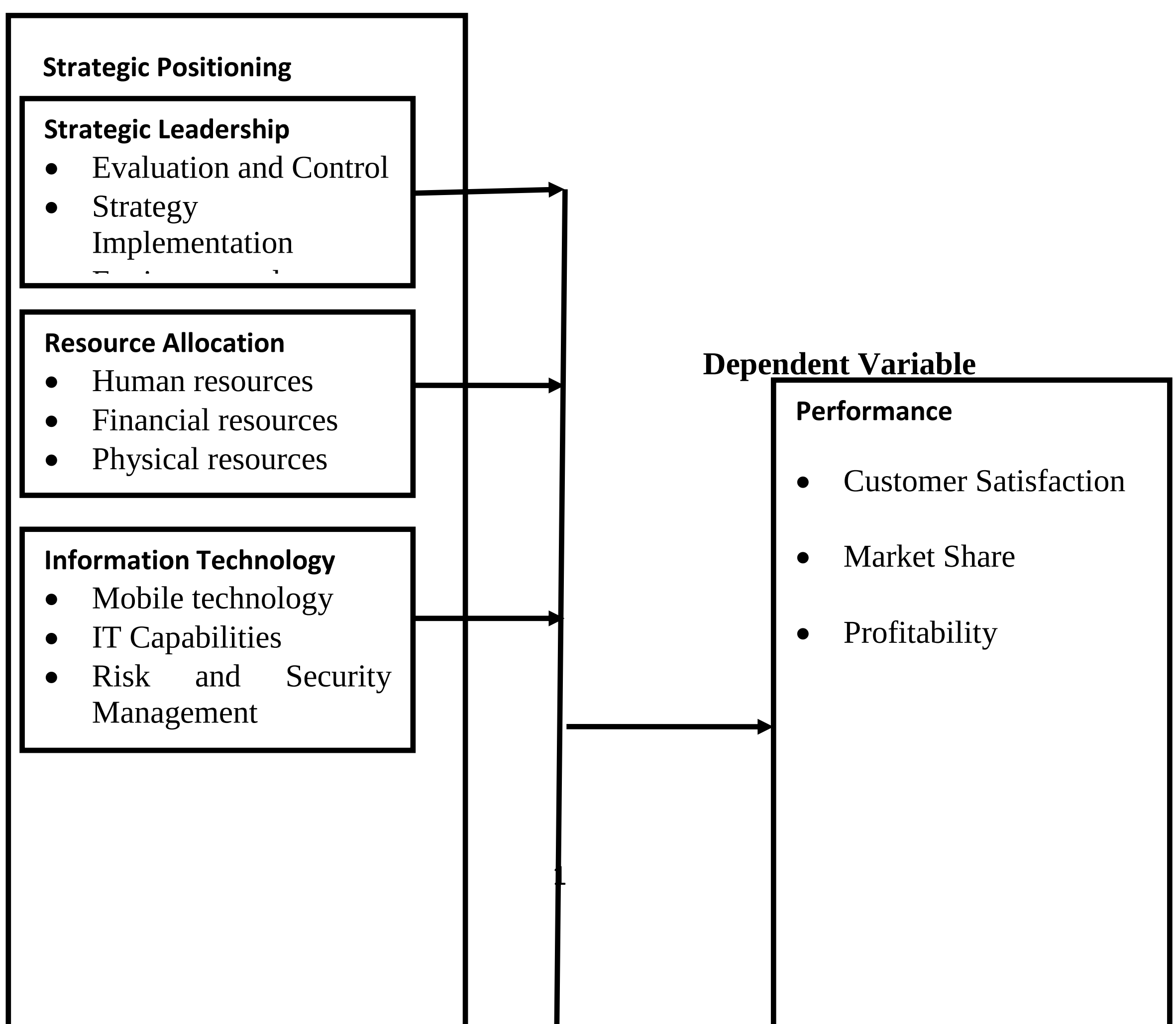
				Performance of microfinance organizations

Source: Researcher (2022)

2.5 Conceptual Framework

According to Anfara and Mertz (2014), a conceptual framework is anaccount of how a researcher conceptualizes the variables involved in a particular study. It presents the relationship between the variables of the study. Its purpose is to demonstrate the presumed association between variables of the study. It is applied in the case where there is a need to demonstrate the connection between the variables diagrammatically. The study had both dependent and independent variables. The independent variables included strategic leadership, Customer focus, Resource allocations, information technology and differentiation. On the other hand, the dependent variables included the increase in market share, profitability, and customer satisfaction. The measure of the market share, organizational profitability and customer satisfaction were conceptualized to contribute to the performance of microfinance institutions.

Independent Variables



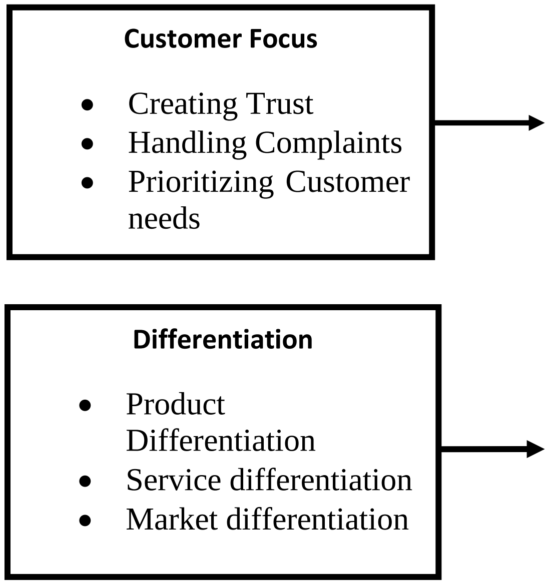


Figure 2.1 Conceptual Framework

Source: Researcher (2022)

Strategic positioning, the independent variable, was measured as follows; Strategic leadership was measured as evaluation and control, strategy implementation, and environmental scanning. Resource allocation was measured as human, financial, and physical resources. Information technology was measured as mobile technology, IT capabilities, and risk and security management within microfinance institutions. Customer focus was measured as creating trust, handling complaints, and prioritizing customer needs. These measures were related with the elements of customer satisfaction which intimated to the measure of performance of microfinance institutions. Performance was indicated as customer satisfaction, market share and customer satisfaction. The aspect of efficiency and focus on the needs of the customers would indicate the performance of microfinance institutions.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Methodological appraisal of the study was provided in this investigation segment. The chapter presents details of the research design that was used in the study. It further elaborates the population of the study and the sampling techniques used to identify the respondents of the study. The chapter further presents the methods of data collection with clear elaboration of the rationale for usage of the data collection techniques. How, reliability and validity of the data collection instruments was attained is also presented in the chapter. The section also presents methods of data analysis used in the study and finaly underpins the ethical considerations made during the study.

3.2 Research Design

A research design explains how the relevance of an inquiry may be determined through the data collection and assessment stages (Kothari, 2014). The study used an explanatory research design to capture the investigation's goal. The integration of respondents' characteristics in the explanation of the research topic under investigation necessitates this approach (Creswell, 2014). Similarly, it defines the characteristics of the respondents in accordance with the study's goals. As a result, the approved investigation's design adequately represented the study's goal (Cooper & Schindler, 2013). Therefore, explanatory research design was employed in determining the effect of strategic positioning on how microfinance institutions perform in Nairobi, Kenya.

3.3 Target Population

The element that the researcher seeks to study has distinct characteristics that make it simple to identify and evaluate the items under investigation. Therefore, the research population can be said to entail all items, objects, or persons that the researcher uses in collecting data. It is an event or thing that the researcher is interested in that is the same (Muathe, 2010, Kothari, 2011). Thus, the study's target population was 300 employees from the 13 licensed microfinance institutions in Nairobi, Kenya. The target population included people in management and supervision positions in the particulae organizations.

Table 3.1 Distribtuion of the Target Population

Microfinance Bank	Frequency	Percentage
Kenya Women Microfinance Bank	30	10%
Rafiki Microfinance Bank Limited	16	5.3%
Remu Microfinance Bank LimitedChief	25	8.3%
Faulu Microfinance Bank Limited	21	7%
Caritas Microfinance Bank Limited	31	10.3%
Century Microfinance Bank Limited	16	5.3%
Choice Microfinance Bank Limited	18	6%
Daraja Microfinance Bank Limited	28	9.3%
Maisha Microfinance Bank Limited	22	7.3%
UwezoMicrofnance Bank Limited	23	7.7%
U & I Microfinance Bank Limited	31	10.3%

Sumac Microfinance Bank Limited	15	5%
SMEP Microfinance Bank Limited	24	8%
Total	300	100

Source:Central Bank of Kenya (2020).

3.4 Sampling Design and Procedure

The target population was sampled for this study using stratified and random sampling procedures.The target population was first stratified into three categories based on the positions held by the employees. The groups identified were executive leaders, managers, unit supervisors in their respective organizations to identify reliable sources of information to inform the subject. Then, a sample was chosen from each category using a simple random sampling procedure.Random sampling entails the choice of the participants from a research population without bias. The random sampling technique will help in getting a unified group of research participants that can get a rich variety of information towards the subject area (Raguram et al., 2012). This study will use a stratified sampling technique to ensure that each population segment is represented satisfactorily (Mugenda & Mugenda, 2013). As Thompson (2012) notes, the sample size representing each stratum should be proportionate to the entire population of the study.

The number of people from each social stratum included is directly proportionate to the total number of individuals who belong to that social stratum (Thompson, 2012). To achieve this, the sampling formula, nh = (Nh / N) * n is used where

N is the total population

n is the sample size for stratum h,

Nh is the population size for stratum h,

A sample of 172 respondents will be selected from the population of 300 respondents.

Table 3.2: Sample Distribution

Microfinance Bank	Frequency	Multiplier	Sample	Percentage
Kenya Women Microfinance Bank	30	0.7	21	10%
Rafiki Microfinance Bank Limited	16	0.7	11	5.3%
Remu Microfinance Bank LimitedChief	25	0.7	18	8.3%
Faulu Microfinance Bank Limited	21	0.7	15	7%
Daraja Microfinance Bank Limited	28	0.7	20	9.3%
Choice Microfinance Bank Limited	18	0.7	11	6%
Century Microfinance Bank Limited	16	0.7	11	5.3%
Caritas Microfinance Bank Limited	31	0.7	15	10.3%
Maisha Microfinance Bank Limited	22	0.7	15	7.3%
Uwezo Microfinance Bank Limited	23	0.7	16	7.7%
U & I Microfinance Bank Limited	31	0.7	22	10.3%

Sumac Microfinance Bank Limited	15	0.7	11	5%
SMEP Microfinance Bank Limited	24	0.7	17	8%
Total	300	0.7	172	100

Source: Author (2022)

3.5 Data Collection Instrument

The study gathered primary data from research participants. The researcher made use of questionnaire in collection of primary data. The choice of the questionnaire as a research instrument was as a result of the adaptability and ability to design in such a way that it helped collect the most relevant information for the study. According to Githinji (2017), the questionnaire is equally the most cost-effective method of collecting data. It was also efficient in terms of collecting both descriptive and prescriptive inquiry sample. As a result, the design of the questionnaire is in such that it is more specific and useful to the task. In such a case, the researcher preferred to make use of the Likert Scale. The scale was used in determining the respondents' level of agreement or disagreement to the question (Kothari, 2004). As such, the design of the questionnaire was such that each question is closed ended with the responses ranging from 1- 5 depending on the level of agreement.

3.6 Validity and Reliability of the Study Instruments

A pilot study was conducted by the researcher to determine the validity of the data collection tools. The aim of the pilot study was to come up with the potential results and also correct any errors and uncertainties during the main research. The test was instrumental in helping the researcher identify any faults or limitations and making the changes before the main research.

Additionally, the results would be used for comparative analysis to achieve reliability and validity (Yin, 2017). Therefore, in this case, the questionnaire was given to 13 participants to establish its validity. As part of the final precautions to the bias, the participants who participate in the pilot study were excluded from the final sample size.

3.6.1 Validity of the Study Instruments

The amount to which a data gathering instrument, which in this context is a questionnaire, measures accurately according to its objective is known as validity (Muathe, 2010, Hair & Lukas, 2014). The pilot test determined the questionnaire's validity by checking for errors and grammatical blunders and whether the questionnaire suits the study objectives and research questions. The questionnaire was also ascertained by content validity by giving it to the supervisors to check for its structure and necessary errors. After the evaluation, invalid questions were eliminated from the final questionnaires. As indicated above, the data collection instrument validity was manifested by the pilot study results.

3.6.2 Reliability of the Instrument

The dependability of an instrument is measured by how consistent its outcomes are. The internal consistency of the questionnaire was determined using Cronbach's alpha and the pilot test data to assess its reliability. Cronbach's alpha test reveals if the research instruments are dependable and suited for the study (Neuman, 2013). According to Yin (2017), an alpha value of more than 0.7 was the target threshold of dependability level since it was considered an indicator that the questionnaire is trustworthy and suitable for the study.

Table 3.3 Reliability Results

Variable	Number of Items	Cronbach's Alpha	Remarks
Strategic Leadership	12	0.725	Acceptable
Resource Allocation	11	0.753	Acceptable
Information technology	13	0.741	Acceptable
Customer focus	11	0.762	Acceptable
Differentiation	05	0.752	Acceptable
Aggregate Score	52	0.7466	Acceptable

Source: Pilot test data (2023)

Research instruments reliability was assessed using the Cronbach's alpha. According to the results strategic leadership had an alpha of 0.725, resource allocation had an alpha of 0.753, information technology had an alpha of 0.741, and customer focus had an alpha of 0.762. Differentiation had an alpha of 0.652. According to Tavakol& Dennick (2011), a Cronbach's alpha average that is greater than 0.7 is acceptable. Going by this establishment, the variables strategic leadership, resource allocation, information technology and customer focus met the threshold of research instrument reliability. Differentiation variable did not meet the threshold which culminated into enhancement of the data collection tool to enhance it.

3.7 Data Collection Procedure

Kenyatta University's graduate school provided an approval letter. Before conducting field trips, the researcher utilized the approved letter to apply for a research permit from (NACOSTI). After collecting approval, the researcher administered the surveys from the management of the projects of interest. Before giving out the surveys, the agreement of the individual respondents was requested, and they were informed that they are free to reject participation if they so want. A pilot scheme was done before data collection to assess the instruments' reliability and validity.

3.8 Data Analysis

Mugenda and Mugenda (2003) noted that to guarantee that the collected data is accurate and comprehensive, it is necessary to edit, cleanse, and assess the data. On a platform running version 23 of the SPSS (Statistical Package for Social Science), both inferential and descriptive data analyses were performed as part of analyzing data. To provide an accurate description of the data distribution, descriptive metrics such as the mean, frequency, standard deviation, percentages, and inferential statistics were used for quantitative data while relevant themes were drawn from the qualitative data. To investigate the nature of the relationship between Kenya's microfinance institutions' strategic positioning and their levels of operational success, the regression model shown below was applied. The study results were presented utilizing several different charts, such as pie charts, bar graphs, and tables.

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$

Where: Y = Performance

X_1 = Strategic Leadership

X_2=Resource Allocation

X_3=Information Technology

X_4=Customer Focus

X_5=Differentiation

$\beta 0$ = Intercept,

$\beta 1$ = Beta coefficient and

ε = error term.

3.10 Ethical Consideration

The research was carried out ethically. According to Kothari (2014), ethics are guidelines that control human behavior and substantially influence human well-being (Kothari, 2004). The researcher noted various ethical considerations throughout this study, including informed consent, anonymity, privacy, and confidentiality of the study participants. Obtaining authorization through a written request letter outlining the grounds for conducting the research and the study's objective before performing the research fostered the ethical element of the study. The responder also assured that any information they provided was of utmost secrecy by the researcher. Also, the researcher professionally performed the study.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCSSIONS

4.1 Introduction

After data was collected, a descriptive and multiple regression analysis were conducted to facilitate interpretation of the findings. This chapter presents the results of data analysis with the view of describing the aspects of strategic leadership, resource allocation, information technology, and customer focus. The results were presented in tables, graphs, and charts.

4.2 Response Rate

The 172 questionnaires were distributed to the selected sample. 138 out of the 172 questionnaires were filled out and analyzed to inform the findings of the study. The response rate was thus equivalent to 80%. This response rate was sufficient for the study's conclusions.For analysis and reporting, a response rate of 50% is sufficient, 60% is considered good, whereas 70% or higher is exceptional. (Mugenda & Mugenda, 2008). Based on this premise, it was conclude that the response rate was excellent.

Table 4.1: Response rate

Category	**Frequency**	**Percent**
Response	138	80.2
Non-Response	34	19.8
Total	**172**	**100.0**

Source: Survey Data (2023)

4.3 Demographic Information

4.3.1 Gender of the Respondents

The respondents were asked to indicate their gender. The results were as indicated in figure 4.2.

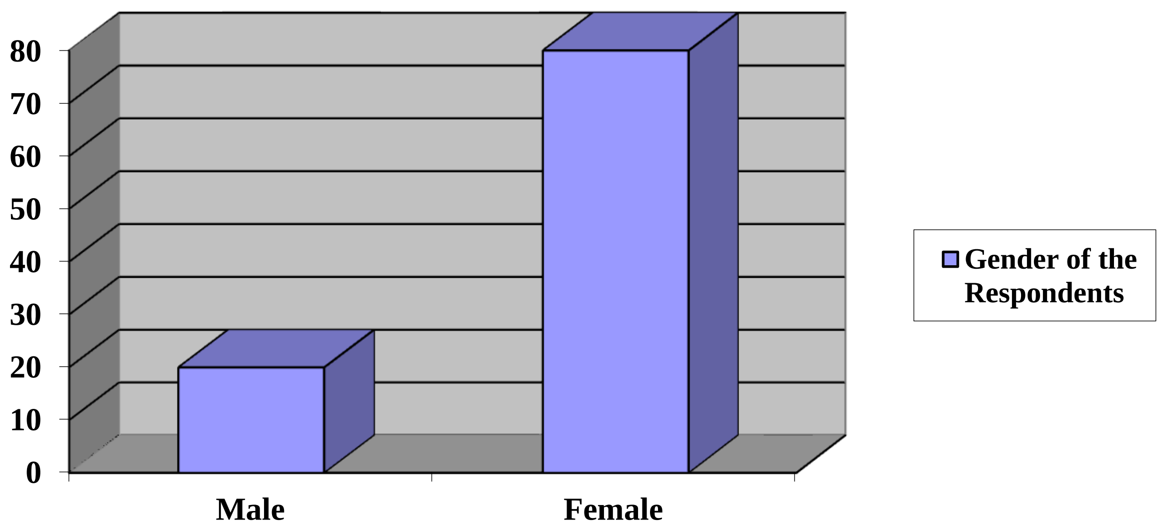


Figure 4.1: Gender of the Respondents

Source: Survey data (2023)

From the findings presented in figure 4.1, 80% of the respondents were female while 20% were male. This implies that while more female than male responded to the questionnaires, the study composed of both male and female respondents. This implies a sense of fair gender balance among the respondents.

4.3.2 Age of the Respondents

The responders were asked to state their age. The results were as indicated in table 4.2

Table 4.2 Ages of the Respondents

		Frequency	Percent
Valid	31 Years and Above	17	12.6
	18 – 24	59	43.7
	25 and above	58	43.0
	Below 18	1	.7
	Total	135	100.0

Source: Survey Data (2023)

Forty three percent of the respondents were between 21 and twenty-four years while other 43 percent aged between 25 and 30 years of age. 12.6 percent of the respondent were over 31 years of age while only 0.7 was below 20 years of age. These findings indicated that majority of the workers in micro-finance institutions are below 30 years of age. The population of workers above 30 years follows while only a small percentage is below 20 years of age..

4.3.4: Educational Qualification of the Respondents

The respondents were asked to indicate their educational qualifications. The results were as indicated in table 4.3.

Table 4.3: Educational qualification of the respondents

		Frequency	Percent
Valid	SSCE	17	12.6
	Bachelor's Degree	47	34.8
	Diploma	46	34.1
	Masters	23	17.0
	PhD	2	1.5
	Total	135	100.0

Source: Survey Data (2023)

As indicated in table 4.3, thirty four percent of the respondents had a bachelor's degree; other thirty four percent had a diploma. 17 percent had masters and one and a half percent had reached a PhD level. These findings implied that majority of people with influence on strategic positioning have acquired educational skills at diploma level and beyond.

4.4 Descriptive Statistics

The study sought to establish the level of agreement of the respondents on various aspects of strategic positioning using a scale of 1-5; where 1- strongly agree, 2-agree, 3- Neutral, 4-Disagree, 5-strongly disagree.

4.4. 1: Strategic leadership

On a scale from 1 to 5, the participants were requested to score their agreement level with the statements about the impact of strategic leadership on workers' performance in microfinance institutions in Nairobi, Kenya. The results were as shown in Table 4.4.

Table 4.4: Effect of Strategic Leadership on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
1 Leaders implementing evaluation and control help to improve performance	54	1	13	48	3	4.2	0.8
2 Leaders involving strategic implementation help to improve market share	62	7	11	36	3	4.6	0.9
3 Leaders implementing minimum labor enhance performance	42	26	23	23	4	3.4	1.1
4 Quality of resources plays a huge role in how the company is perceived	58	1	3	56		4.4	0.5
5 Leaders suggest the use of quality resources improves performance	57	4	12	44	2	4.1	0.8

Source: Survey Data (2023)

Table 4.4 outlines the effects of strategic leadership on Microfinance Institutions across several factors. The first measure focuses on the implementation of evaluation and control by leaders, where a substantial majority (54) agree that it aids in performance improvement, reflected in the high mean score of 4.2 with a relatively low standard deviation of 0.8, signifying consistency in agreement. Similarly, the involvement of leaders in strategic implementation for enhancing market share also garners significant support, with a mean score of 4.6 and a slightly higher standard deviation of 0.9. However, the impact of implementing minimum labor by leaders seems more divisive, with a mean score of 3.4 and a relatively higher standard deviation of 1.1, indicating varied opinions among respondents. Moreover, the perceived impact of quality resources on company perception gains substantial agreement (mean of 4.4), while the suggestion that quality resources improve performance has a mean of 4.1, indicating a notable belief in this notion among respondents despite a slightly higher standard deviation of 0.8.

These results indicated that strategic leadership elements influence the performance of microfinance institutions in Nairobi City County. The findings agreed with Saidykhan (2020) findings that established a strong correlation between strategic leadership and performance of National Water and Electricity Company Gambia. The findings were further corroborated by Wakhisi (2021) who established that a statistical positive association between leadership and performance of sugar production organizations in Nairobi City County. The 52% agreement among the respondents regarding the influence of leadership on market share aligned with Katsuni, Manore, and Njeru (2022) findings which found that establishment of strategic leadership positively influenced the performance of commercial banks in Kenya.

4.4.2: Resource Allocation

Respondents were advised to assess their degree of agreement with statements pertaining to the impact of resource allocation on employee performance within microfinance institutions in Nairobi, Kenya. This assessment employed a numerical scale ranging from 1 to 5. The outcome was as shown in Table 4.5

Table 4.5: Effect of Resource Allocation on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
1 Financial resource boost performance	57	5	52	2		4.3	0.75
2 Human resources are an integral factor in improving performance	67	2	11	36	1	4.1	0.72
3 Adequate physical resource improves performance	65	6	10	35		4.1	0.76

4 Efficient resource allocation enhances performance	55	4	8	50		4.2	0.74
5 Strategic positioning of resources boosts performance	63	3	9	42		4.2	0.69

Source: Survey Data (2023)

The table illustrates perceptions regarding the impact of resource allocation on Microfinance Institutions. Financial resources are strongly believed to bolster performance, with a majority (57) in agreement, resulting in a mean score of 4.3 and a relatively low standard deviation of 0.75, indicating a fairly consistent opinion among respondents. Human resources are also viewed as integral to performance improvement, with a high agreement percentage of 67 and a mean score of 4.1, though with a slightly higher standard deviation of 0.72, implying some diversity in opinions. Similarly, the notion that adequate physical resources improve performance receives substantial agreement (mean of 4.1) with a relatively consistent opinion (standard deviation of 0.76). Moreover, the belief in efficient resource allocation enhancing performance is notable, garnering a mean score of 4.2 with a relatively low standard deviation of 0.74. However, for the strategic positioning of resources to boost performance, while the mean score is 4.2, the data for the strongly agree category seems to be missing, affecting the overall interpretation of the responses.

The widespread consensus regarding how strategically allocating resources affects the performance of microfinance firms in Nairobi City County corroborate with Nedzelksy (2016) study which found that resource allocation helped in the resource distribution to various specified projects task thus influencing organizational performance. On the other hand, the results contrasted Pinha and Ahluwalia (2019) study findings which established various constraints that limit performance when resources are poorly managed. The study discussed that most resource allocation problems are caused mathematically through optimization issues, which minimizes the total duration due to many series constraints. This contrast imply that strategic positioning positively influence performance when the management of resources is aligned with the strategic goals of the organization.

4.4. 3: Information Technology

Participants were requested to express their degree of concurrence with statements regarding the influence of information technology on employee performance within microfinance institutions in Nairobi, Kenya. This assessment was carried out using a five-point scale, ranging from 1 to 5. The results were as shown in Table 4.6

Table 4.6: Effectof Information Technology on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
1 Mobile technology aids in performance improvement	53	1	5	56	2	4.37	0.76
2 IT capabilities improve performance	47	1	7	63		4.46	0.65
3 Risk management enhances performance	47	13	19	37	2	3.88	1.03
4 Security management boosts performance	58	2	10	46	1	4.25	0.75
5 Strategic positioning of information technology boosts 5 performance	66	3	18	30		4.05	0.72

Source: Survey Data (2023)

The table portrays perceptions concerning the impact of Information Technology (IT) on Microfinance Institutions. Mobile technology is widely seen as beneficial for performance improvement, with a significant agreement (53) and a high mean score of 4.37, suggesting a strong consensus among respondents. Similarly, the belief that IT capabilities contribute to performance improvement is highly supported, with a substantial agreement (63) and an even higher mean score of 4.46, indicating a strong consensus and confidence in this notion. However, the perception regarding risk management enhancing performance is slightly more divided, with a mean score of 3.88 and a relatively higher standard deviation of 1.03, suggesting a wider range of opinions among respondents. Security management's impact on performance, on the other hand, is quite supported, with a mean score of 4.25 and a lower standard deviation of 0.75, indicating a stronger consensus. Unfortunately, for the strategic positioning of information technology, the strongly agree category data seems to be missing, impacting a comprehensive interpretation of responses.

These findings indicated that information technology influences microfinance institutions' performance in Nairobi City County. Alam et al. (2022) study findings which revealed that ICTs positively influence the Performance and firm-level innovation of the firms. These results further agreed with Pashtun and Harandi (2022) study findings which stated that Information Technology management and strategic integration contribute, in some way or another, to the enhancement of the overall Performance of the company. These findings also concurred with Mitic et al. (2021) which indicated that IT influenced performance of organizational performance.

4.4.4: Customer Focus

The participants were asked to rate their level of agreement on a scale from 1 to 5 with the statements regarding the impact of customer focus on employee performance at microfinance institutions in Nairobi, Kenya. The results were as shown in Table 4.

Table 4.7: Effect of Customer Focus on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
1 Recognizing customer needs boosts performance.	50	1	6	58	1	4.41	0.71
2 A consumer Focus strategy boosts performance.	54	2	18	41	2	4.11	0.85
3 Customer satisfaction can be improved by effectively managing customer concerns.	59	1	3	54		4.42	0.59
4 Building client trust boosts performance	48	2	12	54	1	4.30	0.79
5 Customer requirements are prioritized to increase customer satisfaction.	57	4	11	44		4.22	0.76

Source: Survey Data (2023)

The table presents perceptions on the impact of customer focus on Microfinance Institutions. There's a strong belief that recognizing and addressing customer needs significantly boosts performance, supported by a substantial agreement (58) and a high mean score of 4.41, indicating a robust consensus among respondents. Similarly, employing a consumer-focused strategy is seen as beneficial for performance improvement, with a mean score of 4.11 and a slightly higher standard deviation of 0.85, implying some diversity in opinions despite general agreement. Managing customer concerns to enhance satisfaction garners a strong consensus, with a mean score of 4.42 and a low standard deviation of 0.59, suggesting widespread agreement among respondents. Building client trust is also perceived as influential for performance, reflected in a mean score of 4.30 and a moderate standard deviation of 0.79. However, the prioritization of customer requirements to increase satisfaction, while supported with a mean score of 4.22, lacks data in the strongly agree category, impacting a comprehensive understanding of responses in this aspect.

The strong agreement rate on the positive influence of customer focus on performance of microfinance institutions in Nairobi City County aligned with Ullah *et al.* (2016) findings that established a positive association between customer focus and performance of Telecommunication organizations in Pakistan. Similarly, these findings corroborated Wanjogu and Waithaka (2021) findings which indicated that strategic customer focus considerably impacts microfinance institutions' Performance. Further, the results aligned with Wanjiru and Wambugu (2022) study findings which stated that strategic customer focus had a favorable but minor influence on both markets share gross premium and insurance firm market share gross premium in Nairobi, Kenya.

4.4. 5: Effects of Strategic Positioning on Performance of Microfinance Institutions

On a scale from 1 to 5, the participants were asked to score their level of agreement with the statements regarding the impact of strategic positioning on employees' performance in microfinance institutions in Nairobi, Kenya. The results were as shown in Table 4.8

Table 4.8Effectof Performance on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
1 Targeting a particular market niche enhances performance	56	5	15	39	2	4.07	0.89
2 Product differentiation enhances customer satisfaction	58	6	14	36	3	4.01	0.93

3 Product differentiation enhances performance	59	2	17	35	4	3.96	0.90
4 Market differentiation enhances performance	62	5	18	27	1	4.02	0.91
5 Differentiation strategy is a strategic positioning concept	62	5	18	27	1	3.96	0.81

Source: Survey Data (2023)

The table reflects perceptions regarding the impact of various performance strategies on Microfinance Institutions. Targeting a specific market niche is believed to enhance performance, evidenced by a notable agreement percentage (56) and a mean score of 4.07, though with a moderate standard deviation of 0.89, indicating some variability in opinions. Similarly, the idea that product differentiation leads to improved customer satisfaction is supported, with a mean score of 4.01 and a slightly higher standard deviation of 0.93, suggesting differing opinions among respondents despite general agreement. Moreover, the belief that product differentiation directly enhances performance gains support, as indicated by the mean score of 3.96 and a standard deviation of 0.90, implying moderate consensus. The concept of market differentiation and its impact on performance also receives notable agreement, reflected in a mean score of 4.02 and a standard deviation of 0.91. However, the perception regarding differentiation strategy as a strategic positioning concept lacks strongly agree data, affecting a comprehensive understanding of respondent opinions in this aspect.

4.5: Differentiation

The respondents were advised to indicate their agreement level on the statements about the Effect ofperformance on success of microfinance institutions in Nairobi, Kenya using a scale of 1-5. The results were as shown in Table 4.9

Table 4.9: Effectof performance on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
1 After applying strategic positioning, the profitability	70	4	18	27		4.01	0.72
2 After applying strategic positioning, market share improved	70	1	18	30		4.08	0.66
3 After applying strategic positioning, customer satisfaction rose.	59	5	18	34	2	4.00	0.88
4 The profitability has improved over time.	59	5	18	34	2	4.01	0.93

Source: Survey Data (2023)

The table presents the perceived impact of performance strategies on Microfinance Institutions. It indicates that after applying strategic positioning, there's a widespread belief in the improvement of profitability, with a high agreement percentage (70) and a mean score of 4.01, suggesting a strong consensus among respondents. Similarly, the notion that strategic positioning leads to improved market share gains substantial support, reflected in the agreement percentage (70) and a slightly higher mean score of 4.08, indicating a robust consensus. Moreover, the belief in strategic positioning leading to increased customer satisfaction is evident, with a mean score of 4.00 and a moderate standard deviation of 0.88, implying general agreement with some diversity in opinions. Additionally, there's a notable perception that profitability has shown improvement over time, supported by a mean score of 4.01 and a slightly higher standard deviation of 0.93, suggesting some variability in opinions despite a generally agreed-upon notion.

These results were consistent with Widuri and Sutanto's (2019) study, which found a direct link between differentiation and performance of Indonesian manufacturing firms.The results concurred with those of Islami et al. (2020), who found that pursuing a differentiation strategy enhances an organization's performance and gives it a competitive advantage. Additionally, these findings also concurred with Elikwu and Mohammed (2020) findings which revealed that product package differentiation significantly influences organizational performance and customer acceptability.

4.6 Inferential Statistics

Multiple regression analysis was used in the study to assess the impact of independent factorsnamely strategic leadership, resource allocation, information technology, customer focus and differentiation on the dependent variable. Table 4.10 presents the results.

4.10Multiple Regression Model on Performance of Microfinance in Nairobi, Kenya

Performance	**Coef.**	**Std. Err.**	**T**	**P>|t|**
Differentiation	0.2202292	.0697076***	3.16	0.002
Customer Focus	0.1031017	.081528	1.26	0.208
Information Technology	0.1927982	.0942156**	2.05	0.043
Resource Allocation	-0.037787	.0759779	-0.50	0.620
Leadership	0.2661103	.0589452***	4.51	0.000
Number of observations 135,				

F(5, 129)	80.40,
Prob > F	0.0000
R-squared	0.7571
Adj R-squared	0.7477
Root MSE	1.6626

Source: Survey Data (2023)

According to the results, the coefficient for differentiation was 0.2202. This suggests that a one-unit increase in differentiation is associated with a 0.2202 unit increase in the performance of microfinance institutions. The associated p-value (0.002) indicates that this relationship is statistically significant at a 0.05 significance level (since p-value < 0.05). The coefficient for customer focus is 0.1031. However, the p-value (0.208) suggests that the relationship between Customer Focus and performance is not statistically significant at the 0.05 significance level. This means that the impact of Customer Focus on performance might not be reliable.The coefficient for information technology was 0.1928. The associated p-value (0.043) suggests that the relationship between Information Technology and performance wasat a 0.05 significance level, statistically significant.

Resource allocation coefficient was -0.0378. The p-value (0.620) indicates that there was no statistically significant association between resource allocation and performance.The R-squared value (0.7571) showed that the independent variables in the model explained roughly 75.71% of the variance in the dependent variable (performance). In other words, the model had a good fit to the data.The RMSE value (1.6626) represents the average difference between the predicted performance values and the actual values. Better model fit is shown by lower RMSE values.

The results indicated that strategic leadership had a positive significance at 1%. These findings agree with Saidykhan (2020) study that established a significant influence of strategic leadership on National Water and Electricity Company Gambia. Similarly, these findings align with the findings in the studies Wakhisi (2021); Katsuni, Manore, and Njeru (2022), and Kabetu and Bravo (2018) which found a significant influence of strategic leadership on the respective organizations studies. As a result, the strategic leadership of the microlending organizations in Nairobi City County would significantly shift if a unit were to change.

Resource allocation and customer focus were found to have negative and insignificant impact on the performance of microfinance organizations in Nairobi County, Kenya. These findings aligned with Pinha and Ahluwalia (2019) study which found resource allocation to have negative influence on performance. However, the results contrast Abdi (2020) findings which indicated that resource allocation and customer focus have critical influence on performance of infrastructure organizations in Wajir County. This contrast indicate that the influence of resource allocation and customer focus depend on the priorities of the organizational managements of the individual organizations.

Information Technology was found to have a positive and significant value at 5 percent. These results suggest that an increase in information technology per unit increases microfinance performance in Nairobi, Kenya. The study resultsagree with Mitic et al. 2021; Alam et al. 2022;

and Pashtun and Harandi 2022 studies which established a significance correlation between information technology and performance of the specified organizations.

Finally, the study established that differentiation is positively significant at 1%. Microfinance in Nairobi, Kenya performs better when differentiation is increased by one unit. The current study findings align with Widuri and Sutanto (2019) findings which noted that differentiation had a substantial impact on the effectiveness of the organizations studied. Similarly, Islami et al. (2020) pointed out that pursuing a differentiation strategy results in both an improvement in organizational performance and a competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter includes a section on the summary and conclusions drawn in light of the study's findings as well as recommendations and pointers that can help future researchers decide what areas of research to focus on.

5.2 Summary

Microfinance institutions in Kenya continue to face performance challenges over the years. For instance, the profitability of microfinance institutions has been reported to be on the decline since 2015. Additionally, the market share of microfinance institution has been falling since 2018 due to a drop in financial income. As a consequence, regardless of the form or kind of services provided by a company, Strategic positioning has gained recognition as a crucial strategy that lays the groundwork for effective service delivery.However, the effect of strategic positioning on performance of microfinance organizations in Nairobi City County has scarcely been investigated. Therefore, The purpose of the current study was to investigate how strategic leadership impacts the performance of microfinance institutions.

According to the study findings, one of the key factors of success in microfinance institutions in Nairobi, Kenya is strategic positioning. Strategic positioning is related to gaining a competitive edge in the market, which can be achieved by establishing a clear identity and then creating a differentiated product or service that meets customer needs. Having strong strategic positioning gives microfinance institutions a better chance of success by providing a unique product or service that is not offered by competitors. It also helps to create an air of certainty when it comes to the brand and services offered which can lead to increased trust by customers. However, some of the respondents disagreed to this in the case that strategic positioning had not given them positive results due to synergistic of other factors.

Strategic leadership has a major impact on the success of microfinance institutions in Nairobi, Kenya. Strategic leadership encompasses visionary qualities such as the ability to set a clear direction for the bank and ensure that the organization is able to sustain and grow despite external challenges and market changes. The ability to develop and implement effective strategies, as well as lead by example and create a strong culture within the organization are all key elements of successful strategic leadership for microfinance institutions in Nairobi, Kenya. With strong strategic leadership, microfinance institutions in Nairobi, Kenya can ensure that their long-term goals are in line with the dynamic and ever-changing environment, and that their strategies are tailored to the unique needs of micro-entrepreneurs in the country. Furthermore, strategic leadership helps to inspire a sense of confidence in investors and stakeholders, allowing for a smoother road to success.

On the research examination of the influence of resource allocation on performance of microfinance institutions in Nairobi City County, the study found that resource allocation of a microfinance institution has negative but significant influence on the performance of microfinance organizations in Nairobi City County, Kenya. This is because resources are limited and microfinance institutions must be selective in their deployment of resources to ensure the best possible outcomes. Resources should be allocated toward initiatives that have the highest potential for producing a positive outcome, such as providing capital to the businesses that are most likely to succeed, training employees on the best practices for running a microfinance bank, and using technology to improve access to financial services. Additionally, resource allocation should ensure that the microfinance bank has the necessary funds available to cover operational costs and make investments that will increase the bank's profitability. The successful allocation of resources can help a microfinance bank remain competitive and successful in the Kenyan banking sector.

On theimpact of information technology on performance of microfinance organization in Nairobi City County, the study established that information technology has had a major influence on the favorable outcomes of microfinance institutions in Nairobi, Kenya. The use of information technology has enabled microfinance institutions to reduce costs, increase efficiency, and expand their reach. Information technology is being used to streamline processes, automate key banking functions, and improve customer service. This, in turn, has led to improved customer satisfaction and faster loan processing times. Technology also allows microfinance institutions to reach new customers, create more loans, and improve the accuracy of loan decisions. Additionally, information technology has allowed microfinance institutions to use data analytics to identify potential customers and offer them customized loan products, as well as reduce fraud and other risks associated with banking. Ultimately, information technology has been instrumental in driving the success of microfinance institutions in Nairobi, Kenya.

The impactof customer focus on the success of microfinance institutions in Nairobi, Kenya was found to be significant. Customer focus ensures that microfinance institutions are able to deliver tailored services that satisfy their clients' needs. It also enables banks to build relationships of trust and loyalty with their customers, which leads to better levels of customer satisfaction and loyalty. Banks can respond to customer feedback and create new products and services that specifically address the demands. This, in turn, can lead to increased business and more profits for the microfinance institutions. Additionally, customer focus allows banks to identify potential markets for their services and develop innovative products that can attract new customers.

The performance of microfinance institutions plays a critical role in driving the success of the financial institution. This is due to how well the microfinance institutions perform affects their capacity to draw in and keep customers, manage liquidity, and produce consistent profits. Good performance of microfinance institutions gives customers' confidence in the service quality that they can expect. It also improves customer retention, as customers are more likely to continue doing business with an institution they perceive as reliable. A good performance leads to higher levels of trust in the institution which would result in more customers committing to use the services offered by microfinance institutions.

Liquidity is also improved if the microfinance institutions perform well. If the microfinance institutions can maintain adequate liquidity levels, it would leave them well placed to finance loan requests from their clients. This leads to a higher uptake in the credit and banking services, resulting in higher customer deposits and loan advances. It also leads to greater profitability of the microfinance institutions as more loans are taken up. Good performance of the microfinance institutions leads to consistency in earnings over a period of time. By building up a reliable stream of revenue, the microfinance institutions are able to plan and invest for the future

The results show that differentiation contributes to the accomplishments of microfinance organizations in Nairobi, Kenya. It can help microfinance institutions carve out a unique position in a competitive market, stand out from the competition, and better serve their target customer base. Differentiating strategies include niche product offerings, innovative ways of doing business, and providing additional services that are tailored to meet customers' unique needs. Differentiation can also lead to lower costs and higher revenues due to increased efficiency, better customer loyalty, and greater market share. Finally, it can help microfinance institutions differentiate themselves in an increasingly competitive market, helping them attract more customers and better serve their existing ones.

5.3 Conclusion

Microfinance institutions in Nairobi, Kenya need to establish a strong strategic positioning with a view to enhance success in the competitive industry in Nairobi, Kenya. These results are consistent with earlier research that identified strategic positioning as a critical component of achieving competitive advantage in Nairobi, Kenya's financial sector. Further, the study has confirmed the critical role of strategic positioning in fostering attraction of new customers, retain existing ones, and generate more business opportunities. This way, the Microfinance institutions in Nairobi, Kenya are more likely to have access to capital which is extremely important for banks in the microfinance sector by enhancing their strategic positioning. This is established in the findings that having a strong strategic positioning also gives banks a level of credibility which enables them to take on larger risks and projects with higher returns. Adopting strategic positioning is a key factor in helping microfinance institutions in Nairobi, Kenya to become more successful.

The study further established that Microfinance institutions in Nairobi, Kenya are required to generate competitive advantage-producing tactics. To do better than the competition, the competitiveness must be long-lasting. The main issue for managers while working in chaotic circumstances is to assure both competitiveness and profitability. Businesses must focus on the needs of the customers in order to maximize market share and ultimately benefit from economies of scale, which calls for offering high-quality products and services. The emphasis should be on exploiting the Microfinance institutions current strengths to meet the customers' future needs. By doing this, the company takes small steps to gradually meet their consumers' future needs.

5.4 Recommendations

The research suggests that the executives in the microfinance service providersin Nairobi City County should develop strong strategic Leadership strategies to enhance the performance of their organization. Strong strategic leadership is crucial for the success of microfinance banks. Leaders should set a clear direction for the bank, develop effective strategies, and create a strong organizational culture. They should also adapt to the dynamic environment and tailor strategies to the needs of micro-entrepreneurs. Strategic executives can help the bank succeed by instilling trust in investors and stakeholders.

The chief executive officers who are responsible for resources allocationin microfinance institutions in Nairobi City County, Kenya should optimize resource allocation. Microfinance institutions need to carefully allocate their limited resources to initiatives that yield the highest returns. This includes providing capital to businesses with high potential for success, investing in employee training, and leveraging technology to improve access to financial services. Effective resource allocation ensures competitiveness and profitability in the Kenyan banking sector.

The study recommended that microfinance institutions through the chief Information officers should embrace information technology. Information technology has proven to be a game-changer for microfinance institutions in Nairobi, Kenya. They should leverage technology to reduce costs, improve efficiency, and expand their reach. By streamlining processes, automating banking functions, and utilizing data analytics, microfinance institutions can enhance customer satisfaction, make faster loan decisions, and reduce risks associated with banking operations.

The study further recommended prioritization of customer focus. Microfinance institutions through the their customer Experience heads should place a strong emphasis on customer focus.

By delivering tailored services that meet customer needs, they can build trust and loyalty, resulting in higher customer satisfaction and retention. Banks should capture customer data, respond to feedback, and develop innovative products to meet evolving customer needs. A customer-centric approach will help microfinance institutions attract new customers, expand their market, and drive profitability.

Finally, the study recommended that microfinance institutions in Nairobi City County, Kenya should prioritize establishing differentiated products through their product development department and heads to enhance their competitive advantage and general performance. The Evidence in the study is the competitive environment within which Microfinance institutions in Nairobi, Kenya operate. Due to the current market conditions, banks must be able to develop products that are competitive. As such, the study recommended the need to strengthen the differentiation strategies with the focus being on the needs of the customers.

Having mentioned the needs of the customers, the study established that customer focus has insignificant impact on performance. In this light, the study recommends the need for Microfinance institutions in Nairobi, Kenya to engage more in research on customer needs. This will enhance adoption of customer-oriented strategic positions that will foster meeting the needs of the customers hence enhancing the performance of the Microfinance institutions in Nairobi, Kenya. The availability of a wide range of services is not sufficient on its own; it is rather defined by the customer.

5.5 Recommendation for Future research

This research expands on the body of scientificresearch information that may be used to inform decision making in microfinance organizations in Nairobi City County in Kenya. The leadership and management of microfinance institutions in Nairobi City County, Kenya can use the findings to inform their decisions. For the policy makers, the findings can be used to inform policy areas where the government initiated policies can be enhanced. Future research projects should focus on the following two areas to further deepen our intellectual understanding, building on the empirical findings obtained from this study.

First, conducting a comparative analysis would expound on the findings and explore elements the current study did not cover. It recommends conducting a comparative analysis of microfinance institutions in different regions or countries to explore the impact of strategic positioning, strategic leadership, resource allocation, information technology, and customer focus on their success. This would provide valuable insights into the similarities and differences in the factors affecting the success of microfinance institutions across various contexts.

Finally, the study recommends conducting a longitudinal study to examine the long-term of strategic positioning, strategic leadership, resource allocation, information technology, and customer focus on the success of microfinance institutions.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Kenyatta University,

Nairobi, Kenya.

RE: Request to fill in the Questionnaire

Dear Respondent,

My name is Jackline Nekesa Kapukha. I am writing this letter to solicit your cooperation and unreserved opinion in completing the questionnaire which will be distributed to you. This is one of the requirements for an MBA degree, and your responses will be quite instrumental in solving my research objectives. Thanks.

Yours faithfully,

Jackline Nekesa Kapukha

APPENDIX II: QUESTIONNAIRE

The questionnaire aims to determine the impact that strategic positioning has on the success of microfinance institutions in Nairobi, Kenya. Given this, The data that will be gathered will be treated with confidentiality and used only for academic purpose only. The responses would be used to draw more conclusions about the study's goals and serve as the foundation for further study by other academic researchers. For your convenience, the questionnaire is divided into two parts.

SECTION A

RESPONDENT'S PERSONAL DATA

Instruction: Please tick ( ) the column that best represents your response appropriately

Sex: Male ( ) Female ( )

Age: Below 18 ( ) 18 – 24 ( ) 25 and above ( ) 31 Years & Above

Educational Qualification: SSCE ( ) Diploma ( ) Bachelor's Degree ( ) Masters ( ) PhD. ( ) others ( )

Years of Experience: < 3years (   ), 3 – 10 years (   ), above 10 years (   )

SECTION B

Please tick your preferred answer based on the following parameters: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

STRATEGIC LEADERSHIP

Please tick your preferred answer based on the following parameters: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Performance is aided by leaders applying evaluation and control.					
2	Market share is increased by leaders who implement strategies.					
3	Leaders who adopt the minimum wage improve					

	performance.					
4	How the organization is seen is greatly influenced by the quality of its resources.					
5	How the organization is seen is greatly influenced by the quality of its resources.					

RESOURCE ALLOCATION

Please tick your preferred answer based on the following parameters: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

No	**Statement**	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1	Performance is enhanced by financial resources					
2	Human resource fosters organizational performance					
3	Investment in physical resources improve performance					
4	Allocating resources effectively improve performance in					

	microfinance institutions					
5	Strategic positioning of resources boost performance					

INFORMATION TECHNOLOGY

Please tick your preferred answer based on the following parameters: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Mobile technology aids in performance improvement					
2	IT capabilities improve performance					
3	Risk management enhances performance					
4	Security management boosts					

	performance					
5	Strategic positioning of information technology boosts performance					

CUSTOMER FOCUS

Please tick your preferred answer based on the following parameters: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

S/N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Paying attention to the needs of the customers improves performance					
2	Using a strategy that prioritizes customer focus improves performance					

3	By managing customer issues can enhance performance					
4	Organizational performance benefits from concentrating on customer needs					
5	When the requirements of the customers are prioritized, the customers are satisfied.					

DIFFERENTIATION

Please tick your preferred answer based on the following parameters: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree.

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Focusing on a specific market					

	gap improves performance of an organization					
2	Differentiating organizational products improves performance of the organization.					
3	Product differentiation improves performance					
4	Market delineation fosters performance					
5	Differentiation is a tactic of strategic positioning					

PERFORMANCE

S/N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Applying strategic positioning enhances					

	profitability.					
2	Market share was enhanced following application of strategic positioning.					
3	Customer satisfaction improved after applying strategic positioning					
4	The profitability has improved over time.					

APPENDIX III: KU GRADUATE SCHOOL APPROVAL LETTER

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 23rd February, 2023

TO: Jackline Nekesa Kapukha
C/o Business Administration Dept.

REF: D53/OL/CTY/20348/2020

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the graduate school board 18th January, 2023 entitled **"Effect of Strategic Positioning on Performance of Microfinance Banks in Nairobi City County, Kenya."**

You may now proceed with your data collection, subject to clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report forms per semester. The forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL

C.c. Chairman, Department of Business Administration

Supervisors:

1. Dr. Stephen Muathe
   C/o Department of Business Administration
   Kenyatta University

AM/mo

APPENDIX IV: NACOSTI RESEARCH PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **651372**

Date of Issue: **25/March/2023**

RESEARCH LICENSE

This is to Certify that Miss.. Jackline Kapukha of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF STRATEGIC POSITIONING ON PERFORMANCE OF MICROFINANCE BANKS IN NAIROBI CITY COUNTY, KENYA for the period ending : 25/March/2024.

License No: **NACOSTI/P/23/24391**

651372

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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