EFFECT OF ENTREPRENEURIAL ORIENTATION ON THE GROWTH OF MICRO FINANCE INSTITUTIONS BASED IN NAIROBI, KENYA.

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Effect of Entrepreneurial Orientation on the Growth of Micro Finance Institutions Based in Nairobi, Kenya.

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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DEDICATION

To my family: Timothy and Jemimah, Mwai and Tabitha, Steve and grand children, Sally, Nathan, Myles and Ethan.

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LIST OF ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
AMFI	Association of Microfinance Institution
AMFIs	Association of Micro finance Institutions
CBK	Central Bank of Kenya
CGAP	Consultative Group to assist the Poor
DTM	Deposit taking microfinance
EO	Entrepreneurial Orientation
GoK	Government of Kenya
KPOSB	Kenya Postal Office Savings Bank
K-REP	Kenya Rural Enterprise Programme
KWFT	Kenya Women Finance Trust
MFBs	Microfinance Banks
MDGs	Millennium Development Goals
MFIs	Microfinance Institutions
MIX	Microfinance Information Exchange
NGOs	Non-Governmental Organizations
OECD	Organization for Economic Cooperation and Development

R&D Research and Development

ROE Return on Equity

RoK Republic of Kenya

ROSCA Rotating Savings and Credit Associations

SACCOs Savings and Credit Cooperative societies

SME Small and Medium Enterprises

SPSS Statistical Package for Social Sciences

UNCDF United Nations Capital Development Fund

DEFINITION OF TERMS

Entrepreneurial skills – These are skills that enable an entrepreneur to turn their business idea into feasible business opportunities, to start and to grow a business enterprise. It includes creativity, innovation, risk taking and the ability to take successful entrepreneurial role models and identification of market opportunities (Darroch and Clover, 2008).

Entrepreneurial orientation Dimensions – Lumpkin & Dess (1996) identified the dimensions of EO as innovativeness, risk taking and proactiveness. Later Covin and Wales (2012) proposed the five dimensions of EO as autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness.

Entrepreneurial orientation – It is regarded as a behavioral model of entrepreneurship that gives meaning to the entrepreneurial process (Covin & Lumpkin, 2011), the entrepreneurial process that reflects the methods, practices and decision making styles managers use to act entrepreneurially. Also defined as specific organizational level behaviour that provides a basis for entrepreneurial actions (Rauch, 2009; Covin & Wales 2012).

Entrepreneurship - It is a kind of behavior of a person that includes perceiving economic opportunities, initiative taking, creativity and innovation (Covin & Lumpkin, 2011). It is a dynamic process of vision, change and creation that requires application of energy and passion toward implementation of new ideas and creative solutions (Kuratko & Hodgetts, 2011).

Deposit taking microfinance – means a Microfinance Bank, a company which is licensed to carry on microfinance bank business and includes all branches, marketing units, outlets, offices and any other place of business that may be licensed by the Central Bank of Kenya (CBK, 2013).

Microfinance bank business – is the accepting from members of public, money on deposit repayable on demand or at the expiry of a fixed period or after notice (CBK, 2013).

Financial sustainability- This is a situation in which MFIs net operational income is greater than its operational costs (Baregheh, 2009).

Program sustainability – Microfinance sustainability attained when customers value the services provided and are willing to assume responsibility and ownership (Battilana J, & Dorado S., 2010).

Outreach – The number of clients or accounts that are active at a given point in time. It includes growth in number of clients, number of active borrowers, loan size and the share of woman borrowers (SPTF,2014).

Growth Indicators - Financial and operational ratios measuring performance which allow peer group comparisons and reveal strengths or weakness of behaviors or practices. Indicators act as prompters or flag-raisers outlining patterns of potential or probable risks (Beugelsdijk, 2007).

Loan portfolio - The asset composed of the loans which borrowers owe to the MFI. The amount of the loan portfolio is the total unpaid principle balance of such loans (Murdoch, Jonathan 2008).

Micro Finance – Is the provision of financial services to low income clients including the self-employed. It may also include the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low income households and their micro enterprises (ADB, 2008). It is a source of financial services for people lacking access or without full access to the financial sector.

Micro Finance customers – People and businesses with regular income, frequently from self-employment activities, which do not have conventional collateral for bank loans. They include smallholder farmers, small traders and artisans (World Bank, 2015).

Risk taking propensity– Making decisions and taking action without certain knowledge of probable outcomes. Some undertakings may also involve making substantial resource commitments in the process of venturing forward (Covin & Wales, 2012)

Proactiveness – A forward looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of further demand (Covin & Wales, 2012).

Autonomy – Independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion (Covin & Wales, 2012). Autonomy from an EO perspective refers to strategic autonomy which enables teams to define problems and goals that will be met in order to solve the problem.

Competitive aggressiveness – An intensive effort to outperform industry rivals. It is characterized by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive market place (Covin & Wales, 2012).

Innovativeness – A willingness to introduce newness and novelty through experiments and creative processes aimed at developing new products and services as well as new processes (Covin & Wales, 2012).

ABSTRACT

Despite the impressive growth evident in the microfinance industry, its outreach still remains severely constrained. This study sought to examine the effect of entrepreneurial orientation (EO) dimensions on the growth of microfinance institutions as a strategy of capturing the large unexploited microfinance market. The specific objectives of the study were; to analyze the effect of risk taking propensity on the growth of microfinance institutions, to examine the effect of proactiveness on the growth of microfinance institutions, to examine the effect of autonomy on the growth of microfinance institutions, to examine the effect of innovativeness on the growth of microfinance institutions and to analyze the effect of competitive aggressiveness on the growth of microfinance institutions. The study examined a target population of 56 formal Microfinance institutions operating within Nairobi. It employed a census inquiry and collected data through questionnaires and face to face interviews. The target respondents were Chief Executive Officers, Owners, Branch managers, operational managers and Relationship managers. The study used mixed research design which involved the application of both qualitative and quantitative research techniques. Cronbach's alpha was used as a measure of reliability and multiple regression analysis to test the hypotheses. The regression coefficient shows that the EO dimensions (independent variables) are positively and statistically significant in explaining the growth of MFIs. The regression coefficient shows that innovativeness is the most important variable. The study recommends the utilization of entrepreneurial orientation dimensions as a competitive strategy. It recommends the development of internal strategic measures that will promote innovation, proactiveness and autonomy in the management practices. The study recommends further research on effect of entrepreneurial orientation on Microfinance Institutions at different stages of growth. It also recommends a study on the impact of commercialization of microfinance institutions on alleviation of poverty.

CHAPTER ONE

INTRODUCTION

1.1 Background

The ongoing globalization, increased competition, innovation and technological changes are challenging organizations to look for the means of survival and growth. Firms are likely to benefit from pursuing and adopting EO (Wiklund & Shepherd, 2005), which forms the basis of this study. Entrepreneurial Orientation refers to the strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003; Rauch 2009). The relationship between the different dimensions of entrepreneurial orientation and performance vary independently (Lumpkin & Dess, 2005), therefore this study looked into each of the dimensions of EO and its relation to growth.

Entrepreneurial efforts are located at the middle level management (Floyd &Wooldridge, (1997); Hornsby, Kuratko, Shepherd, & Butt, (2008) that has responsibilities that requires knowledge and expertise to seek out, select and pursue viable entrepreneurial opportunities leading to increased growth. This study adapted the definition of EO as the entrepreneurial process that reflects the methods, practices and decision making styles managers use to act entrepreneurially (Lumpkin & Dess, 1996). Microfinance is a developmental intervention that is becoming a global financial movement with a trend towards commercialization. The Economist (2013) confirms the progressive improvement of the global business environment for microfinance. Improvements have been recorded in the utilization of financial agents and mobile banking where Kenya is recognized as the world leader and pioneer of mobile banking services.

The Kenyan microfinance sector began in the late 1960s with a few NGOs that set up pilot programs providing donor funded credit services. Some of these organizations have evolved over time to become commercialized, self-sustaining and hugely profitable institutions. Microfinance is also rapidly becoming Kenya's most accessible and affordable financial service. It is provided by formal commercial banks, Postal office Savings Bank, formal savings and credit co-operatives, MFIs and informal institutions such as accumulation and rotating savings and credit associations, shopkeepers and money lenders.

There is an evident transformational process that the Microfinance sector is undergoing from Non-governmental organizations to microfinance banks and to commercial banks. The current structure of registered MFIs operating in Nairobi consists of, commercial banks, Microfinance banks, Cooperatives and credits only institutions (AMFI, 2014). Currently, there are nine Credits only institutions that have transformed to Microfinance banks within the last few years and have established branches in many parts of the country.

The current commercialization and professionalization of MFIs in Kenya is a clear indication that social enterprises are also embracing the concept of sustainability while upholding their social mission. Within a period of less than ten years, nine credits only MFIs have transformed to DTMs. Manderlier, (2009) posits that despite the largely recognized social benefits of MFIs, the sector is experiencing challenges in their attempt to operate as profitable social enterprises. The demand from donor organizations to incorporate sustainability principles in undertaking the social mission has led to the utilization of EO dimensions. The study observed the efforts being made by the sampled MFIs to gain competitive advantage, engage in constant innovations and exploit the opportunities in the market place. This is consistent with Wiklund & Lumpkin (2009) that entrepreneurial firms engage in constant innovations to gain competitive advantage and meet customer needs. There is a clear evidence of transformation from conservative to entrepreneurial firms.

Microfinance institutions sampled exhibited numerous innovations in products and technology adoption. Their flexibility and the strong risk-taking propensity by top management allow them to make a great impact in the fight against poverty. There is however a need to evaluate the aspect of taking risks due to scarcity of resources which can be allocated to other productive purposes. Therefore, it is essential to know not only whether EO has positive or negative effects on performance but also to estimate the magnitude of each of the entrepreneurial dimensions on the growth of Microfinance institutions. Unless the effect is substantially positive, wholehearted recommendations that firms use a high degree of EO in management decisions appear misdirected (Wiklund, 1999) because of the risk associated with EO and its demanding resource requirements. Such considerations reflect evidence-based management, which is strongly called for in the literature (Pfeffer & Sutton, 2006; Rousseau, 2006) and are common in other fields of research (Tranfield, Denyer & Smart, 2003). This study sought to establish the entrepreneurial orientation of MFIs and the EO dimensions managers/owners exert on their firms. It will provide evidence based recommendations to the highly prospective sector with a broad unexploited market.

EO represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Thus, EO may be viewed as the entrepreneurial strategy-making processes that key decision makers use to enact their firm's organizational purpose, sustain its vision, and create competitive advantage (Rauch, 2009; Covin & Wales 2012). EO is regarded as a behavioral model of entrepreneurship that gives meaning to the entrepreneurial process (Covin & Lumpkin, 2011). By implementing entrepreneurial behaviour such as risk taking, innovativeness, being proactive and competing aggressively, firms have the capacity to achieve their objectives in a better way or in a shorter time (Alolou & Fayole, 2005). The basis for combining entrepreneurship with social mission is because MFIs are seen as having the capacity to provide financial inclusion and facilitate the improvement of the lives of economically active low income households.

The transformation from informal to formal organizations is indicative of the recognition that the Microfinance sector is a valuable contributor to the national financial system. They complement the formal financial sector and equally engage in the mobilization process and lending of funds particularly to those that are not accessible to the formal financial market.

A firm with a high proactiveness orientation may be keen at forging new ties because such a firm seeks out resources that would add value to the firm both in the present and in the future (Covin & Wales, 2011). Proactive managers identify and exploit opportunities to meet demand, possibly through their own innovation, new products and services or entering new markets with existing products and services. The ability to lead and anticipate changes in their environments is an eminent trait of proactive persons. A proactive firm therefore may expand its network beyond its specific location so as to draw on the resources of organizations that may have different norms and practices (Rodan & Galunic, 2004). Strategic managers who practice proactiveness look into the future for new possibilities for growth and development

Microfinance Institutions (MFIs) provide financial services to low-income households in developing countries around the world. Microfinance customers are people with businesses with irregular income, frequently from self-employment activities, who do not have conventional collateral for bank loans (MF Outlook, 2015). MFIs can operate as Non-Governmental Organizations (NGOs), SACCOs, credit unions, nonbank financial intermediaries or commercial banks. To cushion themselves from perceived risks due to the target client's lack of collateral as a guarantee against default, MFIs are known to charge very high (30% - 60%) nominal interest rates (Dehejia, Montgomery, & Murdoch, 2005). The loans are short-term, the average loan size is very small, and only a few programs require borrowers to put up collateral, loans can be as small as $50 repaid over a period of one year.

Globally, over 700 million adults have obtained access to formal financial sector over the last three years and the majority of these newly banked customers live in developing countries (World Bank, 2015). Since MFIs offer a new approach to alleviating poverty, their importance is growing globally with each country giving it priority as developmental intervention. Globally, the private sector alone invests an estimated USD 10 billion in the microfinance sector (World Bank, 2015). The Microfinance market outlook (2016) indicates the growth and development trends as; Central Asia 10%, Latin America 10%, Eastern Europe 10%, Middle East and North Africa 15%, Asia

Pacific 30% and Sub Saharan Africa 20%. The expected growth for the global microfinance market in 2016 is between 10 – 15% with higher prospects in Asia pacific and Sub Saharan Africa (World Bank, 2015). From the projections, Asia Pacific is set to remain the world's fastest growing microfinance market while Sub Saharan Africa will register above average growth. Microfinance bulletin (2013) indicated that between the year 2011 to 2013, borrowers outreach grew at a persistent rate of 26% across all regions, along with the loan portfolio which grew faster at a rate of 47%.

The Microfinance outlook (2015) show that 31.8 million borrowers were served by the 100 MF institutions included in their research model portfolio. Globally the Microfinance sector is growing with 700 million people having obtained access to formal financial sector over the last two years (WB, 2015). The vast majority of these newly banked adults live in the developing countries. The forecast for Real GDP growth in the fifteen main microfinance markets, Kenya is ranked number three after India (7.3%) and Cambodia (7%) with a GDP growth of 6.8% (IMF, 2016).

The United Nations declared 2005 the International Year of Microcredit. In addition, the Nobel Peace Prize for 2006 was awarded to Muhammad Yunus, microfinance pioneer and Founder of the Grameen Bank. Worldwide, many MFIs follow the Grameen model of lending with a great measure of success (MF bulletin, 2013). In Kenya, Micro finance has been recognized as one of the many ways out of poverty where small entrepreneurial firms are created and supported through a flexible financial system that is accommodative and empowering through creation of employment. From the perspective of an individual entrepreneur, exploiting entrepreneurial opportunities can be attractive because such opportunities bring with them the promise of a meaningful career and the potential of harvesting superior entrepreneurial rents (Saleh & Ndubisi, 2006). The unique potential of micro finance sector to reduce poverty and sustain itself however, can easily be lost if MFI's are not committed to continue extending services to the low-income households on a long term basis. There is a danger of conducting temporary micro-finance programs which can disrupt the financial systems in an economy and the lives of their beneficiaries.

Studies conducted on the owner characteristics, support that owner characteristics are important ingredients for the success of a firm, (Covin & Wales, 2012). The transformation process of MFIs in Kenya is therefore an indicator that entrepreneurial thinking and engagement is taking place within the MFIs.

This research thesis sought to establish the utilization of entrepreneurial orientation dimensions on the MFIs growth based in Nairobi. It sought to establish the effect of EO on the growth of MFIs which are considered capable of addressing behavioral issues which pave way for social development and eventually advance the social development goals. The entrepreneurial characteristics studied are innovativeness, risk taking behavior and proactiveness (Lumpkin & Dess, 1996) and autonomy and competitive aggression (Covin & Wales, 2012). They play an important role as firms grow bigger; they have a tendency to develop an entrepreneurial orientation supported by proactiveness, innovativeness and risk taking. Entrepreneurial orientation dimensions are the independent variables showing the importance of the owner/manager characteristics regarding the firm's success and good performance. Firms which grow more are those which are entrepreneurially oriented, that detect opportunities and obtain an advantage when searching for those opportunities (Ferreira & Azevedo, 2007).

Entrepreneurial Orientation enables firms to improve the acquisition and use of market information (Keh & Nguyen, 2007). In turn the firms might use this information to develop new capabilities to pursue business opportunities (Chen, Li & Evans, 2012). Kenya's visions 2030, considers MFIs instrumental in alleviation of poverty and therefore this study is addressing a key developmental intervention strategy. The Microfinance Act (2008) of Kenya aims at streamlining the operations of the microfinance institutions. It addresses licensing provisions, minimum capital requirements and minimum liquid assets, submission of accounts to the Central Bank, supervision by the Central Bank, and limits on loan and credit facilities. It also seeks to protect depositors by requiring that deposit-taking MFIs contribute to the deposit protection fund. The Act sets out the legal, regulatory and supervisory framework for the microfinance industry in Kenya. Other key developments in the legal and regulatory frameworks for the benefit of Microfinance growth include; the Microfinance Amendment Act, (2013) which allowed the DTMs now known as Microfinance banks to operate current accounts, issue third party cheques and engage in foreign exchange trading in a bid to enhance financial inclusion (CBK, 2013).

The introduction of Kenya Banks Reference Rate (KBRR) aimed at increasing transparency in the pricing of credit by commercial banks and Microfinance banks is a bid to empower bank customers through increased market information. The introduction of the Credit Reference Bureau regulations in 2014 which permits commercial banks and Microfinance banks to share both positive and negative information with credit reference bureaus is also a step towards progress. The amended Act mandated the Microfinance banks to participate in the credit information sharing (CIS) initiative and streamline the rights and obligations of all parties involved in the CIS mechanism (CBK, 2014). These regulatory measures are beneficial in the long run in supporting a healthy expansion of a vibrant microfinance industry in Kenya. Their implementation calls for more transparency, accountability and professional approach in their operations without compromising their social mission.

It is documented that about 4 billion people worldwide live on less than US$2 per day (Microfinance Bulletin, 2013) and poverty is one of the major problems that is still prevailing in today’s world. This study sought to establish the effect of entrepreneurial orientation dimensions on the growth of microfinance institutions which are considered capable of addressing poverty alleviation and make a contribution towards social development and eventually advance the current social development goals. It examined the EO from the managerial perspective in order to provide a rich understanding of their tasks in the entrepreneurial process (Lumpkin & Dess, 2005). Managers play an important role in the growth of institutions where they are allowed freedom and independence to pursue entrepreneurial opportunities for the benefit of the firms.

1.2 Statement of Problem

Despite the impressive growth experienced by microfinance industry for longer than a decade, it reaches only a small percentage of its potential market worldwide (Ledgerwood & White, 2006). MFIs have a high mortality rates with most of them not surviving to see beyond their third anniversaries (GoK, 2005). This study sought to examine the entrepreneurial strategies MFIs based in Nairobi where a 5.4% increase in the new jobs created in 2015 were recorded (GoK, 2014). The aim is to establish the EO strategies being adopted in order to take advantage of the broad potential market in a sustainable manner. Though EO adoption is typically examined through top management of large firms (Covin & Slevin, 1989), in small firms the owner-manager who leads the firm greatly influences its culture and entrepreneurial behaviour. There is need therefore to examine how small firms adopt and implement EO in relation to their performance as this may differ from the ways EO is implemented in large firms.

This study sought to find out the effect of entrepreneurial orientation dimensions exerted by owners/managers of MFIs which fall under the category of small and medium enterprises. EO comprises essential elements for keeping up with contemporary business complexity and dynamism by engaging in risky, proactive and innovative activities that may represent high yield for future business avenues (Lumpkin & Dess, 1996).The findings may encourage a continuous adoption of entrepreneurial orientation strategy in order to achieve social and economic goals in a sustainable way.

Recent studies on EO have focused on other issues, Olaniran (2016) studied, Role of EO on performance of firms in the Nigerian Stock Exchange; Ndungu (2014); Moderating role of EO on relationship between information security and firm performance in Kenya; Nyangau (2014), Role of entrepreneurial leadership in the growth of Micro and small enterprises in Thika. These studies have made great contributions towards the understanding of EO and the multidimensional nature on the construct in other sectors. This study sought to contribute to the research gap on EO by analyzing the effect of entrepreneurial orientation dimensions on the growth of MFI's based in Nairobi. It will provide insight into how managers/owners are implementing EO dimensions to promote sustainable growth. Owners/managers are instrumental in developing a corporate strategy that will allow potential synergies to emerge and contribute towards the growth of the firm. As firms grow bigger they have the tendency to develop an entrepreneurial orientation supported by these characteristics which translate to the growth of the firm (Dorn, 2012). The study examined effects of EO dimensions implemented in the MFIs based in Nairobi. It provides understanding on how the EO dimensions influences the growth of an important developmental intervention and financial sector deepening as well as broadening financial inclusion.

1.3 Objectives of the study

1.3.1 General Objective

To examine the effect of entrepreneurial orientation dimensions on the growth of microfinance institutions based in Nairobi, Kenya.

1.3.2 Specific Objectives

The Specific Objectives of the study are:

1. To analyze the effect of risk taking propensity on the growth of microfinance institutions.
2. To examine the effect of proactiveness on the growth of microfinance institutions.
3. To examine the effect of autonomy on the growth of microfinance institutions.
4. To examine the effect of innovativeness on the growth of microfinance institutions.
5. To analyze the effect of competitive aggressiveness on the growth of microfinance institutions.

1.4 Research Questions

The study answered the following questions;

1. What is the effect of risk taking propensity on the growth of microfinance institutions?
2. What is the effect of proactiveness on the growth of microfinance institutions?
3. What is the effect of autonomy on the growth of microfinance institutions?
4. What is the effect of innovativeness on the growth of microfinance institutions?
5. What is the effect of competitive aggressiveness on the growth of microfinance institutions?

1.5 Research Hypotheses

The study was guided by the following hypothesis:

1. **H_1:** Risk taking propensity has a significant effect on the growth of microfinance institutions in Nairobi.

   H_0: Risk taking propensity has no significant effect on the growth of microfinance institutions in Nairobi.

2. **H_1:** Proactiveness has a significant effect on the growth of microfinance institutions in Nairobi.

   H_0: Proactiveness has no significant effect on the growth of microfinance institutions in Nairobi.

3. **H_1:** Autonomy has a significant effect on the growth of microfinance institutions in Nairobi.

   H_0: Autonomy has no significant effect on the growth of microfinance institutions in Nairobi.

4. **H_1:** Innovativeness has a significant effect on the growth of microfinance institutions in Nairobi.

H_0: Innovativeness has no significant effect on the growth of microfinance institutions in Nairobi.

5. H_1: Competitive aggressiveness has a significant effect on the growth of Microfinance institutions in Nairobi.

   H_0: Competitive aggressiveness has no significant effect on the growth of Microfinance institutions in Nairobi.

1.6 Justification of the Study

Since microfinance sector plays an important role as an instrument of micro enterprise development and poverty alleviation, (GoK, 2005) a deeper understanding of how entrepreneurial orientation dimensions contributes to their growth is important. The growth of Microfinance Institutions is still below expectations and there remains a large potential market for formal financial services (Ledgerwood & White, 2006). This study provides insight in regard to EO dimensions adaptation among the MFIs in Nairobi. It contributes towards the understanding of how MFIs can apply entrepreneurial strategies and achieve program sustainability and graduate to large enterprises by, (Gathenya, 2012) identifying and employing critical drivers of growth such as utilization of entrepreneurial characteristics.

EO has become a central concept in the domain of entrepreneurship that has received a substantial amount of theoretical and empirical attention (Covin, Greene, & Slevin, 2006). More than 100 studies of EO have been conducted, which has led to wide acceptance of the conceptual meaning and relevance of the concept. Locally, Ndungu (2014); Nyangau (2014); Olaniran (2016); Rotich (2016) have examined the role of EO in medium, small and micro enterprises. This study contributes to the relevance of EO concept since it has been applied more in the context of large firms than of SMEs. (Aloulou & Fayolle, 2005; Frishammar & Anderson, 2009; Fini, 2012). Entrepreneurial activity in SMEs is based on their founders as well as their managers. Their activity is usually informal and improvisational rather than from planned and well designed organizational systems as in large firms (Fini, 2012). This is in line with (Rauch, 2009) meta-analysis of EO studies which suggested that the influence of EO on performance is more obvious in small firms while (Dess, Lumpkin & Covin, 1997; Knight, 2000) posit that SMEs with an EO are likely to perform better than those that lack such orientation.

This research thesis sought to examine the EO dimensions of MFIs in a sector that is providing a powerful developmental intervention strategy in the provisions of financial services to the low income groups. In globalized economies there has been increase in challenges such as intense competition and ever changing environmental conditions. Since Microfinance Institutions are a major contributor to the GDP they still lack a theoretical understanding of utilization of entrepreneurial characteristics for their competitive advantage (Gathenya, 2012). MFIs are considered as one of the most effective and flexible strategies in the fight against poverty and even more when combined with entrepreneurship. They are known to alleviate poverty, empower the poor and contribute towards sustainable development. The Government of Kenya considers the Microfinace sector as a major contributor to the achievement of the financial inclusion goal in Kenya vision 2030 of reducing the share of population without access to finance from 85% to 70%. It recognizes that access to credit and financial services especially to the SMEs is paramount to their growth and development. This study makes an attempt to gain understanding of MFIs and the entrepreneurial orientations dimensions that may lead to their success and program sustainability in a fast growing sector. The study examined the EO dimensions as implemented in the MFIs and shows that EO enables firms to improve and use market information to develop new capabilities and pursue business opportunities.

1.7 Significance of the Study

1.7.1 Management of MFIs

The study findings are of great importance to the management of MFIs, since they address the most critical factors pertaining to the effect of entrepreneurial orientation on the growth of microfinance institutions in Kenya. The study contributes to greater understanding of Microfinance Institutions in a competitive financial market while trying to attain sustainable growth. It contributes to the existing literature by assessing managerial involvement in entrepreneurial orientation and how they translate the resulting EO into increased performance. The study established that most firms have embraced innovation as a key driver of their competitiveness and therefore contributing towards the realization of vision 2030.

1.7.2 Policy Makers

The findings of the study are important to the policy makers since Microfinance is regarded as a major developmental intervention strategy and EO is shown to enhance firm's performance. Entrepreneurship is considered a major intervention where at micro-level the growth of micro-credit has enabled individuals with no regular income or low levels of income to bring about improvement in their lives. MFIs contribute to the development of a functioning financial sector since microfinance customers are able to expand their businesses which in turn contribute to economic growth. There are more products and services as well as job creation, all of which support the development of the local economy and therefore MFIs require favorable policies as an incentive.

1.7.3 Investors and Venture Capital Providers

The study findings are useful to investors who are keen to establish the impact and sustainability of MFIs before investing funds to the specific programs. There are investors who are concerned with various views on sustainability. This study focused more on program sustainability and small extent levels of mission and financial sustainability. The Microfinance sector has an outreach of 1.5 million borrowers with a value of outstanding loan book of Kes 138.4bn by 2011 and shows positive growth trend (Microfinanza, 2012). This implies that social investors with venture capital can make their contributions and facilitate the expansion of the sector. The transformational trend evident among the microfinance institutions, from credit organizations to deposit taking MFIs opens opportunities for deeper study on MF growth especially in the context of inclusiveness. This study established that MFIs have the capacity to operate as entrepreneurial firms and position themselves to take advantage of market opportunities.

1.7.4 Government of Kenya

The study findings are of value to the government which considers the microfinance sector growth as a step towards deeper financial strengthening and can provide a more favorable investment environment. The Government considers the Microfinance sector as key in the achievement of the financial inclusion goal in vision 2030 of reducing the share of population without access to finance from 85% to 70%. The findings show that the microfinance sector has displayed positive growth, strategic developments and is highly driven by product innovation specific to the clients. It therefore requires a favorable legal and regulatory environment protective of the investor and the customer's in order to thrive and contribute to the achievement of the Kenya's vision 2030.

1.8 Scope of the Study

The study examined the effect of entrepreneurial orientation dimensions on the growth of microfinance institutions based in Nairobi. This is because from the Microfinance sector annual report (2012), out of the 29 MFIs included in the report only two are located outside Nairobi. The rest have their headquarters in Nairobi even though their areas of intervention are both rural and urban. The list of all MFIs that form the population of study was obtained from the Association of Microfinance institution (AMFI) and currently it has 59 registered members. The study concentrated on the owners/ managers of the MFIs and undertook to research on activities within the scope of the issues addressed by the research objectives.

The study focused on formal MFIs operating in Nairobi since which are regulated by the Central Bank under the Micro Finance Act of 2008 and or are members of the AMFI. The MFIs that have transformed to commercial banks and Deposit taking microfinance (DTMs) are all operating in Nairobi. MFIs choose to transform to offer additional products and services to their clients and to gain access to capital (both debt and equity) and in so doing expand their outreach (Ledgerwood & White, 2006).

Transformation to a regulated deposit taking financial intermediary results in an improved governance and ownership structure, improved professionalism and may lead to more permanent institutions. These MFIs therefore have some governance structures and reporting procedures which were be useful to the researcher. The study looked into EO among the regulated MFIs; credit only MFIs, financial wholesalers, financial retailers, and cooperative societies. The choice of MFIs based in Nairobi was also appropriate for the researcher due to time and cost constraints.

1.9 Limitations of the Study

The results of this study are subject to limitations in terms of generalizations made in regard to microfinance institutions. This limitation was mitigated by the application of both qualitative and quantitative research techniques where the weakness of one single approach is compensated by the strength of the other in order to achieve best results (Creswell & Clark, 2011). The limitation was also mitigated through the application of a census enquiry which is appropriate where the population is small and the elements are quite different from each other (Creswell & Clark, 2011). The findings are therefore regarded accurate since the population of formal and regulated MFIs is small, accessible and highly variable. The MFIs examined are members of AMFI and those that are under the supervision of the Central Bank, therefore leaving out many MFIs that are non-regulated. There are many organizations providing micro credit that do not operate under any form of regulations while others are informal self help groups. The variables considered could only be examined effectively under situations where there are some forms of governance and organization structure which forms the basis for choosing the formal and regulated MFIs for the study.

The study examined the effect of EO dimensions on the growth of MFIs however, there are other factors combined with EO dimensions that contribute to the growth of MFIs which were not examined. EO dimensions are multidimensional, interrelated and broad in their application. For instance, managing for competitive advantage means that the organization must stay ahead in innovation, quality and efficiency as well as being responsive to customer needs (Kinicki A., & Williams B., 2011). This implies that examining one variable involved engaging interrelated management concepts that explain the specific objective. The EO dimensions are therefore representative of many growth variables when combined as independent variables. In some cases the quality of information and responses lacked the depth the researcher was examining. This limitation was mitigated by making use of secondary data such as AMFI annual reports, relevant journals, Central Bank documents on financial reporting and Microfinance Information Exchange (MIX). These documents provided adequate secondary data to explain growth variables such as employment and growth in portfolio. The annual reports are prepared to enhance transparency and accountability which is required by donors and social investors and therefore enhance MFIs ability to obtain capital in form of debt and equity.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The following literature review provides information on effects of entrepreneurial orientation dimensions in regards to the growth of microfinance institutions. The chapter develops theoretical review, conceptual framework, empirical review that was used in regard to each variable in the study. The review identifies research gaps and areas that have been recommended for further research.

2.2 Theoretical Framework

A theory is a set of systematically interrelated concepts, definitions and propositions that are advanced to explain and predict phenomena or facts (Cooper & Schindler, 2011). A theoretical framework consists of concepts, together with their definitions, and existing theory/theories that are used for the particular study (Torraco, 2011). The theoretical perspectives which were considered relevant to this study are based on entrepreneurial orientation dimensions that have an influence on the growth of microfinance institutions.

2.2.1 Innovation Theory

This study examined the EO dimensions being utilized by the MFIs with innovativeness as one of the variables. The recent growth in the financial sector has led to many institutions getting committed to inclusive growth and sustainable development. Drucker (2002), states that innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or different services. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Young (2009) advocated the innovation theory by showing key contribution about the 'network paradigm', regional innovation networks which have been viewed as stimulating growth and innovation from an individual business perspective and from a regional perspective. Commentators of innovation theory argue from varying perspectives, but come to the same result although there are some deviations between different regions.

The importance of the region increases owing to globalization especially for microfinance to reach potential client through application of Information and technology where geographical location is global. Microfinance sector would be at a disadvantage in the innovation process if they have little access to global resources which can only be attained from reaching more customers in the market segmentation hence increased financial sustainability. Through linkages to intraregional networks they can acquire entrance to global networks (Klassen & Whybark, 2005). The ability to innovate requires access to invisible factors such as tacit knowledge, (Young, 2009) which are hard to come by inside microfinance institution, but can be more easily accessed through linkages in networks. This supports the argument that globalization increases regionalization, since information and knowledge are available globally beyond a certain stage, they always develop and are utilized locally (Klassen & Whybark, 2005). For a long time networks particularly between businesses were only viewed in regional economic studies from the microeconomic perspective of the firm and in the form of supplier and buyer linkages. As an integral part of the macro approach, the network idea finally has achieved a regional foothold and is extended to numerous other forms of linkages between differing participants (Drucker, 2002). In conclusion networks have gained in explanatory content with respect to regional innovation with aim of expanding the market share of a business.

Innovations in the Microfinance sector are evident through the ongoing commercialization and strategic alliances the fast moving microfinance banks are adapting along their path of growth. The (FPFI, 2015) records that about 2.5 billion people and 200 million businesses are still excluded from the formal financial system. This situation leads to the limitations on economic growth, job creation and employment opportunities. To bring the excluded into the formal financial systems requires a continuous product and business model innovation in the financial sector so that more people are reached through a broader range of products at lower costs. FPFI (2015) recommends the creation of an enabling environment which foster innovation and a private sector that is driving innovative solutions in order to attain a broader financial inclusion.

In Kenya, innovations such as mobile banking are growing fast and contributing towards bringing the excluded groups into the formal financial systems. Entrepreneurs can transform their institutions into engines of innovation by combining three components of creativity. Amabile, (2008) identifies the three components of creativity as, expertise, creative thinking skills and motivation. MFIs are involved in generating solutions to social problems of financial exclusion which requires technical, procedural and conceptual knowledge. In order to develop creative thinking skills there should be the willingness to take risks and view problems as opportunities. Motivation is generated when an individual has the inner desire to develop creative solutions to problems facing the society and improve their welfare.

2.2.2 Schumpeterian Theory on Innovation

The financial system in Kenya has experienced major changes both in the regulatory and the competitive environments which has resulted to the development of various innovations to cope with the changes. The entrepreneur's crucial significance to any economic system flows from the fact that their innovations facilitate the growth of the economy from one equilibrium level to another. Rather than adapting to external pressures, the entrepreneur destroys the static equilibrium from within the system by inventing new products, processes or behaviors that contrast the routine systems and activities (Andersen, 2004; McDaniel, 2005; Drejer, 2004). This theory is relevant to the Microfinance sector where growth is evident through product, administrative and market innovations that are facilitating the outreach and sustained portfolio growth. The financial sector as a whole has experienced a tremendous transformation with unique and customized products being offered to customers in very innovative ways.

MFIs have the ability to come up with flexible products which enables the poor and low income customers with irregular and unpredictable income purchase products that improve their welfare. Kuratko & Hodgetts, (2011) posit that principles of innovation can be learned and when combined with opportunity enables individuals to innovate. The motivation principles considered include proactiveness, action oriented, product or services customer based, optimism and learning from failures. Some of the innovative microfinance products are micro savings, microcredit and micro insurance products. In Kenya, innovative mobile banking products linked to M-Pesa is regarded as one of the most flexible innovation that penetrates to both rural and urban areas.

The microfinance sector entrepreneurs may be motivated by the social and economic motive to provide financial services to the low income economically active customers and enable them to take advantage of existing business opportunities. Katz J. & Green R., (2014) identified strategies for innovation among small businesses as imitative, incremental and radical innovations. To get into an innovative mind involves practising change and engaging in a continous improvement program. MFIs in Kenya have embraced the innovative mobile banking which has been successful as a result of strategic alliances developed with numerous service providers. The innovation theory affirms that sustainability of MFIs depends on their capacity to innovate.

2.2.3 Resource Based Theory

The Resource Based theory stipulates the importance of unique resources, capabilities and organizational abilities in order for the firm to gain competitive advantage. MFIs are engaged in proactive and risk taking activities as they provide the financial services especially to the informal sector of the economy. Resource-based view aspires to explain the internal sources of a firm's sustained competitive advantage (Kraijenbrink, Spender, & Groen, 2010). This theory is relevant since this study looks into the unique abilities of managers/owners and how they utilize the EO dimensions for the success of their firms. Their entrepreneurial abilities combined with organizational abilities make it possible for their firms to gain competitive advantage in a very dynamic sector.

It was Penrose who established the foundations of the resourced-based view as a theory (Roos & Roos, 1997). Penrose first provides a logical explanation to the growth rate of the firm by clarifying the causal relationships among firm resources, production capability and performance. Her concern is mainly on efficient and innovative use of resources. She claimed that bundles of productive resources controlled by firms could vary significantly by firm, that firms in this sense are fundamentally heterogeneous even if they are in the same industry (Barney & Clark, 2007). The utilization of resources depends on the capacity of the human resource, their creativity and willingness to engage in productive production. (Armstrong, 2012) argues that firms attain competitive advantage when the resources are valuable, rare and costly to imitate. Entrepreneurs can play the role of ensuring that the human resource in a firm motivated to contribute knowledge, skills and abilities in order to enhance the firm's capacity.

The knowledge based literature of the firm fosters and develops the resource based theory in that it considers knowledge to be the most complex of an organization's resources (Alavi & Leidner, 2001). According to resource-based theory, the intellectual capital is a main source to improve enterprise growth. Therefore, intellectual capital has been studied by many past researchers who investigate the influence of intellectual capital on business performance. However, most past researchers focused on the impact of individual intellectual capital on performance while neglecting the effects of specific elements of intellectual capital.

The resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative effect that places it well ahead of other mechanisms of strategic decision making. Penrose (1959) viewed the firm as an administrative organization and a collection of productive resources. Human capital is considered to be a source of competitive advantage for entrepreneurial firms. Ownership of firm-specific assets enables a company to develop a competitive advantage. This leads to idiosyncratic endowments of proprietary resources (Barney, 1991; Peppard & Rylander, 2001). The Resource based theory purports that sustainable competitive advantage results from resources that are inimitable, not substitutable, tacit in nature, and synergistic (Barney, 1991). Competitive advantage is achieved if a firm's resources are valuable, rare and costly to imitate. Therefore, managers need to be able to identify the key resources and drivers of performance and value in their organizations.

Grant (1991) as quoted by (Armstrong, 2012), states that resources and capabilities of a firm are the central considerations in formulating its strategy. Such resources can be tangible or intangible, and represent the inputs into a firm's production process; such as capital, equipment, the skills of individual employees, patents, financing, and talented managers. The key to a resource-based approach to strategy formulation is the understanding of the relationships between resources, capabilities, competitive advantage and profitability (Armstrong, 2012). In particular, an understanding of the mechanisms through which competitive advantage can be sustained over time. As a company's effectiveness and capabilities increase, the set of available resources tends to become larger. This theory is applicable to the study as it examines the role of managers in identifying the key resources and drivers of performance. Human capital is a great resource to improve enterprise growth and a source of competitive advantage for entrepreneurial firms. There is a high influence of EO among the MFIs in Kenya even with the tight regulatory environment that is encouraging transparency and accountability. Resource based view is of great value to the management when utilized to enhance the value of human resource contribution in achieving competitive advantage in a financial market that is highly unexploited.

2.2.4 Theories of Entrepreneurship

Entrepreneurship theories are verifiable and logically coherent formulations of relationships, or underlying principles that either explains entrepreneurship, predict entrepreneurial activities, or provide normative guidance (Kuratko & Hodgetts, 2008). Therefore, there are three basic ideas that explain the appearance of entrepreneurial activity. The first focuses on the individual, in other words, entrepreneurial action is conceived as a human attribute, such as the willingness to face uncertainty (Kihlstrom & Laffont, 2009), accepting risks, the need for achievement (McClelland, 2002), which differentiate entrepreneurs from the rest of society. An entrepreneurial theory of the firm can encompass all the major issues in regard to the nature of the firm. The entrepreneurial skills of the manager or owner are closely linked to the core competencies of the firm.

2.2.5 Psychological Studies of Entrepreneurship

These studies depict individuals with a high need for achievement taking the responsibility to solve problems in the society. The MFIs are generally accepted as institutions involved in solving the problem of financial exclusion among the underprivileged and disadvantaged members of the society. McClelland (2002) undertook the early psychological studies of entrepreneurship. His objective was to identify and to analyze the psychological factors which produce entrepreneurial personalities. In particular, he focused on the motivational variables affecting the supply of entrepreneurship such as the psychological drives underlying the individual′s "need for achievement" (or n- Ach). Individuals with a high need for achievement are depicted as preferring to be responsible for solving problems and for setting goals to be reached by their own efforts as well as having a strong desire to receive feedback on their task accomplishment. McClelland hypothesizes that entrepreneurs will have high need for achievement because they seem to possess the same characteristics. Therefore, according to McClelland (2002), the supply of entrepreneurship depends on individuals′ psychological needs for achievement rather than on the desire for money though monetary rewards may still constitute a symbol of achievement for entrepreneurs.

Psychological theories such as those developed by McClelland pay attention to personal traits, motives and incentives of individuals and conclude that entrepreneurs have a strong need for achievement (McClelland & Winter, 2005). He proposes that entrepreneurship involves making decisions under uncertainty and doing things in a new and better way. A similar focus is found in locus of control theories that conclude that an entrepreneur will probably have strong internal locus of control (Amit, 1993). This shows that an entrepreneur believes in his or her capabilities to commence and complete things and events through his or her own actions. On the other hand there are social entrepreneurs who start ventures in order to create innovative solutions to the society's problems. Creating social benefit motivates the social entrepreneur and the desire to improve people's welfare and make money by making the world a better place to live.

Brockhaus (2002) suggests that an internal locus of control, even if it fails to distinguish entrepreneurs, may serve to distinguish the successful entrepreneur from the unsuccessful one. Success is a relative concept that can also be measured differently in different contexts. If success is measured in relation to the fulfillment of the goals and objectives of a particular entrepreneur, self-employed could also be classified as successful if their businesses generate continuously a satisfactory profit, in relation to their goals and level of living. On the other hand, high-growth ventures may be considered unsuccessful if they are not able to offer high enough return on investment to their investors.

From his survey of empirical psychological studies of the entrepreneur, Gilad, (2006) concludes that an individual′s locus of control is a major factor determining his or her level of entrepreneurial alertness. In particular, internal locus gives rise to heightened alertness which is necessary for incidental learning which involves the recognition of profit opportunities once they are encountered. Spontaneous learning in turn ultimately results in entrepreneurial behavior. Entrepreneurship is about the arrangement of resources into productive activities. Entrepreneurs are concerned mainly with identifying opportunities for bringing new products and services to market and are key contributors to the economic progress of any nation.

2.2.6 Sociological Theories

Sociological theories look at how the environment affects entrepreneurship. They are relevant from the perspective of MFIs that are working out the principles of entrepreneurship in the context of social enterprises where the society expects that social enterprises will provide support without the expectation of profit arising from their activities. The MFIs on the other hand may define the areas of support they engage in as worth a return to investment that is quantifiable. Maina, (2013) looks into the dual nature of operations in applying commercial principles to achieve social ends. The dual nature of operations creates tension in the industry as the MFIs struggle to balance social and financial objectives. This is evident in the commercialization process of MFIs and the products that they offer to customers with the objective of promoting their economic welfare. The psychological and social theories on entrepreneurship are relevant in the microfinance sector that is faced with the challenge of fulfilling both economic and social goals to the economy.

The sociological theories began with Marx Weber (1961) work on the need for achievement. He felt that the high economic and social growth in some societies fostered entrepreneurship. In his view, this growth was owing to a large segment of these societies having a high need for achievement. Entrepreneurs' interpretations of the macro-level external environment help us to understand the process of founding (Aldrich, 2009). A framework for research in this area has been based on the study of identifiable racial and ethnic groups in the USA and a number of foreign countries. Many of these studies are contradictory. The cultural climate in different areas may lead to higher rates of organizational founding. This may be viewed through the formation of individual value systems. A society with a social system that places a high value on entrepreneurship will have a high founding rate (Shapero & Sokol, 2002). In these societies, individuals in times of transition will be more likely to choose an entrepreneurial venture.

Research on family (Borland, 2004), on peers by Wanjohi (2008), previous work experience (Cooper, 2003), ethnic groups, classmates, colleagues, and mentors (Shapero & Sokol, 2002), have shown these variables to have significant effects on the value systems of entrepreneurs. In Kenya, microfinance institutions operate in form of NGOs, private enterprises, SACCOs and commercial businesses, the value system is founded on the balance between social mission, profitability and sustainability. This study explored the profitability and social inclusion aspects of MFIs from an entrepreneurial orientation dimension.

2.2.7 Rational Choice Theories

These theories are applicable when explaining the implementation of the EO dimensions where scarcity of resources is a key factor that management considers in the attempt to balance between social mission and profitability. The key reason why a number of MFIs have made the decision to transform into regulated deposit taking financial intermediaries is based on rational thinking in order to make the organizations sustainable. Ledgerwood (2006) posits that the objective is to offer additional products and services to the clients and reach more of the unreached through microfinance even though in the short run the transformation exercise is expensive. This has an implication on the overall impact as higher financial inclusion has been found to be significantly correlated with lower poverty and income inequality. Park & Mercado (2015) found that state led expansion of rural bank branches in India helped reduce poverty.

Friedman and Hetcher (1990) explain two ideas basic to rational choice theory. "The aggression mechanism" or the process by which the separate individual actions are combined to produce the social outcome and the importance of information in making rational choices, the quality or quantity of available information is highly variable and that variability has profound effect on actor's choices. Theories of rational choice are based on the assumption that individuals are purposive, responsible and rational actors (Coleman, 1990). Choice is a dynamic process, some choices take time and the conditions governing them change (Hardin, 1988). The theory sees social interaction as social exchange modeled on economic action. People are motivated by the rewards and costs of actions and by the profits that they can make (Ritzer, 1990).The choice that MFIs management boards and owners face is that of creating a meaningful balance between profitability and financial inclusivity.

2.2.8 Poverty Reduction Approach Theories

This approach takes into consideration the social welfare of the low income communities and puts emphasis on poverty lending as measured by depth of outreach. MFIs can achieve sustainability without achieving self-sufficiency (Nyamsogoro, 2010) particularly where they are considered a tool of poverty alleviation. It considers microfinance as part of an integrated program to fight against poverty, vulnerability and improving the welfare of the poor. Social investors who fund MFIs are motivated by the desire to contribute to poverty reduction (Ganka, 2010). They are concerned with social equity with a goal of self employment and social welfare overrides other goals.

This study focused on Grameen II approach to microfinance which is a financial system approach. It operates as commercial microfinance focused on development and poverty alleviation (Battilana & Dorado, 2010). Customers are regarded as micro entrepreneurs and therefore less risky. This approach classifies sustainability of MFIs as mission sustainability, financial sustainability, human resource sustainability and program sustainability. This study focused on program sustainability which is attained when customers value the services provided and are willing to assume responsibility and ownership. Battilana and Dorado (2010) posit that a good demand driven product design will make the program sustainable. Products are delivered efficiently where a firm maintains qualified human resource capable of offering quality products and services.

This study examined the theories on innovation and entrepreneurship from the perspective of entrepreneurial orientation dimensions whose application results to the transformation of the organization as well as the environment within which it operates. Poverty reduction approach through an EO perspective engages customers by addressing their financial needs as well as providing financial services training, technical assistance and financial literacy to micro and small entrepreneurs through very innovative strategies. Program sustainability is attained where managers apply entrepreneurial strategies in management. The ability to deliver quality products and services involves the utilization of entrepreneurial characteristics in the managerial practices. Managers have a multiplier effect (Williams, 2011), their influence on the organization is multiplied far beyond the results that can be achieved by one person acting alone. The contemporary world demands an exceptional manager with the ability to manage for competitive advantage and displays innovativeness, is proactive and a moderate risk taker.

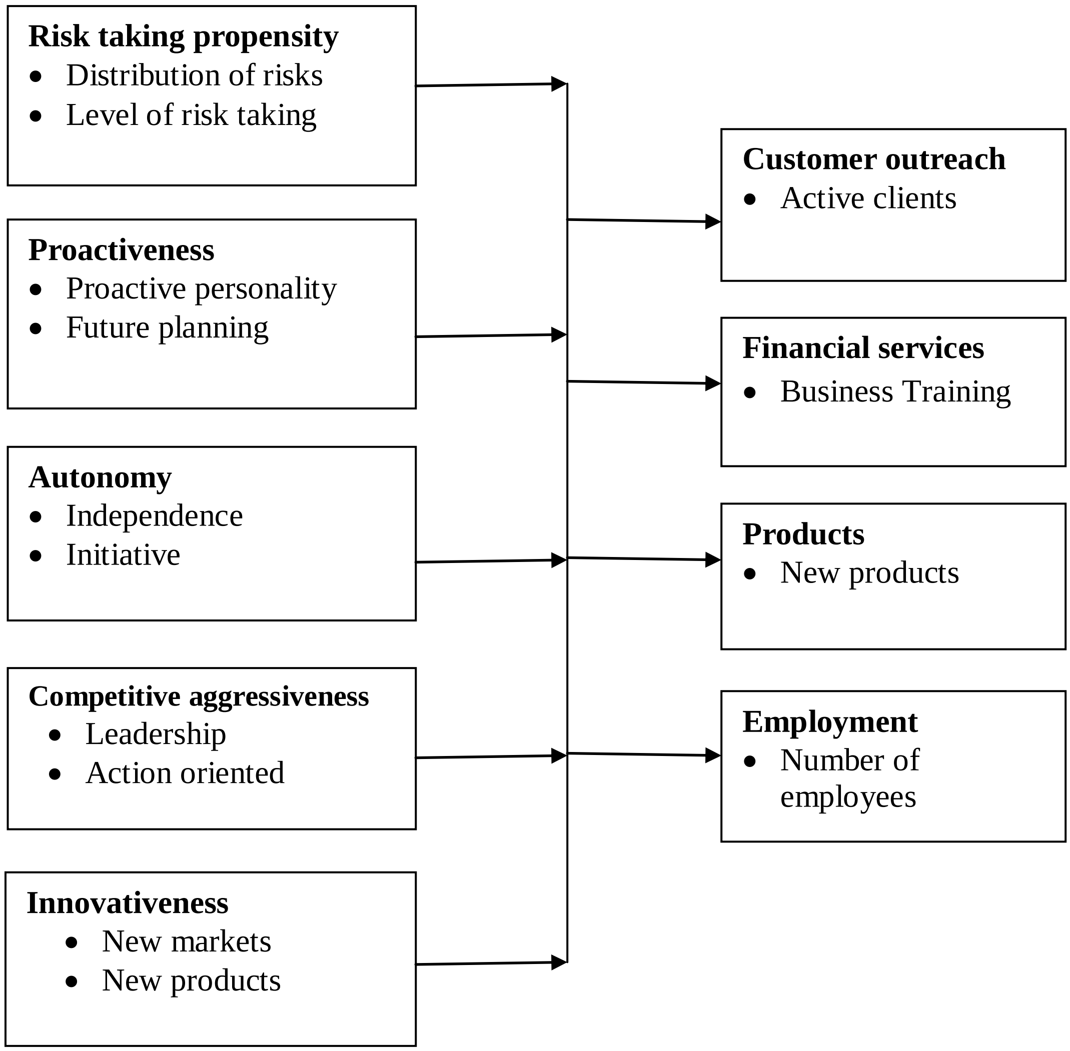
2.3 Conceptual Framework

Psychological studies of entrepreneurship depict individuals with a high need for achievement taking the responsibility to solve societal problems. This study takes into account McClelland theories that pay attention to personal traits. The achievement motivations combined with EO dimensions as part of managerial skills have the capability of developing high growth ventures. The conceptual framework in Figure 2.1 illustrates the link between independent (EO dimensions) and dependent (growth factors) variables of MFIs.

Young (2009) defines conceptual framework as a diagrammatical representation that shows the relationship between dependent variable and independent variables. In the study, the conceptual framework looks at the relationship between entrepreneurial orientation dimensions and growth of MFIs in Nairobi. The dependent variables are; customer outreach, financial services, products and employment. These are some of the variables used by MIX, an organization that tracks performance of MFIs. It gathers and publishes financial and communal oriented (outreach) information provided voluntarily by MFIs so as to attract funds from investors (Hartarska & Nadlolnuak, 2008).

The study examined EO dimensions as independent variables and growth variables as dependent variables. The focus is on program sustainability from the managerial perspective and the utilization of entrepreneurial characteristics among the sampled MFIs.

Entrepreneurial orientation Variables **MFI growth variables**



Independent variables **Dependent variables**

Figure 2.1: Reviewed Conceptual Framework.

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2.4 Empirical Reviews

Most empirical studies show that EO has a positive effect on firm performance (Wiklund & Shepherd, 2003; Nguyen, 2007; Li, Huang & Tsai, 2009). The five dimensions of EO, innovativeness, proactiveness, risk taking, competitive aggressiveness and autonomy permeate the decision making styles and practices of a firm (Dess & Lumpkin, 2005). This study focused on the managers/owners since they play a key role in the organizational outcomes, strategic choices and performance levels. The Microfinance sector has been vibrant in its role of providing inclusive finance and local development. In doing so (Lumpkin & Dess, 2005), it has employed entrepreneurial characteristics and engaged organizational processes, methods and styles and acted entrepreneurially.

The implementation of EO among the MFIs in Kenya can be argued on basis of engagement in corporate entrepreneurship for greater success. The on going transformation process of the financial sector does afffect the MFIs directly and calls for implementaion of strategies that encourage development of entrepreneurial ventures. EO dimesions are entrepreneurial processes that reflect the methods, practices and decision making styles managers use to act entrepreneurially (Lumpkin & Dess, 1996; Amie, 2011) which are evident in the current transformational process of MFIs. EO dimensions represents specific organizational level behavior that provides a basis for entrepreneurial action (Rauch, 2009; Covin & Wales, 2012) as shown through the increase in the outreach and employment levels as well as strategic alliances evident in the Microfinance sector.

Most studies on EO measurements have been conducted in developed economies where EO is well established in entrepreneurship strategy (Runyan, 2012). Their findings may not be applicable to firms in developing economies (Hansen, 2011), where the institutional and business environments may be very different. The local studies on EO have focused on large, medium, small and mcro enterprises with a developing body of knowledge on EO application at all levels. Research on EO by Gathungu (2014), on the relevance of EO on Kenya networking capabilities; Otieno (2012), on EO performance of Kenya's manufacturing firms operating under East Africa Community and Mwangi & Ngugi (2014) on the influence of EO on growth of micro and small enterprises in Keruguya, Kenya. They have provided valuable information in regards to the EO implementation at various sectors of the economy. This study contributes to the knowledge on EO and closely related to the research findings by Mwangi & Ngugi (2014) that dimensions of EO and managerial competence have a significant positive influence on the growth of micro and small enterprises. Entrepreneurial orientation is a key ingredient for organizational success (Covin & Slevin, 1989; Merz & Samber, 1995; Wiklund & Spherd, 2005; Amie, 2011) and a source of competitive advantage (Lumpkin & Dess, 1996; Droge & Swinney, 2008). The knowledge that the sector has a huge potential unreached market for financial services especially to the financially excluded, attests that full utilization of EO dimensions may lead to entreprise growth.

Several studies show that firms with higher levels of EO will perform better than those with lower levels of EO (Lumpkin & Dess, 1996; Rauch, 2009; Amie, 2011). Entrepreneurial firms with high levels of EO possess the ability to identify and seize opportunities in a way that differentiates them from conservative organizations. The current competitive financial market requires that financial organizations engage strategies that will help them cope and compete effectively. MFIs can take advantage of the large number of economically active low income customers not reached with financial services. However a careful monitoring and scanning of the environment and extensive feasiblity research is needed for a proactive strategy to result to a competitive advantage. Consistent with Rauch, Wiklund and Shepherd (2009), who posit that entrepreneurial firms are more likely to succeed in a dynamic environment. This study aimed at gaining insight into the utilization of EO dimensions which have contributed to the current growth evident in the microfinance sector.

Organizations can be viewed from the perspective of their entrepreneurial orientation. They can be identified by the number of entrepreneurial things they are engaged in terms of how risky the undertakings are, how innovative, autonomous, proactive and aggressive their activities are viewed in the marketplace. Consistent with (Lumpkin &

Dess, 2005), this study focused on the multi-dimensional measure of the sub-dimensions of entrepreneurship orientation. Frank & Fink (2010), posit that high adoption of innovativeness, risk taking and proactiveness is viewed as a key ingredient to success of firms. Covin, Slevin and Schultz, (1994); Lee and Pennings, (2001), Hughes and Morgan (2007), were however unable to identify a positive and significant relationship between EO and firm performance. The conflicting findings are an indication that EO may not always lead to superior performance (Kusuwardhani & Perera, 2009). The inconsistency in findings may also be attributed to different research designs and sample selection (Rauch, 2009).

This study applied managerial perceptions in measuring the relationship between EO dimensions and MFIs growth. The independent variables are; Risk taking viewed from the perspective of distribution and level of risk taking; Proactiveness as expressed through a proactive personality and aspects of future planning; Autonomy viewed from the perspective of initiative and independent actions by teams or individuals; Competitive aggressiveness expressed in terms of industry leadership and actions taken to overcome threats in the industry; innovativeness as expressed in terms of new products and new markets. The dependent variable growth, is examined as growth in customer outreach, financial services, products and employment.

2.4.1 Risk Taking

The excessive concern over the firm's long-term survival of family enterprises may inhibit the entrepreneurial venturing since risky undertakings may lead to a financial loss. The concern over ownership control may also hold back the firm from recruiting external specialists and professionals keeping the firm at a distance from reasonable risk taking. Aldrich (2009) posits that entrepreneurial risk is influenced by a diversity of factors and the reasons underpinning these diverging viewpoints are multidimensional. On one hand, entrepreneurial endeavor is often associated with entrepreneurs because of the unique features of these individuals (Zahra, 2005; Busenitz & Barney, 2003). For instance, a business owner, due to his/her rich industrial and international business experiences, may invest in an unfamiliar foreign market by setting up a subsidiary branch and appoint a family agent to administer. In this process, the entrepreneur's personal nature plays a significant effect.

Venturing into business activities are also identified in relation to family control. For example, the founder of family business for the purpose of nurturing the young generation may encourage the potential successors to launch a new business. In the long run, the business may benefit from this human capital investment. Baker and Sinkula (2009) view risk taking as the willingness to commit large amounts of resources to a project which the probable cost and chances of failure are high. Falker and Hiebel (2015) include in this category the MSMEs which are considered more vulnerable to natural hazards and external shocks than larger firms. They have limited range of risk management mechanisms accessible to them and their informality keeps them out of risk management programs.

The inability of the poor to access formal credit led to the emergence of MFIs. Karlan and Murdoch (2010) posit that money is advanced to the uncollateralized but is held under joint liability. The joint liability is an aspect of distributing the risk and therefore lowering the level of risk to the financial provider. Reviewing the literature especially those studies related to risk taking, agency, and altruism, (Burgleman, 2006) identifies a number of variables that may influence entrepreneurial risk taking. These variables include entrepreneur-related parameters, such as owner-manager's educational background, industrial tenure and age, and family-related factors, such as family ownership stakes and the controlling generation in the family.

Family firms are often featured by a single dominant owner-manager with centralized authority. Independent in their thinking and dedicated to the survival and prosperity of the firm, owner-managers often govern the firm on their own without paying attention to the inputs from others (Sekaran 2010). The owner-manager's influence upon business strategies and development process is often stable and long-lasting. Literature on family owned ventures acknowledges the influential position of owner-managers (Anderson & Reeb, 2003; Sharma, 2004) on business culture, organizational values, and beliefs.

Owner-managers of family businesses are often entrepreneurs possessing special technical and managerial skills. Because of their authoritative position, they may orchestrate resources and initiatives in an entrepreneurial way to build up and maintain competitive advantage. (Aldrich, 2009) claim that the educational level of entrepreneurs is the most significant variable in differentiating risk-taking intensity in businesses. Entrepreneurs who have received a better education are more likely to demonstrate stronger knowledge acquisition, assimilation, and transformation capability, which facilitates their generation of entrepreneurial initiatives and comprehension of business strategic operations. Aldrich (2009) argues that they are also inclined to construct formalized procedures when maneuvering business operations, which will minimize the loss that may occur in the venturing process. Equipped with the knowledge and strategies, their businesses are able to move further along the entrepreneurial venturing platform.

Entrepreneur's industrial tenure is associated with risk taking (Sekaran, 2010). A long industrial tenure may allow entrepreneurs to perceive the value of entrepreneurial venturing, driving them to promote venturing activities. A long industrial tenure will also render opportunities for entrepreneurs to reinforce their industrial networks. In family firms, organizational networks are often identical to owner-manager's personal networks. This is particularly so at the start-up stage. Burgleman (2006) observes that “entrepreneurs often employ a personal network of long standing relations with trusted family, colleagues, accountants, customers, local politicians, suppliers or the bank”. Through network interaction, businesses are able to gather privileged information crucial to the success of business venturing, and share scarce resources with other firms.

Coleman (2007) confirms that well-networked firms have more opportunities for survival, in contrast to those with poor-networks. Furthermore, a long industrial tenure will enable entrepreneurs to accumulate industrial experiences and expertise in venturing. Coleman (2007) adds that before venturing, experienced entrepreneurs tend to execute detailed market research, evaluate the associated positives and negatives, justify the rationale, and then outline comprehensive plans. Thus, the risks taken will be more calculated and moderate, and the loss, if unfortunately occurring thereafter, will be less substantial.

An entrepreneur's age is recognized in the literature as an antecedent of business entrepreneurial venturing (Coleman, 2007) and the correlation between age and risk taking tends to be negative. Overall, young entrepreneurs have intentions to realize themselves and make accomplishments through entrepreneurial venturing, such as investing in new markets, launching new products, and developing new material for production/services. Any success in venturing will further provoke a young manager's confidence and passion, enabling them to consolidate their status and reputation inside and outside the business. The senior entrepreneurs, (Coleman, 2007) posit that they are likely to be more cautious because of the lessons learnt through their managerial practices. They may also be interested in taking risks, yet the frequency and level of risk taking are lower than those taken by young managers. Risk taking as expressed by Wiklund & Shepherd (2005) involves venturing into unknown and new market characteristic of MFIs path of growth involving offering of credit to the financially marginalized. The study examines risk taking propensity from a managerial perspective by venturing into an unexploited market considered risky and unpredictable.

2.4.2 Proactiveness

This study adapted the definition of proactiveness as a forward looking perspective characteristic of a market place leader that has a foresight to seize opportunities in anticipation of further demand (Covin & Wales, 2012). Proactiveness as captured in this definition borrows from the early work on entrepreneurship that entrepreneurial efforts require initiative. Nelson and Winter (1982) posit that proactiveness is an attempt to prepare for the future by seeking new opportunities which may or may not be related to the present line of operations. It may involve introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of life cycle.

Hughes and Morgan (2007) suggest that a firm's proactiveness is demonstrated by its awareness of and responsiveness to market signals. Firms attempt to discover future opportunities, even when these opportunities may be somewhat unrelated to existing operations. Proactive firms identify and exploit opportunities to meet demand, possibly through their own innovation; adopting existing products, services, or practices; or entering new markets with existing products, services, or products. Proactiveness is somewhat similar to Miles and Snow's (1978) category of prospector, those who often initiate change within their industries. Thus, proactiveness concerns the search for and seizure of future opportunities. Hughes and Morgan (2007) regard proactiveness as a critical factor at the early stages of firm growth that enables it to secure a position in the market place and ensure long term prosperity.

MFIs in Kenya provide financial services to poor and middle income families (RoK, 2014), which is a market that has unmet demand. The MFIs have emerged as market place leaders with the foresight to seize opportunities and offer products suitable to their customers. Proactive organizations monitor trends, identify the future needs of existing customers and anticipate changes in demand or emerging problems that can lead to new venture opportunities. Strategic managers who practice proactiveness target the future in a search for new possibilities for growth and development. This forward looking perspective is important for companies that seek to be successful in a dynamic environment. Tang (2013) observes that proactive entrepreneurs enhance their interactions with the external environment such as business related institutions and social network through their opportunity seeking and forward looking capabilities.

Lieberman and Montgomery (1988) assert that proactiveness is especially effective at creating competitive advantages because it puts competitors in the position of having to respond to successful initiatives. The benefits gained by firms that are the first to enter new markets, establish brand identity, implement administrative techniques, or adopt new operating techniques in an industry is called first mover advantage. MFIs in Kenya can enjoy first mover advantage because majority of the economically active poor are still unreached with efficient financial services. They would benefit by being industry pioneers and have advantages that can be sustained until firms enter the maturity phase of an industry life cycle (Chen & Macmillan, 1992). However, being an industry leader does not always lead to competitive advantages. Some firms that have launched pioneering new products or stack their reputation on new brands have failed to get the hoped-for pay off. Therefore careful monitoring and scanning of the environment as well as extensive feasibility research are needed for a proactive strategy to lead to competitive advantage.

Lumpkin and Dess (2001) define proactiveness as an opportunity seeking, forward looking perspective where new products and or services are introduced before the competition. This study examines MFIs from a similar perspective where managers are viewed as proactive in a financial market experiencing tremendous growth. In knowledge economies organizations rely on employees to engage in proactive behaviour in order to promote creativity, innovation and change. To facilitate this proactive behaviour the management plays a key role in creating an environment that will allow creativity and innovation. This study observed that proactiveness involved some degree of future planning and initiative taking in implementing business processes that cultivates new markets. Proactive behaviour is evident by implementing ideas and solving problems and building social networks for the benefit of the firm.

The concept of social networks has also been advanced by Lim and Cu (2012) with the view that entrepreneurial proactiveness can lead to broader social networks. The networks enhance competence and attain more freedom in employing strategies that encourage organizational effectiveness. This may be in form of building external relations which according to Xie and Amine (2009), is an important source for obtaining resources for the firm. Zhao (2010) suggests that entrepreneurial social networks have the possibility to dramatically influence internationalization of the firm. Social networks are valuable tools that assist in the attainment of resources and business intelligence fundamentals for a company’s survival and expansion as acknowledged by Park (2010).

The merits of proactiveness (Wiklund & Shepherd, 2005; Cruz & Nordqvist, 2012) include the firm’s responsiveness to customer needs due to their sensitivity to market signals. They are able to meet the expressed and latent market needs being ahead of the competitors. The early mobilization of resources over their rivals by actively forecasting and preparing for change, proactive firms are in a better position to seize the market share. Stam and Elfring (2008) affirm that a proactive entrepreneur has a greater ability to access resources when this attribute is combined with social networks. Eggers (2013) acknowledge that a proactive entrepreneur is likely to get into a trust relationship with a member in social network and discover the mechanisms that facilitate resource acquisition and opportunities in their external environment. Park (2010) acknowledges that to build these social networks, the owner/manager proactive personality acts as a valuable tool that contributes towards the firm's survival and expansion. The proactiveness is evident through the strategic alliances and social networks being established by the transforming MFIs.

2.4.3 Autonomy

Lumpkin and Dess (2009) posit that autonomy from an EO perspective refers to strategic autonomy, which enables teams to not only solve problems but to define the problem and goals that will be met in order to solve the problem. This study adapted the definition of autonomy by (Covin & Slevin, 2012) as action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion. The role of managers/ owners is evident through the entrepreneurial processes of the organization when new projects are started. They provide a safe haven for experimentation and allocate resources for entrepreneurial development to ensure success of the new project.

Thompson (2003) asserts that autonomy may be established through "skunk works' to encourage independent thought and action. This is a work environment that is often physically separate from corporate headquarters and free from the normal job requirements and pressures. They encourage creative thinking and brainstorming about new venture ideas. Pfeiffer (1998) explains that reorganizing work units to stimulate entrepreneurial initiatives may involve changes in the organizational structures. New venture idea passes through two critical stages; project definition which is justified in terms of whether it will be attractive in the marketplace and how well it fits with firm's other strategic objectives. The second stage is the project impetus where its strategic and economic impact must be supported by senior managers who have experience with similar projects. To advance through the two stages a "Product champion" is needed to generate support and encouragement.

Lumpkin and Dess (1996), argue that an independent spirit is necessary for entrepreneurship. Autonomy refers to independent action in terms of bringing forth an idea or a vision and carrying it through to completion, including the concept of free and independent action and decision taken. This study looks at autonomy from an entrepreneurial perspective where the employees and the owner/manager can exercise independent thought and action in favor of the firm. It examines the employee's authority and responsibility in decision making and the owner/manager's involvement of the employees in decision making. This is consistent with the concept of EO according to (Lumpkin & Dess, 1996), view that autonomy involves decisive decision making where a vision is driven to implementation through individual leadership. It is also consistent with the view that it is individual autonomy that enables entrepreneurial activities and decision making at a lower level of enterprise.

The review of theories relating to autonomy show that levels of autonomy may differ as a function of size and management style of ownership. Lumpkin and Dess (1996:141) posit that in a firm where the primary decision maker is the owner/manager, autonomy is implied by the right of ownership. This study looks at the level of autonomy from the perspective of the owner/ manager who makes decisions in regard to entrepreneurial activities that a firm will engage. This is consistent with Lumpkin and Dess, (1996), a tendency toward independent and autonomous action is a key component of an entrepreneurial orientation since intentionality must be exercised.

Measures for autonomous behavior have been pursued by several researchers who have the view of autonomy as an orientation towards independent behaviour. Kets de Vries, (1977), argues that autonomy may be regarded as independent behaviour and agrees with Lumpkin and Dess (1996) that it is critical to the venture initiation process which is associated with entrepreneurship. Independent behaviour requires the ability and the will to be self-directed in the pursuit of opportunities (Autio, 1997). It is the individual willingness to accept the risks and responsibilities as a result of his or her actions. Autonomy may be said to be related to risk orientation, innovative behaviour and aggressive behaviour. The need for autonomy reflects a tendency towards being free of influence and control of others. It may be viewed as independence from tight authoritative organizational structures and procedures in pursuit of a specific entrepreneurial activity for the benefit of the firm.

Autonomy from an individual or team context may be understood as taking independent action, or the ability and will to be self-directed in the pursuit of opportunities (Lumpkin & Dess, 1996). It is perceived from an entrepreneurial orientation perspective as strategic autonomy. This is the level of autonomy that enables teams to define and solve problems and set attainable goals that will resolve the identified problems. This study perceives autonomy from the view of the owner/manager's ability to make decision in regards to the growth of the firm and give the required leadership for success. It also incorporates the individual autonomy that enables entrepreneurial activities and decision making at a lower level of the firm. It examined the owner/manager's independence and initiative.

The need for autonomy is regarded as a main driver for entrepreneurship. Getting into self-employment means becoming your own boss and the need for autonomy as a non-financial value explains the main motivation behind the decision to go into self employment. It is argued that some entrepreneurs make the self employment as a career choice even though the financial outcome might be lower when compared to alternatives (Caliendo & Kritikos, 2011). Autonomy is seen as an important motivator for choosing self employment. Corman (1988) argues that jobs that provide autonomy are more intrinsically motivating than those that do not. Higher levels of autonomy on the job have been shown to increase job satisfaction and motivation to perform the job.

Employee autonomy may be viewed as relating to granting and allowing freedom to employees to determine the means by which to achieve a goal (Amabile, 1998), not necessarily autonomy for selecting what goals to achieve. Employees who stand out in their ability to perform creative acts usually value independence and autonomy. An environment of freedom and autonomy is likely to tap into the intrinsic motivation of its employees which have been found to be a key factor in promoting innovation among employees in organizations. In some cases flatter organization structures have resulted to increased autonomy at lower levels.

Companies also make use of autonomous work teams for the benefit of employees, teams, managers and to the organization as a whole. Employee autonomy in some cases minimizes relational barriers between superiors and subordinates and allows for greater trust between management and employees and improves workplace functions through innovative behaviour. These findings on autonomy are consistent with the concept of entrepreneurial orientation according to Lumpkin and Dess, (1996). Autonomy may also be viewed as an important factor that affects job satisfaction and ultimately staff retention where the employees view autonomy as important to their jobs. Hitt, (2011), relates the decentralization of responsibilities, initiatives and self monitoring of staff results to work discretion and autonomy. Where an organization engages decentralized autonomous entrepreneurial behaviour, it can set the organization apart.

The employees may be motivated to innovate and excel in their units in a bid to outperform other units. The length of time an employee has been in the organization and the individual skill, knowledge and experience can also play a role in the autonomy the organization allows the individual. Owner/managers may allow a departmental manager some degree of autonomy as a result of past performance and the work relations based on trust and confidence accorded to an individual employee or manager. Covin and Slevin (1989) indicate the importance of organizational support which includes autonomy and work discretion. Work discretion involves the degree of autonomy that employees have in making decisions.

In MFIs setting autonomy and work discretion of the managers is very important especially in dealing with credit advancement and choice of clients. The freedom to engage in prospective activities by allowing initiative and discretion is crucial in a dynamic environment. Managers are required to make independent decisions after gathering all the relevant information in regard to financial programs and credit extension.

2.4.4 Competitive Aggressiveness

Competitive aggressiveness dimension of EO captures the extent to which a firm uses entrepreneurship to respond to competitors (Lumpkin & Dess, 2001). Firm's response to competitors is influenced by internal and external environmental factors. Firms that aggressively respond to competition will utilize entrepreneurial means to identify and exploit opportunities as process and product innovations (Webb, 2009). Process innovations allow the firm to exploit existing opportunities more efficiently while product innovations satisfy a market need or create new needs more efficiently (Webb, (2009). This study identifies product and process innovations as the main competitive tools. The microfinance market is growing and therefore products developed will satisfy a market need or create a new need while process of delivering contributes to the success of the program.

Findings by Miller (1993) on 135 Canadian firms examined on the impact of external environment on firm entrepreneurial behaviour hypothesized that the more hostile the environment the more entrepreneurial the firms will be. There is a positive correlation between environmental hostility and entrepreneurial orientation. Firms in hostile business environments try to respond to external challenges and stay profitable. The main characteristic of hostile environment is competition intensity (Miller, 1993). Firms in such an environment will engage in undo-the-competitors posture. Environmental hostility as a moderator of EO performance relationship has been studied by (Zahra, 1993; Zahra & Covin, 2005). They argue that innovation may have a negative impact in a hostile environment where competition is high and resources are scarce. On the other hand Covin and Slevin (1989), argue that EO has a more positive relationship with firm performance in dynamic and hostile environment where firms need to use innovation to stay ahead of competitors. The contradicting findings reinforce the fact that all EO dimensions are not necessarily present at the same level in an entrepreneurial firm. This is in agreement with Rauch (2009) argument that EO dimensions are independent and they relate differently to firm performance.

Competitive aggressiveness of a firm is measured by two items as argued by (Lumpkin & Dess, 2001) the firm’s intention to behave aggressively and adoption of undo-the – competitor’s posture. The decision to act aggressively may be influenced by many factors especially based on the external environment. However the recognition and exploitation of opportunities by the owner/ manager may be driven by the belief that the organization is capable of attaining the desired outcomes. Cray and Maki (2000) also argue that the decision made will depend on the personal characteristics of the owner/ manager. Even though the rate of financial inclusion has progressed rapidly financial exclusion remains widespread and the potential for growth across most of the microfinance markets is vast (MF outlook, 2016).

In the Sub-Saharan Africa, Kenya and Ghana are listed among the world’s largest microfinance markets. This brings the argument that microfinance market environment in Kenya can be classified as benign where the demand is growing for the products and services offered by MFIs. Covin and Slevin (2010) established that benign environments provide safe settings for business operations in the industry and create wide range of business opportunities for the firms. In benign environments, firms with conservative strategic posture achieve better performance indicators and the relationship between EO and firm performance may be weaker or negative.

A distinction has also been made between EO providing a short term or long term implications on the firm. Wiklund (1999) using a sample of 132 small Swedish firm over three year period established that positive effect of EO on firm performance are sustained over extended periods. This provides evidence that firms adopting EO can stay ahead of competitors over a long term. Other arguments claim that EO can only provide a short term benefit because over extended periods will lead to too much change and no real source of efficiency. There is definitive evidence of the influence of hostility on EO performance relationship (Gathungu, J.M., Aiko, Machuki, V.N., 2014) and the impact this environmental condition has on the relationship between each of the dimension of EO and firm performance.

Competitive aggressiveness is a firm's effort to outperform its industry. Smith and Grimm (2001) explain that firms with an aggressive orientation are willing to do battles with competitors. They might slash prices and sacrifice profitability to gain market share or spend aggressively to obtain manufacturing capacity. Lumpkin and Dess, (2005) assert that strategic managers can use competitive aggressiveness to combat industry trends that threaten their survival or market position. Sometimes firms need to be forceful in defending the competitive position that has made them an industry leader. Webb (2009) argues that competitive aggressiveness may not always lead to competitive advantages. Companies may severely damage their reputations by being overly aggressive therefore the strategy is best used in moderation. The study examined competitive aggression from the perspective of managerial leadership and initiative that applies relevantly in an environment with unmet demand. Innovative leadership is likely to give a firm a higher competitive advantage due to the manager's multiplier effect on the organization.

2.4.5 Innovativeness

Innovativeness as an entrepreneurial orientation dimension concerns the willingness of firms to pursue new ideas and to explore and experiment with them creatively (Borland, 2004). Innovativeness ranges from a willingness to try new products or services, to a commitment to be at the cutting edge of practice moving beyond the current state of the art (Dess & Lumpkin, 2005). It is demonstrated by problem solving, finding creative solutions, and developing new products and services (Borland, 2004) through the support of new ideas and experimentation. Innovativeness involves conceptualization of the market changes and competition and taking the right action to remain competitive. This is consistent with Schumpeter's (1934) proposed forms of innovation pertaining to introducing new products or means of production, finding new sources of raw material, exploring new markets, or organizing a business in a new way or methods to develop or adopt new products, services, or processes.

It is also analogous to Borland’s (2004) definition of innovation as the process of developing and implementing a new idea through a recombination of old ideas, a scheme that challenges the present order, a formula or a unique approach that is perceived as new by the individuals involved. In addition, the EO conceptualization of innovativeness fits Autio, Sapienza, and Almeida (2000) discussion of firm innovativeness as the propensity for a firm to innovate or develop new ideas or to adopt innovations. Therefore, the EO conceptualization of innovativeness broadly relates to the literature on innovation. Where it departs concerns detailed aspects of innovation. For example, unlike much of the literature on innovation and innovativeness, the EO dimension of innovativeness does not explicitly classify types of innovation as incremental, modular, architectural, improvement, formalized, ad-hoc, radical, product, process, administrative, or technical (Damanpour, 2001; Gallouj & Weinstein, 2007; Garcia & Calantone, 2002; Subramanian, Wolter & Veloso, 2008). It also does not consider specific aspects of innovation such as the nature, type, stages, means, and aims of innovation or the social context, which Baregheh (2009) explain are major topics in the innovation literature, which spans various disciplines.

However, it is perhaps this lack of specificity that provides the entrepreneurial orientation dimension of innovativeness its greatest strength: by being so broad, it can encompass product/service and process innovations, many types of innovation, and multiple aspects of innovation. The definition may vary somewhat from others' work, given that there is no clear authoritative definition of innovation Nelson and winter (1982). Conceptualizations have varied during the more than 40 years of research on innovation. According to Rhyne and Elisabeth (2005), the EO conceptualization is consistent with numerous definitions of innovation and innovativeness, getting at creative processes to develop new products, services, markets, and businesses. Innovativeness plays a significant effect in solving business problems and challenges which in turn provide firms with the ability to succeed (Hult, Hurley & Knight, 2004). The innovative ability of firms to renew their market offers becomes crucial to their ability to survive and grow when they are operating under conditions of global competition, rapid technology advances and resource scarcity (Damanpour & Wischnesvsky, 2006).

Innovativeness is related with creativity and without it there will be no force to be innovative. It reflects a firm's propensity to engage in and support the generation of new ideas and creative processes that may lead to new markets (Lumpkin & Dess 2001; Damanpour 2006, Rauch, 2009). From the entrepreneurship view, innovation can be radical or incremental and both contribute to a firm's competitiveness. A firm's innovativeness is the willingness to seek and support creative or novel solutions to problems and needs (Kuratko & Hodgetts, 2011). It occurs on a continuum and it is crucial to achieve superior performance. However (Covin & Slevin, 1989) observes that organizations with centralized authority, employees have less freedom and incentives to innovate and initiate new ideas. Centralization is negatively associated with the level of innovativeness.

The MF sector globally is characterized by client's needs evolving rapidly; this requires an innovative industry to meet the needs that go beyond access to credit. Technological innovations transform how microfinance markets operate. Microfinance Outlook (2015) suggests that technological advancement allows MFIs to access micro-entrepreneurs and even those in hard to reach areas. It enables the implementation of more robust ICT and risk assessment tools and households and small businesses. The study examined innovation from the managerial perspective which aims at meeting customer needs through product and process innovations.

2.4.6 Microfinance Growth

This study examined customer outreach, financial services provided, products and employment growth rate as the dependent variables. However there are other variables that determine the growth of MFIs that were not examined. Armendariz (2005) posits that the basic theory of the beneficial workings of microfinance is generally agreed upon. However, when it comes to monitoring and testing these effects in reality, the industry and research community are still undecided and in lack of rigorous proof. The lack of data makes it impossible to answer even the aggregate question of who has access to what and what is the quality of that access (UNCDF, 2005). The main information gaps lies in outreach, product offering, customer needs and funding flows (Hashemi, 2007). Scope of outreach involves the diversity of financial services offered and the ability to offer diverse products to customers (Shahmaz, 2009).

MFIs face unique challenges since they must achieve a double bottom line outreach and sustainability. Social performance is the effective translation of an institutions social mission into practice. The social value relates to the way financial services improve the lives of poor and excluded clients and their families and widen the range of opportunities for communities (WB, 2006). Taking into account that MFIs may be classified in the small and medium enterprises, most of the decisions made depend on the personal characteristics of the owner/manager. The recognition and exploitation of business opportunities are as a result of a clearly motivated business intentions and actions on the part of the owner/ manager which are driven by the hope that they will produce desired outcomes.

Outreach refers to the number of active clients or accounts at a given point in time. Where a client holds multiple accounts, the number of accounts is an acceptable indicator (Rosenberg, 2009). The number of active clients includes borrowers, depositors and other clients who are currently accessing any financial services. For MFIs that receive subsidies in form of grants or loans at below market interest rates, profitability is measured as financial sustainability. It examines whether MFIs are profitable enough to maintain and expand its services without continued injections of subsidized donor funds. The financial reporting is adjusted to reflect the impact of subsidies. The collection performance is also considered together with profitability. It measures how well the MFI is collecting its loans. MFIs may not have loan tracking systems, however loans at risk (LAR) is an indicator that counts the number of loans.

$$\textbf{LAR (x days)} = \frac{\textbf{number of loans more than x days late}}{\textbf{Total number of outstanding loans}}$$

The three main adjustments are shown in table 2.1 below.

Table 2.1: Adjustments made on profitability of MFIs

Adjustments	Calculations	Effects
Subsidized cost of funds adjustment (CFA)	Period-average borrowings by the MFI *times* market interest rate *minus* actual amount of interest paid by the MFI during the period.	It compensates the effect of soft loans to an MFI. It measures the difference between the cost of borrowing at the market rate and the MFIs actual cost for the borrowed funds. It reduces the net income.
In-Kind subsidy adjustment (ISA)	Estimated market cost of goods, services, and personnel *minus* actual cost of goods, services and personnel.	It quantifies the benefit an MFI gets when it receives goods or services without paying a market price for them, like donated computers or free services of a manager. It reduces the net income.
Inflation adjustment	Assets that are denominated in currency amounts *minus* liabilities that are denominated in currency amounts *times* the inflation rate for the period.	It reflects the loss in real value (purchasing power) of MFIs net monetary assets due to inflation. It reduces the net income.

Source: World Bank, 2014.

In banks and other commercial institutions, profitability measure is ROA, which reflects the organization's ability to deploy its assets profitably and ROE which measures the returns produced on the owner's investment. Studies done in Kenya have been based on commercial banks in relation to their financial performance. Wambua and Mugambi (2013) researched on effect of multiple banking on performance of SMEs in Mombasa. Marwa (2013) researched on the effect of relationship lending on financial performance of banks, Rotich (2016), on the effects of relationship banking and EO on financial performance of manufacturing firms in Kenya. This study will therefore close the gap by examining the effect of EO dimensions on the growth of MFIs with specific reference to program sustainability.

MFIs are emerging as commercial enterprises with a focus on development and poverty alleviation. Their clients are customers who are economically active in running micro and small enterprises. Dependent variables examined are, customer outreach, which is measured by the number of active clients, financial services offered such as training in basic business skills and financial management. Products offered to the clients as response to their needs, innovative products that take into account the customer status and growth in employment.

2.5 Critique of Reviewed Literature

Past empirical studies on MFIs have generally agreed upon the basic theory of the beneficial workings of microfinance. Armendariz (2005), posits that when it comes to monitoring and testing these effects in reality, the industry and research community are still undecided and in lack of rigorous proof. The lack of data makes it impossible to answer even the aggregate question of who has access to what and what is the quality of that access (UNCDF, 2005). The main information gaps lies in outreach, product offering, customer needs and funding flows (Hashemi, 2007). This study aims at adding to the body of knowledge on the effect of EO on the growth of MFIs. A close examination of the MFIs report reveal that though the microfinance sector has reported a steady growth in total assets averaging 30.4% (AMFI, 2013), the sector asset growth excluding commercial banks is less strong and relatively stagnant in 2011.

This study examined the effect of EO dimensions on MFIs based in Nairobi where most growth has been reported. The aim is to get a clearer image on the growth of the sector by examining the growing number of MFIs that are providing innovative products to the low income and small scale entrepreneurs. It sought to establish how the managers/ owners are translating the growth in order to reach a large number of those still un-banked. Though EO adoption is typically examined through top management (Covin &

Slevin, 1991), in small firms the owner – manager who leads the firm greatly influences its culture and entrepreneurial behaviour. EO has been identified in some studies as influencing firm performance while some have been unable to confirm a positive relationship between EO and firm performance such Hughes and Morgan (2007). This conflicting finding indicates that utilization of EO dimensions may not always lead to organizational success.

This study sought to establish the relationship between EO dimensions and microfinance performance and provide knowledge for evidence based policy. The implementation of EO dimensions as a strategic measure requires adequate information since there is a potential danger to taking risks where resources can potentially be allocated to other ends. Unless the effect of EO is substantially positive, recommendations that firms use a high degree of EO in management decisions appear misdirected (Wiklund, 1999) because of the risk associated with EO and its demanding resource requirements. Such considerations reflect evidence-based management, which is strongly called for in the literature (Pfeiffer & Sutton, 2006; Rousseau, 2006) and are common in other fields of research (Tranfield, Denyer & Smart, 2003). The study contributes to the understanding of the effect of EO dimensions on the growth of MFIs based in Nairobi.

Much research work has been done on microfinance and entrepreneurship while discussing Grameen model (Odell, 2008). This study raises a new horizon for both fields in terms of combining microfinance and entrepreneurial orientation. It examines the effect of each EO dimensions on the growth of microfinance institutions since the relationship between the different dimensions of EO and performance vary independently. It also enlightens other Microfinance institutions on how they can develop processes in more effective ways and accomplish their double bottom line values. It provides knowledge on entrepreneurial orientation dimensions and implications of utilizing the EO dimensions in managerial practice.

2.6 Summary

This chapter has covered the theoretical framework, conceptual framework and the empirical review. The entrepreneurial orientation dimensions have been discussed from the MFIs perspective and provide insight into how owners/managers influence the actions and strategies adopted by the organizations they lead. The independent variables reviewed are Risk taking, Proactiveness, Autonomy, competitive aggressiveness and innovativeness. The dependent variables reviewed in relation to EO dimensions are, Customer outreach, financial services, products and employment growth. The study utilized the managerial perceptions in the relationship between EO and MFIs growth.

2.7 Research Gaps

Literature review revealed that EO performance in Kenya has been studied by several researchers though not on MFIs. Okeyo (2014) established that EO has an impact on SMEs while Gathungu (2014) explains the relevance of EO on networking abilities. Otieno (2012) findings show a high level of influence of EO among Kenya's manufacturing firms that operate under EAC regional integration. In the banking sector, Petzer (2012) posits that financial institutions are exposed to scrutiny and regulations which inhibit the development of EO and hinder the performance of corporate firms. This study fills partly on the research gap on the effect of EO among MFIs from a multidimensional perspective. Other studies done in Kenya have been based on commercial banks in relation to their financial performance.

Globally, majority of EO performance relationship studies have been conducted in developed countries where institutional development is well established (Kreiser, Marino & Weaver; Rauch, 2009; Hansen, 2011). Their findings may not be applicable to firms in developing economies where institutional and business environment differs significantly (Wickmasinghe, 2012). The western entrepreneurship paradigm does not draw on the deep rooted settings in society and culture of many developing countries. This study will fill in this research gap by examining the effect of EO on MFIs which are making tremendous impact in employment creation.

Rhyne (2001) argues that Microfinance is not yet really an industry in most countries, but rather a field within the development profession. Microfinance industry cannot be described as an industry in itself or even a niche within the banking industry and suffers scarcity of information. This clearly indicates that more studies in this field of micro-credit and its impact on its customers is needed in order for the government and other stakeholders in the industry to come up with evidence based policies that will promote MFIs development and expansion.

Globalization and technological development has facilitated the reduction in transaction costs in service delivery. MFIs are well placed to harness the power of technology to reach and serve the poor wherever they may be found (MF bulletin, 2013). New technologies especially in money transfer such as the Mpesa have opened up new opportunities of reaching clients with ease and reducing their transactional costs. A study on effect of EO on MFIs reveals the need to explore new and better ways of reaching their clients.

Findings from government reports on the state of affairs of MFIs reveal that the sector faces numerous problems and constrains that affect their growth (RoK, 2005). Recent studies by Nyangau (2016), focused on entrepreneurial leadership in micro and small enterprises; Kiiru (2015) studied the Dynamic capabilities, strategic orientation and competitive advantage of small and medium enterprises; Njeru (2014), focused on the effect of entrepreneurial mindset on the performance of manufacturing businesses in Nairobi. Although much research has been done on different dimensions of EO in large and SMEs, few studies have focused on MFIs and the utilization of EO dimensions in the sector. The overall problem therefore is that relatively little is known about the utilization of entrepreneurial orientation and the growth of MFIs. This study makes a contribution in the area of managerial involvement in EO dimensions for the growth and expansion of MFIs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research philosophy and methodology that was used in undertaking the study. It outlines the research design, target population, pilot study, data analysis and presentation.

3.2 Research Philosophy

The study adopted a positivist approach which views knowledge as product of human experience. The role of the researcher is limited to data collection and interpretation through objective approach (Dudorsky, 2010). The research findings are observable and quantifiable. The research was objective and the researcher independent and maintained minimal interactions with research participants.

3.3 Research Design

The study used mixed research design approach which involves the application of both qualitative and quantitative research techniques. The research design allows the researcher to compensate for the weakness of one single approach with the strength of the other in order to achieve the best results (Creswell & Clark, 2011). The design has been used by other researchers such as (Olawoye, 2016; Kusumawardhani, 2013) with success.

Qualitative data was collected using an interview guide and was administered to six branch managers. The quantitative data was collected from forty eight managers. All interviews were conducted at the business offices. The qualitative approach was useful in conducting an in-depth understanding of the social constructs and meanings (Kothari, 2007). Quantitative approach is useful in giving measures that produce quantifiable data (Kothari, 2007).

3.4 Target Population

Population refers to the entire group of people or things of interest that the researcher wishes to investigate (Sekaran, 2010). It is the total collection of elements about which the researcher wishes to make inferences (Cooper & Schindler, 2011). The population of the study consisted of 59 MFI's operating in Nairobi as at 31st December 2013 who are members of the Association of Microfinance institutions (AMFI). Nairobi is chosen because it houses the headquarters of most of these MFIs and therefore it was possible to access the managers/owners who are the target respondents. Most of the MFIs operating in Nairobi are members of AMFI and also operate under the prudential governance of the Central Bank.

AMFI is a network and umbrella body that is charged with policy framework within the wider microfinance industry in Kenya and therefore the MFIs registered under it form an adequate representative of the industry. Over 75% of AMFI members have their headquarters in Nairobi and operate several branches within and in the outskirts of Nairobi as well as in rural areas. This accessible population of MFIs was therefore considered as adequate representatives of the MFI sector.

3.5 Sample size

A list of registered MFIs was obtained from the AMFI and it formed the sample frame. Sampling is the process of selecting a sufficient number of elements from the population so that a study of the sample and an understanding of its properties or characteristics would make it possible for researcher to generalize such properties to the population elements (Sekaran, 2010). This study considered all the MFIs registered with AMFIs which comprised 56 institutions classified as DTMs, MFBs, NGOs, and Credits only and SACCOs offering microfinance services. The study used census approach which is recommended for small populations and has been used in other studies such as (Nixon, 2011; Heenetigala, 2011). Table 3.1 below shows the registered MFIs but excludes insurance firms for purposes of homogeneity since microfinance is not their core function.

Table 3.1: Registered MFIs

Type of MFI	Questionnaires issued to MFIs
Deposit taking microfinance	9
Credits only & SACCOs	25
Commercial Banks	6
Registered wholesale & Retail	16
Total	**56**

Source: AMFI microfinance report, 2014.

3.6 Sampling Technique

The study used purposive sampling which according to Sekaran (2010), is confined to specific types of people who will provide the desired information and conform to some criteria set by the researcher. In this case the owners/managers of MFIs formed the target group involved in decision making that influence the entrepreneurial orientation and decisions of the firms. From the response, judgement sampling was applied on the sampling frame to ensure that the right respondents were adequately represented in the study. Judgement sampling is used to sample members who conform to some criterion (Schindler & Cooper, 2011) and who are most advantageously placed to provide the information required (Sekaran, 2010). Based on study objectives the managers/owners were useful in answering the EO statements used to measure the EO dimensions. The institutions visited for the study were representative of MFIs currently operating under some form of regulation and legal compliance as at December 2014.

3.7 Data Collection Methods

3.7.1 Primary data sources

A questionnaire was used to collect data which Sekaran (2010), defines as a preformulated set of questions to which respondents record their answers usually within closely defined alternatives. The primary research data was collected from the owners/managers of the MFIs in Nairobi through a self administered questionnaire and an interview conducted using a structured interview guide. The questionnaire consisted of a list of open ended, closed questions and statement on EO dimensions. This was preferred because they provide data more efficiently in terms of researcher time, energy and costs (Sekaran, 2010) and collects standardized data that is easier to analyze (Zikmund, 2010). The questionnaires were dropped to the selected institutions and collected after a follow up on telephone call to the respondents confirming that it had been completed. Interviews have the advantage of flexibility in terms of adapting, adopting and changing the questions as the researcher proceeds with the interview (Sekaran, 2010). For more insight the interviewer had the advantage of using the interview to probe for more precise details.

3.7.2 Secondary data sources

The study used secondary data sources (Sekaran, 2010) which have the advantage of saving time and costs in acquiring information. The secondary sources included published annual reports of the Microfinance institutions. Information on performance of MFIs was obtained from the Microfinance Exchange (MIX) reports, the Economic Survey and Government publications. The study also adapted the entrepreneurial orientation measurement scale developed by Lumpkin and Dess (2009) and cited by Covin & Wales (2012). These statements were used to get the responses on the five entrepreneurial orientation dimensions.

3.8 Pilot study

The purpose of undertaking a pilot test was to refine the questionnaire and ensure that respondents have no problem in giving adequate responses. Cooper & Schindler (2011) indicate that a pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. According to Babbie (2004), a pilot study is conducted when a questionnaire is given to just a few people with an intention of pre-testing the questions. Pilot study is an activity that assists the researcher in determining if there are flaws, limitations or weaknesses within the questionnaire and interview design. It allows the researcher to make necessary revisions prior to the implementation of the data collection (Kyale, 2007). The rule of the thumb is that 1% of the sample should constitute the pilot test (Cooper & Schindler, 2011).

A pilot study was carried out to determine reliability of the instrument used in the collection of data. The pilot study sampled 15 managers selected randomly from the MFIs in the outskirts of Nairobi and was not included in the main study. This was to ensure that the instrument collects reliable and valid data. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain item within a scale measures the same construct. Gliem (2003) confirms the Alpha value threshold as 0.7, which forms the study's benchmark.

Reliability is the consistency of a set of measurement items while validity indicates that the instrument is testing what it should (Kothari, 2004). Reliability is the consistency of the measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. The researcher used Cronbach's alpha measure of internal consistency. It indicates the extent to which a set of test can be treated as measuring a single latent variable, (Kothari, 2004). The recommended value of 0.7 was used as a cut-off of reliabilities.

The Kunder-Richardson (K-R) 20 is based on the following formula;

$$\mathbf{KR_{20} = \frac{(K)\,(S2 - \Sigma s^2)}{(S^2)\,(K-1)}}$$

KR_{20} *Reliability coefficient of internal consistency*

K *Number of item used to measure the concept*

S^2 *Variance of all score*

s^2 *Variance of individual items*

The pilot test was re-run until the researcher was satisfied with the data collection instruments.

Validity is used to check whether the questionnaire is measuring what it purports to measure (Cooper & Schindler, 2003), it is the strength of the conclusions, inferences or propositions. More formally, Patton (2002) defines it as the best available approximation to the truth or falsity of a given proposition or conclusion.

3.9 Data Analysis and presentation

The study employed descriptive analysis technique on both primary and secondary data. Data was presented using tables, graphs and qualitative information presented in prose-form.

Growth was regressed against five variables of entrepreneurial orientation dimensions namely, Risk taking, proactiveness, autonomy, competitive aggressiveness and innovativeness. The research model was derived from the theoretical framework of theory of intellectual capital. This hypothesized theory is a direct and positive association between entrepreneurial orientation and organizational growth, (Carland, 2002). The relationship among the variables is shown in the equation below.

$Ys = \beta_0 + B_{1X1} + B_{2X2} + B_{3X3} + B_{4X4} + B_{5x5} + \varepsilon$, Where,

Ys = Growth of MFIs

β_0 = constant (coefficient of intercept)

X_1 = Risk taking Propensity

X_2 = Proactiveness

X_3 = Innovativeness

$\mathbf{X_4}$ = Autonomy

$\mathbf{X_5}$= Competitive aggressiveness

$\beta_1 \ldots \beta_5$ = regression coefficient of five variables.

Inferential statistics such non parametric test which include analysis of variance (ANOVA) was used to test the significance of the overall model at 99% level of significance. According to Mugenda (2008) analysis of variance is used because it makes use of the F – test in terms of sums of squares residual.

3.10 Variable Definition and Measurement

The entrepreneurial behaviour of the respondents was measured using the EO scale of measurement developed by Lumpkin & Dess (2009) and cited by She Jia & Xu Guanglun (2012). The measurement scale were operationalized to enable the researcher obtain relevant information in accordance to the study objectives. Risk taking propensity was measured using the EO statements showing the nature of risk taking behaviors expressed by the management in running the organization. Proactiveness was measured using the EO statements that indicate the actions that exhibit proactive behavior in the organization by the management.

Autonomy was measured using the EO statements that indicate the level of discretion and independence allowed by managers to employees. The statements also measure the level of support given by the management in decision making. The variable innovativeness was measured using EO statements that show the number of new and innovative products the organization has marketed in the last five years. Competitive aggressiveness was measured using the EO statements that show the organization's behavior in respect to competition and response to technological innovations. The entrepreneurial orientation statements are shown in appendix IV.

3.11 Ethical considerations

The researcher considered ethical issues by having an introduction letter from School of entrepreneurship and procurement in the college of human resource development that introduced the researcher to the Micro Financial institutions. The letter entailed guarantee of privacy, confidentiality, anonymity and the researcher's responsibility to conduct the study. The consent letter further confirmed that the data was to be used for academic purposes only. The respondents' verbal consent was requested for before commencement of the interview. (Sekaran, 2010) mentions that it is important that the privacy and confidentiality of all individuals is protected, whether they are consumers, suppliers, employees, or others. When conducting the interviews, the participants were explained carefully that the study was for academic purposes. It began with the interviewer’s introduction and a brief description of the purpose and benefit of the research.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. It presents the responses from the target MFIs whose objective was to examine the effect of entrepreneurial orientation dimensions on the growth of microfinance institutions based in Nairobi. The data was gathered exclusively from questionnaires and interview guide as the research instrument were designed in line with the objectives of the study. Data has been analyzed through descriptive statistics and presented in tables, charts and in prose using qualitative content analysis.

4.2 Response Rate

Table 4.1 shows the response rate from the target population of 56 microfinance institutions based in Nairobi. Out of the 56 distributed questionnaires, 48 were filled and returned. This translated to a response rate of 86%. This response was good enough and representative of the population and conforms to Bryman and Bell (2007), a response rate of 50% is acceptable to analyze and publish while Mugenda and Mugenda (2003) posit that a response rate of 70% and above is excellent.

The respondents stated their positions in the MFI and the distribution of the responses were; 8 CEOs, 10 operations managers, 10 Branch managers, and 20 credit managers. The highest number of respondents were the credit managers (33%), followed by branch managers and operations managers. The researcher found this response adequate since they all had sufficient knowledge and information on the research issues presented.

Table 4.1: Response Rate

Type of MFI	Delivered to MFIs	Received from MFIs	Success rate (%)
Deposit taking microfinance	9	6	67
Credits only & SACCOs	25	24	96
Commercial Banks	6	4	67
Registered wholesale & Retail	16	14	88
Total	**56**	**48**	**86**

4.2 Background Information

This section shows the respondent's demographic information as regards their gender, age, level of formal education, nature of business, business ownership and age of the business, product innovation, outreach and strategic alliances.

The respondents were asked to indicate their gender. The findings are illustrated below in Figure 4.1: The majority of the respondents 70% were male while 38% were female. This shows that the Microfinance Institutions have employed more male than female. However, the proportion of female was not too low as it almost met the threshhold set in the constitution on gender equity.

Gender issues can not be overemphasized especially at management level and with the increasing commericalization and profesionalization in MFI sector, the structure may change gradually in the future. Some studies (Wisul,2004) show that female managers outshine their male counterparts on almost every measure, from motivating others to fostering communication, to producing high quality work, to goal setting to mentoring employees.

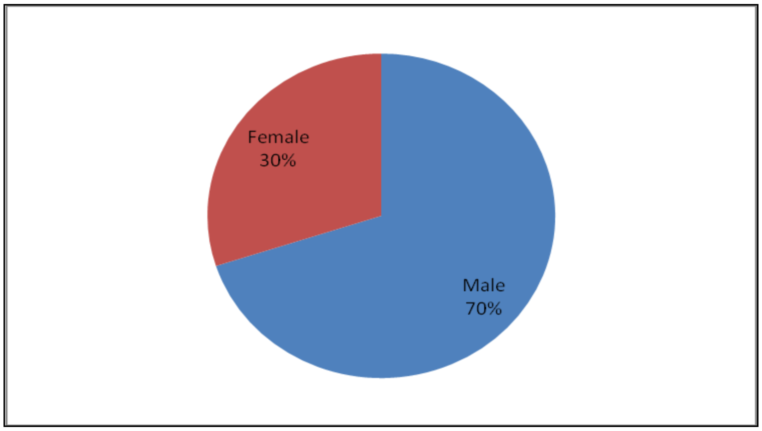

Figure 4.1: Gender Distribution of the Respondents

4.2.2 Age Category

The respondents were asked to indicate the age category. The findings are shown in Figure 4.2. The majority, 68% of the respondents were between 31-50 years, 17% were over 50 years and the least 15% were between 21-30 years. These findings show that all age distributions were represented. An entrepreneur's age is recognized as an antecedent of business entrepreneurial venturing (Kyereboah-Coleman, 2007) and the correlation between age and risk taking tends to be negative. Young entepreneurs tend to make accomplishments through entrepreneurial venturing such as investing in new markets, launching new products and developing new materials for production and services. Senior entrepreneurs are however likely to be more cautious and their level of risk taking may be lower than those taken by young managers.

The findings show that the sector has majority of the managers in their youth age and therefore likely to engage in entrepreneurial venturing. The concept of age has been considered by some sociological theorists with findings showing that entrepreneurs start businesses after age of thirty (Coleman, 1996). During this period their personal confidence is rising, a strong base of business experience has developed, many may reach a personal crisis identity and all these are powerful motivators (Coleman, 1996). Microfinance sector is growing fast and embracing technology in its operations. This implies that the youth will make an impact if engaged appropriately as consumers of microfinance products to improve their welfare.

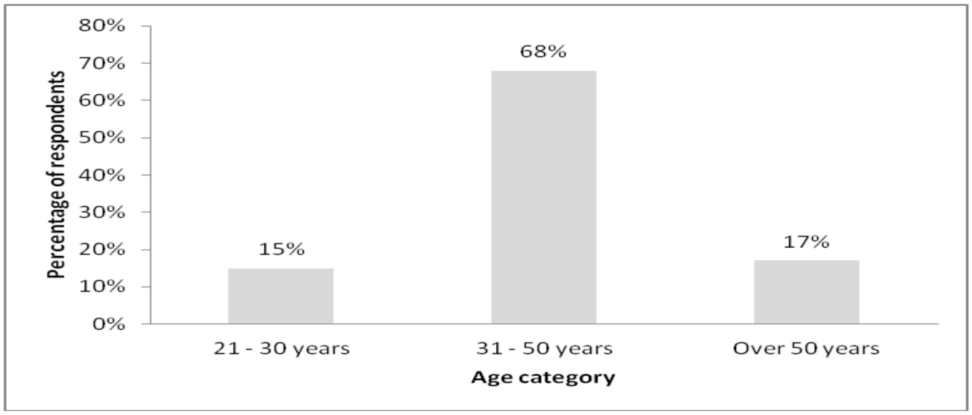

Figure 4.2: Age category

4.2.3 Level of Formal Education

The respondents were requested to indicate their level of education. The results are shown in Figure 4.3 below.

From the findings in Figure 4.3, majority 52% had university level of education, 40% had tertiary level and the least 8% had secondary level. These findings show that the respondents had adequate education and therefore were in a position to read and understand the questionnaires hence the data provided is reliable. Some studies have shown that higher education may lead to better performance in entrepreneurial activities than when working as an employee (Evans & Leighton, 1989). A higher level of education may also lead to an increase in levels of self-confidence and facilitate the exploration into entrepreneurial activities.

Perceived risk may also be reduced if the individual has a mindset that they can find employment in the labor market more easily since they have attained higher education should the business fail. The management of MFIs requires proactiveness, innovativeness and the ability to manage for a competitive advantage. Managers with high level of education are recommended since they are likely to embrace a stakeholder approach to management. Meeting the needs of stakeholders in operations will enhance the development of a climate of trust which is crucial to any financial institution.

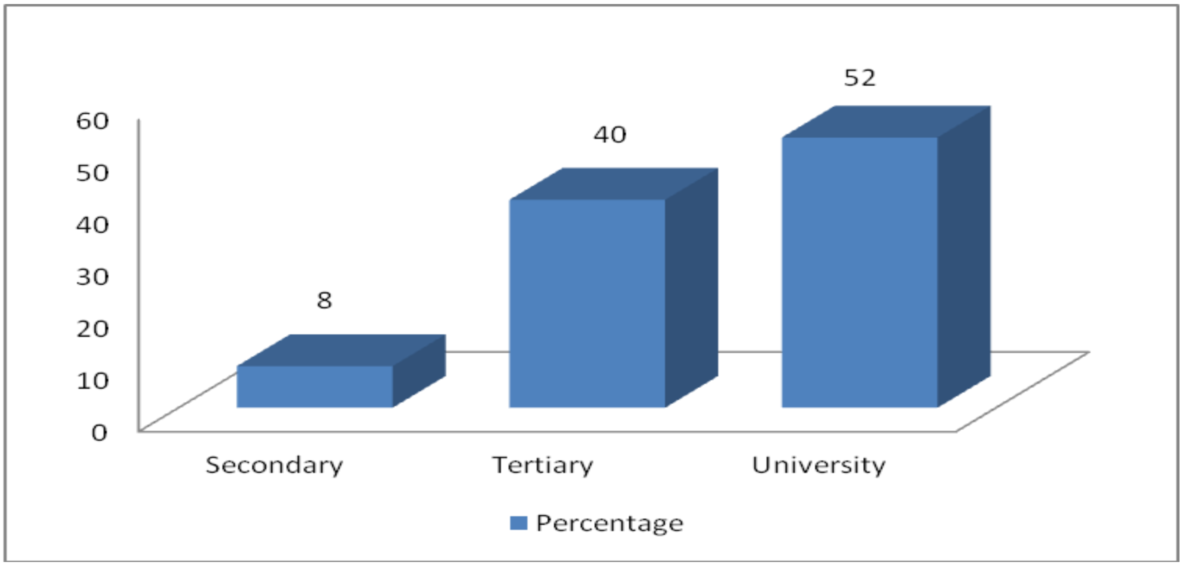

Figure 4.3: Level of Formal Education

4.2.4 Nature of Business

The study sought to determine the nature of businesses in which they operate. The findings are shown on Figure 4.4. The majority, 54% of the micro finance institutions is credit only, 33% were regulated and 13% were deposit taking micro finance institutions. The DTMs accept demand deposits and use them as a means to generate capital for the extension of credit to customers. They are registered under the MF Act (2008). They are subject to many conditions and are under the prudential control of the Central Bank. Currently there are nine DTMs in Kenya. This study was able to collect data from six only.

The deposit mobilizing microfinance providers are divided into two; banks offering microfinance services which downscale their products or set up subsidiary companies to specifically engage in microfinance business and the other category is of deposit taking micro finance institutions. The category of the regulated refers to those operating under some form of regulation for instance, SACCOs, NGOs and the Cooperatives. The nature of business has legal, operational and managerial implications that affect the performance. For instance, MFIs that operate under the regulation of NGO Board mainly focus on social empowerment programs and may not have operational structures that facilitate business growth. The SACCOs have organizational structures and management structures that facilitate growth. They are member organizations that seek to mobilize savings and offer innovative loan products to their members. The transforming MFIs have a commercial goal of attaining sustainability and growing to become bigger financial institutions.

The utilization of EO dimensions in each of these institutions would beneficial in promoting competitiveness and innovativeness. The survival and growth in the modern business complexities requires innovative management that seeks to meet the needs of the stakeholders.

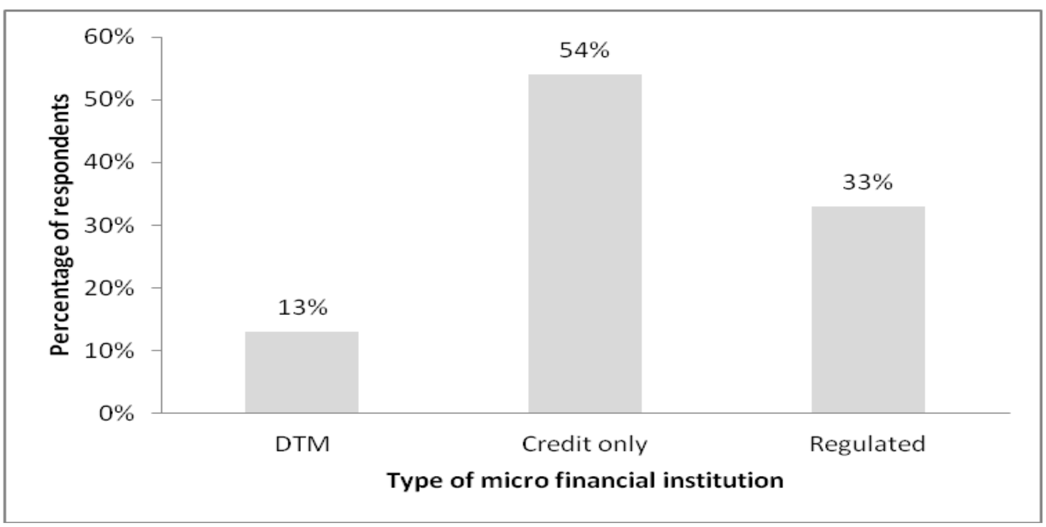

Figure 4.4: Nature of business

4.2.5 Business Ownership

The respondents were requested to indicate the businesss ownership, the results are shown in Table 4.2: From the findings , 44% of the microfinance institutions are owned by private companies limited by shares while the 56% are run as SACCOs, NGOs and Cooperatives. The ownership structure of MFIs is much more complicated with some operating as private enterprises, NGOs, and SACCOs. The study considered the sector growth irrespective of the ownership structure and established that the sector had a growth of 30.4% in the period between (2009-2011) worth of over Kshs 220bn, up from Kshs 129bn in (2009).

In the category of private companies are commercial banks like Equity bank which accounts for 80.4% of the sectors total assets and the size of the sector to GDP is 7.33%. The sector shows a sustained portfolio growth rates throughout the period between 2009 and 2011. The size of the sector over the country's GDP is also growing (AMFI, 2013). The common characteristic among all type of micro finance institutions is the provision of micro credit to their customers who are excluded from the formal commercial financial market. The cooperatives provide loans on the basis of savings, credit and DTMs use group mobilization of savings and give loans based on trust, group pressure and group savings. The application of entrepreneurial practices in management enables employees to adapt strategies aimed at achieving competitive advantage.

Table 4.2: Business Ownership

Business Ownership	Frequency	Percentage
Private companies limited by shares	21	44
SACCOs & NGOs	27	56
Total	**48**	**100**

4.2.6 Age of the Business

The study sought to determine the age of the businesses. The findings are shown on Table 4.3. The majority, 71% of the businesses have been in operation for over three years while 29% have been in operation for two years. These findings show that the

MFIs have been in operations long enough and have experience in the operations and this enabled them to provide data relevant for the study. MFIs have a high mortality rate with most of them not surviving to see beyond their third anniversaries (RoK, 2005). The study examined the entrepreneurial strategies being employed by the MFIs that may stimulate growth and allow them to become sustainable in the long run. As firms grow bigger they have the tendency to develop an entrepreneurial orientation supported by these characteristics which translate to the growth of the firm (Covin & Slevin, 1991).

The age of MFI may also be a key determinant of its level of activity and growth in size and outreach. It was established that all the MFIs examined are reaching out to customers outside Nairobi and are establishing branches in other counties (AMFI, 2014). Older firms may be expected to be bigger in size and has the capacity to employ entrepreneurial orientation dimensions in their operations. There are recognized stages of growth from Non-governmental organizations to fully certified banks. As institutions grow, the human resource also develops and becomes more complex therefore best management practices will ensure superior organizational performance.

Table 4.3: Age of the Business

Age of Business	**Frequency**	**Percent**
Two years	14	29
Over three years	34	71
Total	**48**	**100**

4.2.7 Business Background

The study collected some background information through interviews so as to determine their work experience and knowledge of the information sought by the study. The informants were first asked to indicate how long they have been in their organization and it was established that they had worked for a period of between 1 to 15 years. Majority, (66.6%) had worked for over 5 years while (33.3%) had worked for a period of less than three years.50% of those with less than three year’s experience had experience from other similar organizations. This implied that the informants had experience working with the firms and therefore the information received from them was reliable. In regard to the experience working in the Microfinance industry (65%) indicated that they had more than 10 years experience working with between 100-1000 full time employees in their branches.

Most (85%) of the informants indicated that their firms offer a variety of services and products are driven by customer demand and the vision and mission of the micro finance institutions. Table 4.4 below shows a summary of market based products offered by MFIs. This is the new model (Grameen 11), a new approach in MF industry that has its main focus on savings, term deposits, pension schemes, flexible loans with a longer repayment period and the abandonment of the joint liability (Hulme, 2008). The MFIs core business is mainly lending to individuals and groups and therefore the range of products offered by each microfinance institution varied on the basis of its objective and the nature of the customers.

This study established that there is a high product innovation among the MFIs with an aim of meeting their customer needs. The following product categories financed through loans are; Green MF products such as solar home systems, clean water products, biogas digesters and energy efficient stores. Insurance products through strategic alliance are; Health, life, credit, livestock, house and vehicle insurances. Most of the MFIs were offering more than five products exclusive of different savings accounts, term deposits and Current accounts. The microfinance market outlook (2016) notes that microfinance clients needs are evolving rapidly and with them the services that MFIs need to offer.

In addition to the credit access, MFIs clients want to be able to place deposits, obtain insurance or even take a lease. The study established that there are many product innovations coming up based on client's needs. The product innovations also involve strategic partnerships and alliances with product and service providers where the MFIs come as financial providers. Innovativeness by entrepreneurs concerns the willingness of firms to pursue new ideas and to explore and experiment with creativity (Borland, 2004).

The EO conceptualization of innovativeness relates to the literature on innovation defined as the propensity for a firm to innovate or develop or adopt innovations. It is also consistent with Schumpeter's (1934) proposed forms of innovation pertaining to introduction of new products, exploring new markets or organizing business in a new way.

Table 4.4: Types of Products offered to Customers

Insurance products	**% of MFIs offering**	**Number of MFIs**
Health	33	9
Life	18.5	5
Credit	37.5	10
Livestock	11.1	3
House	7.4	2
Vehicle	11.1	3
Other	11.1	3
Green MF products	**% of MFIs offering**	**Number of MFIs**
Solar Home system	40.7	9
Clean water products	33	5
Solar water heaters	3.7	10
Biogas digesters	14.8	3
Energy efficient stores	18.5	2
Other	22.2	3
Average portfolio	**Individual lending**	**Group lending**
Whole sector	40	60
Excluding banks	38	62
DTMs	50	50

Source: Kanini Mativo (2014)

4.2.8 Growth in Outreach, Branches, Equity and Liabilities

An analysis of the sector's outreach shown in Table 4.5 indicated that the sector has an outreach of over 1.5million borrowers with value of outstanding loan book at Kes 138.4bn (2011) and shows a positive growth trend (AMFI, 2012). The sector has disbursed Kes 296bn over the three year period and the sector network has been expanding with 382 branches (2011) from 219 in (2009). The table below shows a summary of the types of loans offered.

The main sectors financed are, business sector (78%), agriculture (8.5%) and consumption (8.5%). Without the banks the sector's portfolio is more diversified with lending to business sector (71%), agriculture (11%), consumption (11%) and emergency loans (4%). Credits MFIs, have the most diversified portfolio with business funding of (57%), agriculture (21%), consumption (13%) and 5% emergency loans.

The study established that the key factors influencing performance of the MFIs is their ability to meet customer financial needs, which include credit and business services such as training to the groups in business skills. The application of EO dimensions in the management practices will empower the employees who interact closely with customers. Among the best practice model by (Armstrong, 2012) adapted from Pfeffer (1998) are, self-managed teams, reduction of status differentials and training to provide a skilled and motivated workforce. As the MFIs grow in size and in portfolio adopting entrepreneurial orientation characteristics will lead to superior organizational performance.

Table 4.5: Types of loans

MF sector without Banks	GLP (Kes mln)	%GLP	Active borrowers	Av. Outstanding Loan (Kes mln)
Business	28,728	71.50	440,667	65,192
Agriculture	4,559	11.40	86,744	52,559
Consumption	4,434	11.00	99,775	44,443
Housing	365	0.90	1,848	197,299
Emergency	1,618	4.00	35,662	45,375
Other	450	1.10	8,953	50,245

Source: Report on Kenyan microfinance sector (2014)

The MF sector is contributing to the achievement of the financial inclusion goal in vision 2030 of reducing the share of population without access to finance from 85% to 70%. The sector had 1.5 million borrowers with value of outstanding loan book of Kes 138.4 billion (2011) and shows positive growth trend. In the last three years the sector has disbursed Kes 296bn and the growth rate in terms of borrowers are lower when compared to assets and portfolio growth at an average of 2.8%.

Table 4.6 shows that the MF sector had by 2013 employed over 5000 workers while over 8000 were employed by banks which are registered as MF service providers. This shows that MFIs have a development impact. They are contributing towards the development of a functioning financial sector. Table 4.7 shows the growth in terms of branches, equity and liabilities in the period between 2009 and 2011.

Table 4.6: Level of Employment among MFIs

Staff (2013)	Number of staff	Staff allocation ratio
Credit only MFIs	1,926	49.60
MF banks	3,907	50.00
Banks	7,589	24.90
Whole sector	**13,422**	**35.80**
Sector without banks	**5,833**	**49.90**

Source: Report on Kenyan microfinance sector (2014).

The sector network has been expanding with 382 branches (2011) from 319 in (2009). The sector has displayed positive growth, strategic development and is highly driven by product innovation. It shows sustained portfolio growth, growth in the number of staff throughout the period (2009 – 2013). The size of the sector over the country's GDP is also growing from 52% (2011) to 69% in 2013 (AMFI, 2013). The level of employment (2013) is shown in table 4.10, the whole sector had employed 13,422 people and the microfinance (credit and MF banks) employed 5,833 people. The sector is involved in employment creation and a key contributor to reduction in unemployment.

The growth rate in terms of branches has been higher for microfinance sector (13.1%) in 2011, while the whole sector growth was 12%. The DTMs alone have had an increase of 12%. These are the banks that have transformed from credits only to Deposit taking micro finance banks. The adaptation of EO dimensions in the management practices will ensure a continuous growth and sustainability. This involves playing the managerial role of coordinating the organization resources to produce quality products and services that meet consumer needs.

Table 4.7: Growth in branches, equity and liabilities

Number of Branches	**2009**	**2010**	**2011**
Whole sector	319	341	382
Growth rate	Na	6.90%	12.05
Without banks	179	191	216
Growth rate	Na	6.70%	13.1
DTMs	55	58	65
Growth rate	Na	5.50%	12.10%
Total Staff	8290	9169	10,822
Loan officers	3379	3993	4289
Staff allocation ratio	40.80%	43.50%	39.60%
Equity and Liabilities			
Equity	22.20%	18.30%	18.20%
Deposits	52.80%	55.00%	58.90%
Compulsory savings	6.20%	5.10%	4.20%
S/Long term liabilities	16.90%	19.00%	16.60%
Other liabilities	1.80%	2.40%	2.10%

Source: Report on Kenyan microfinance sector (2012).

Table 4.8 indicates the number of active borrowers the MFIs had for the period between 2011 and 2013.

For the period between 2011and 2013, the number of active borrowers has increased consistently indicative of growth in the lending to the customers. The information on table 4.8 represents the credit institutions and MF banks. The records for other MFIs were not available in line with findings that lack of data makes it difficult to answer the question of who has access to what and what is the quality of access (UNCDF, 2005).

The adaptation of EO dimensions in a fast growing sector will ensure the development of unique business models that fit the market niche. It will also ensure sustainability since significant growth can attract more competitors and especially large competitors. The entry of competitors into a niche market will require the owners to adapt business strategies to cope in a competitive market.

Table 4.8: Growth in active borrowers

Active borrowers	2011	2012	2013
Credit only	221,902	267,369	279,825
Growth	**4.40%**	**20.50%**	**4.70%**
MF banks	383,412	385,509	390,792
Growth	**-6.20%**	**0.50%**	**1.40%**
Banks (excl. Krep)	123,314	127,780	137,842
Growth	**na**	**3.60%**	**7.90%**
Sector with commercial banks	728,628	780,658	809,399
Sector without commercial banks	605,314	652,878	670,557
Growth	**48.10%**	**79%**	**27%**

Source: Annual Report on Microfinance sector in Kenya, (2013).

Part B of data collection was done through statements which measure entrepreneurial orientation EO as adapted from Lumpkin and Dess (2011). The measures show the contribution that each sub-dimension of EO offers to the EO process. In order to exhaustively address the general objective of examining the effect of EO dimensions on the growth of MFIs, the study identified several statements on EO dimensions against which respondents were required to indicate their responses.

A five point Likert scale was provided ranging from: 1= strongly disagree, 2= Disagree, 3=Not sure, 4= Agree and 5= strongly agree. The respondents were informed that there were no right or wrong answers as an attempt to get accurate responses. An introductory opinion statement was introduced before the responses on the five point likert scale as a check on the responses made on the likert scale statements. From the responses, descriptive measures of central dispersion: mean and standard deviation were used for ease of interpretation and generalization of findings.

4.3 Validity Analysis

The study further conducted a validity analysis by use of an exploratory factor analysis. The findings are as presented in Table 4.9, Table 4.10 and Table 4.11.

Content validity ensures that the measure includes an adequate and representative set of items that tap the concept (Sekaran, 2010). It shows how well the dimensions and elements of a concept has been delineated. Each EO dimension had four statements used to measure the responses on five likert scale.

Table 4.9 shows that all the statements were selected. Communality is the proportion of variance that each item has in common with other factors. From Table 4.9, ‘Firm designs its own unique new methods of operations to remain competitive” had the highest factor (92.1%). The findings reflect the nature of the microfinance market which is offering unique products to the customers with unique needs. For instance the green products that enable the customers to save on time and money and at same time improve their welfare.

The statement which stated that ‘employees are given freedom and independence` had the least factor with the items (60.5%). The findings reflect operational managerial principles applied due to the risk involved in lending to the low income customers considered risky for lack of collateral and the flexible nature of their businesses.

Table 4.9: Communalities

EO Statements	Initial	Extraction
1.Precautions to minimize the probability of making costly decisions	1.000	0.818
2.Tendency to choose high risk projects with chances of very high returns	1.000	0.918
3.Top managers choose low risk projects	1.000	0.829
4. Employees take calculated risks with new ideas.	1.000	0.905
5.Firm initiates actions to remain competitive	1.000	0.795
6.Firm strives to be an industry pioneer	1.000	0.97
7.Firm strives to be an industry pioneer	1.000	0.799
8.Managers involve employees in setting their targets	1.000	0.818
9.Employees have authority and	1.000	0.918
10.Business owner favors original approaches	1.000	0.829
11.Business owner involves employees	1.000	0.731
12.Employees are given freedom and independence	1.000	0.605
13.Firm designs its own unique new methods of operations to remain competitive	1.000	0.921
14.Firm borrows unique approaches to attract and serve customers better	1.000	0.908
15.Firm is creative in its methods of operations	1.000	0.838
16.Teams and individual employees pursue opportunities	1.000	0.775
17.Firms avoids confrontation with the competitors	1.000	0.755
18.Firm faces competitors head on to remain competitive	1.000	0.755
19.Firm pioneers its competitors in introducing new services	1.000	0.901
20.Firm competes intensely in the microfinance sector	1.000	0.886

Extraction Method: Principal Component Analysis.

Table 4.10 shows the Kaiser Normalization Criterion. It allows for extraction of components which have an Eigen value higher than 1. From the table it is eminent from the principal component analysis that a total of 8 factors were extracted. It shows the extracted 8 factors explain 92.591% of the total variation. The first which is factor 1 contributed the highest variation of 18.238%. The contributions were observed to decrease from top to bottom up to the last factor 5. The findings reflect the interconnectedness of the EO dimensions. Innovativeness as a dimension is connected to proactiveness and autonomy. The adoption of any of the EO dimensions in the management practices will lead to improved organizational performance.

Table 4.10 shows the extracted 8 factors which explain 92.5% of the total variation in the growth of microfinance institutions. Factor analysis helps to reduce a vast of variables to a meaningful, interpretable and manageable set of factors (Sekaran, 2010). The variables are not correlated to one another and therefore they represent all the 20 variable factors and this confirms that the study measured the concepts correctly.

Table 4.10: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.648	18.238	18.238	3.648	18.238	18.238
2	3.118	15.590	33.827	3.118	15.590	33.827
3	2.846	14.228	48.056	2.846	14.228	48.056
4	2.274	11.372	59.427	2.274	11.372	59.427
5	2.155	10.773	70.200	2.155	10.773	70.200
6	1.888	9.442	79.642	1.888	9.442	79.642
7	1.553	7.767	87.409	1.553	7.767	87.409
8	1.236	6.182	93.592	1.236	5.182	92.591
9	.799	3.997	97.589			
10	.482	2.411	100.000			
11	5.309	2.654	100.000			
12	3.854	1.927	100.000			
13	2.024	1.012	100.000			
14	1.125	5.627	100.000			
15	-.771	-.886	100.000			
16	-.647	-.824	100.000			
17	-.012	-.006	100.000			
18	-.234	-.117	100.000			
19	-.040	-.020	100.000			
20	-.099	-.549	100.000			

Extraction Method: Principal Component Analysis.

Variance Maximization with Kaiser Normalization was used to rotate the previously generated component matrix by using Varimax. The results on Table 4.11 enable the identification of specific variables which fall under each of the 8 extracted factors. All the 20 variables were looked at and then placed to each of the 8 factors percentage of variability being the determinant factor; this enabled the explanation of total variability of each and every factor. If a variable explains more variation than any other variable, it is said to belong to that specific factor. Stevens (1996) opine that one would want that variable which shares at least 15% of total variance with the factor that is going to be consequently used.

Table 4.11: Component Matrix

Statements	Component							
	1	2	3	4	5	6	7	8
Precautions to minimize the probability of making costly decisions	.102	.379	.396	-.232	.307	-.193	.470	-.118
Tendency to choose high risk projects	.038	-.105	.391	.241	.234	.099	-.297	.520
Top managers choose low risk projects	.031	.455	.198	-.106	-.266	.135	-.228	.481
Employees take calculated risks with new ideas.	.521	-.024	.103	-.172	.587	-.230	.039	.020
Firm initiates actions to remain competitive	.470	.294	.442	-.024	-.193	-.212	.034	-.322
Firm strives to be an industry pioneer	.009	.289	-.506	-.398	.269	.176	.140	.038
Firm strives to be an industry pioneer	.655	.166	.264	-.133	.190	-.035	.325	-.082
Managers involve employees in setting their targets	.511	.331	-.380	-.194	-.033	.036	.123	.334
Employees have authority and	.007	.222	-.084	-.593	.265	.290	-.373	.029
Business owner favors original approaches	-.618	.695	-.017	-.002	.040	-.238	-.082	-.049
Business owner involves employees	.325	.144	.543	-.020	.104	.444	-.174	.153
Employees are given freedom and independence	.181	.298	-.634	.227	.070	-.328	-.082	.162
Firm designs its own unique new methods of operations	.309	.264	.030	.217	-.449	.372	-.062	-.026
Firm borrows unique approaches to attract and serve customers	.518	-.223	-.449	.330	.121	.174	-.259	.117
Firm is creative in its methods of operations	-.298	.329	.074	.181	-.143	.310	.462	.323
Teams and individual employees pursue opportunities	.525	.035	.338	.063	-.164	-.091	.291	-.105
Firms avoids confrontation with the competitors	.655	.677	.075	.037	.031	.226	.077	-.051
Firm faces competitors head on to remain competitive	.478	.275	.161	.251	.499	.010	.085	-.154
Firm pioneers its competitors in introducing new services	.112	.148	-.081	-.509	.210	.454	-.127	-.154
Firm competes intensely in the microfinance sector	.306	.624	-.168	.063	-.180	-.075	-.301	.036

4.4 Regression Analysis

The researcher also conducted a multiple regression analysis to examine the effect of entrepreneurial orientation dimensions on the growth of microfinance institutions. The study results are shown in the subsequent sections.

Hypothesis 6: Use of multiple regression analysis.

H_0: The five independent variables will not significantly explain variance in growth of microfinance institutions.

H_1: The five independent variables will significantly explain the variance in growth of microfinance institutions.

4.4.1 Model Summary

Table 4.12 shows that the coefficient of determination R^2 is 77.3%. This means that the combined influence of the independent variables (risk taking propensity, pro-activeness, autonomy, innovativeness and competitive aggressiveness) explains 77.3% of the variations in growth of MFIs and therefore the hypothesis is substantiated. It also shows that other variables that explain variance in growth constitute 22.7%.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879	.773	.764	.1864

4.4.2 ANOVA

Analysis of variance on Table 4.13 shows that the combined effect of risk taking propensity, pro-activeness, autonomy, innovativeness and competitive aggressiveness was statistically significant in explaining changes in growth of MFIs. The model depicts that 77% of the variance has been significantly explained by the independent variables.

There is less than .001% chance of not holding true and therefore the hypothesis is substantiated.

The ANOVA table shows that the F value is significant at 0.0001 level. In the degree of freedom the first number (df) represents the five independent variables (EO dimensions), the second number represents the number of complete responses for all the variables in the equation (N) minus the number of independent variables (K) minus, (N – K – 1) (48 – 5 – 1) = 42. The F statistic produced has a value of 8.640 significant at 0.0001 levels, implying that the combined influence of independent variables explains 77% of the variations in growth of the microfinance institutions.

Table 4.13: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	42.75	5	8.55	8.64051973	0.0001
Residual	41.56	42	0.9895238		
Total	**84.31**	**47**			

4.4.3 Coefficients

Table 4.14 displays the regression coefficients of the independent variables and shows which among the five independent variables is most important. It shows which among the five variables influences most the variance in growth of microfinance institutions. The highest Beta is 1.476, innovativeness which is significant at 0.0036. The "t" statistic is a measure of the likelihood that the actual value of the parameter is not zero. Therefore the larger the absolute value of t, the less likely that the actual value of the parameter could be zero. This implies that the application of innovativeness in the managerial practices would greatly improve the organizational performance.

Table 4.14: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.144	2.295		1.063	0.0040
Risk Taking Propensity	1.113	.254	1.100	1.443	0.0033
Pro-Activeness	1.012	.189	1.012	1.073	0.0030
Autonomy	1.201	.177	1.225	1.123	0.0027
Innovativeness	1.443	.201	1.476	1.204	0.0036
Competitive Aggressiveness	1.325	.237	1.327	1.371	0.0023

The regression model $Ys = \beta_0 + \beta_{1X1} + \beta_{2X2} + \beta_{3X3} + \beta_{4X4} + \beta_{5x5} + \varepsilon$,

Where,

Ys = Growth of MFIs

β_0 = constant (coefficient of intercept)

X_1 = Risk taking Propensity

X_2 = Proactiveness

X_3 = Innovativeness

$\mathbf{X_4}$ = Autonomy

$\mathbf{X_5}$= Competitive aggressiveness

$\mathbf{B_1 \ldots B_5}$ = regression coefficient of five variables.

The model: $Ys = 2.144 + 1.113X_1 + 1.012X_2 + 1.201X_3 + 1.443X_4 + 1.325X_5$

The regression model indicates that; an increase in the effectiveness of risk taking by one unit leads to an increase in growth of MFIs by 1.113 units. an increase in the effectiveness of pro-activeness by one unit leads to an increase in growth of MFIs by 1.012 units; an increase in the effectiveness of autonomy by one unit leads to an increase growth of MFIs by 1.201 units; an increase in the effectiveness of innovativeness by one unit leads to an increase in growth of MFIs by 1.443 units and an increase in the effectiveness of competitive aggressiveness by one unit leads to an increase in growth of MFIs by 1.325 units. This implies that the independent variables are statistically significant in explaining the growth of microfinance institutions.

4.5 Risk taking

The research objective was to analyze the effect of risk taking propensity on the growth of microfinance institutions. The findings are as shown in Table 4.15 below. The findings show that firms take precaution to minimize the probability of making costly decisions when confronted with uncertainty had the highest mean of 3.8611 with a standard deviation of 0.814. The next statements on the employees of this firm are encouraged to take calculated risks with new ideas had a mean of 3.8519 with a standard deviation of 0.8066, top managers have a tendency of choosing low risk projects with normal rates of return had a mean of 3.777 with a standard deviation 0.8999 and top managers have a tendency to choose high risk projects with chances of very high returns had the least mean of 3.75 with a standard deviation of 0.7503.

The results are in agreement with (Anderson & Reeb, 2003; Sahrma, 2004) that owner – manager's influence upon business strategies and development process is often stable and long lasting. They acknowledge the influential position of owner-managers on the organization's strategies. Aldrich (2009) also acknowledges that their authoritative position may orchestrate resources and initiatives in an entrepreneurial way to build up and maintain a competitive advantage.

The respondents were of the opinion that the management's ability to take risks affects the growth of Microfinance. The results are in support of Burgleman, (2003) who argues that entrepreneurs often employ a personal network of relations with trusted friends, family, colleagues, customers, local politicians, suppliers to be able to gather privileged information crucial to the success of business.

The risks they take are calculated and moderate, and the loss if unfortunately occurs will be less substantial. An entrepreneurs age is recognized as antecedent of business entrepreneurial venturing (Kyereboah-Coleman, 2007) and the correlation between age and risk taking tend to be negative. Young entrepreneurs are likely to take higher risks than the senior entrepreneurs. From the findings MFIs had a high number of young people with 68% of those in the management/owner positions.

In order to understand the implementation of risk – taking practices in the firms, the informants were asked the uncertainties they deal with in the micro finance industry. Their responses indicated that customer default especially among the small scale businesses who in some cases do not have permanent locations for their businesses, lack of collaterals to act as security for the customers who are borrowing large amounts of working capital, and failure of customers to repay the loans due to collapse of their small businesses. The responses show that they deal with these uncertainties by ensuring customers follow-up and advising them on viable business opportunities to invest. The credit managers who gave most of the responses indicated that trust and creditworthiness were a major challenge and they have to do sufficient research before approving loans especially to individuals.

The question of what to do if faced with a high risk project which has a very high return; the informants indicated that they do in-depth consultation to ascertain their returns on those projects. The results are in support of Aldrich (2009) who relates risk taking to the educational level and argues that entrepreneurs who have received better education are apt to demonstrate stronger knowledge acquisition, assimilation and transformation capability which facilitates their generation of entrepreneurial initiatives. They have the capacity to distribute risks and minimize the loss that may occur in the venturing process. Of the respondents, 52% had university level education, 40% tertiary and secondary 8%, it can be argued that the managers have the ability to move further along the entrepreneurial venturing and that educational level is a significant variable in differentiating risk-taking intensity in businesses.

Entrepreneurial risk taking ability is influenced by a diversity of factors (Aldrich, 2009), some associated with the entrepreneurs unique features, the experience, the family related factors, owner /manager's educational background. Industrial tenure and age (Burgleman, 2003). MFIs customers are usually people and businesses with irregular income, frequently from self employment activities. They do not have conventional collateral for loans and therefore the MFIs find ways of distributing the risks involved in the event of business failure, closure and death of the proprietor and loss of assets through unexpected occurrences. Group lending and individual guarantee systems help to distribute the risks and to maintain some degree of accountability among the borrowers. MFIs level of risk taking is viewed as the willingness to commit resources to a project where the probable cost and chances of failure are high (Baker & Sinkula, 2009). It involves venturing into the unknown and new markets (Wiklund & Shepherd, 2005) which is in line with MFIs path of growth that involves providing credit to those considered vulnerable.

The study went further to test the hypothesis:

H_0: Risk taking propensity has no significant effect on the growth of MFIs

H_1: Risk taking propensity has a significant effect on the growth of MFIs

The results reveal that risk taking propensity was positively and statistically significant in explaining the growth of MFIs. An increase in the effectiveness of risk taking by one unit leads to an increase in growth of MFIs by 1.113 units. Findings of the study show that majority of the respondents (68%) were between 31-50 years, which can explain the positive relationship. Young entrepreneurs tend to make accomplishments through entrepreneurial venturing (Kyereboah-Coleman, 2007). Nishil, Gotte, & Raver, J. (2007) posit that demographic diversity of senior management team is positively associated with the demographic diversity of workforce at large and with adoption of diversity practices.

The firms that adopted risky initiatives outperformed those that did not. Many decisions in small firms depend on personal characteristics of the owners/managers driven by belief that they can produce desired outcomes (Cray, Maki & Pukninen, 2006). Risk taking as expressed by Wiklund & Shepherd (2005) involves venturing into unknown and new markets. This is in line with the MFIs path of growth that involves providing credit to those considered vulnerable, (Baker & Sinkula, 2009) regard them as investment in projects where probable cost and chances of failure are high.

Table 4.15: Effect of Risk Taking Propensity on MFIs

Statements	Mean	Std Dev
1. Our firm takes precaution to minimize the probability of making costly decisions when confronted with uncertainty.	3.8611	0.81411
2. Our top managers have a tendency to choose high risk projects with chances of very high returns	3.7500	0.75039
3. Our top managers have a tendency of choosing low risk projects with normal rates of return	3.7778	0.89998
4. Employees of this firm are encouraged to take calculated risks with new ideas.	3.8519	0.80669

4.6 Proactiveness

The research objective was to examine the effect of proactiveness on the growth of microfinance institutions. It was achieved by computing the mean and standard deviation of the statements given to the respondents. The findings are shown on Table

4.16 below. The statement on being an industry pioneer had a mean of 3.82 with a standard deviation of 0.993. Chen & MacMillan, (1992) argue that being industry pioneers can have advantages that can be sustained until the firms enter the maturity phase of an industry life cycle. However a careful monitoring and scanning of the environment and extensive feasibility study is needed for a proactive strategy to lead to competitive advantage.

The benefits gained by firms that are the first to enter new markets, establish brand identity, implement administrative techniques are called first mover advantage. The statement that firm initiates actions to remain competitive in the market place which had a mean of 3.75 with a standard deviation of 0.734 and firm strives to be an industry pioneer in its operations had the least mean of 3.62 with a standard deviation of 1.258. Majority of the respondents indicated that their firms do not continuously monitor past business trends to identify future customer needs.

From the findings, managers / owners believe that employees perform better when they are involved in setting their targets had the highest mean of 4.12 with a standard deviation of 0.734. From the interviews it was established that managers have targets that they are expected to meet within their departments. In line with Lieberman and Montgomery (1988) who posit that proactiveness is especially effective at creating competitive advantages because it puts the competitors in the position of having to respond to successful initiatives. The response to the question is indicative of the freedom and confidence given to managers to achieve their targets without interference so as to take responsibility of decisions made in view of customer knowledge and information.

Proactiveness is a characteristic of a leader who has foresight to seize opportunities in anticipation of the future demand. It involves initiating change (Miles & Snow, 1988), it concerns the search for and seizure of future opportunities. Taking into account that MFIs have a wide unreached market especially among the unbanked populations, they can benefit from first mover advantage. In order to understand the implementation of proactiveness in the firm, the informants were asked on how they identify and respond to business opportunities. Proactive leaders and their organizations are able to monitor trends and identify the future needs of the existing customers; they use inefficiency in the market, and get ideas on how to correct that inefficiency. They have the ability to bring together the resources and capability needed to correct that inefficiency and source ideas from existing businesses. Lumpkin & Dess (2011) assert that proactiveness is a response to opportunities for firms in dynamic environments or in growth stage industries where conditions are rapidly changing and opportunities for advancement are numerous.

The MFI sector is growing in a dynamic environment with opportunities and rapidly changing regulatory environment. The specific interest is the focus on market-based financial systems approach that MFIs have adapted. They are meeting client's needs and promoting competition within the financial markets. However, Hulme, D, (2008) argues that the extremely poor may be left out in this model that is characterized by proactivity. The poor may benefit indirectly from this model where provision of financial services is on a proactive and competitive basis. They can only benefit indirectly from employment and increased demand for products. The findings in this study affirm that proactiveness is positively related to growth in dynamic environments where there are demands for introduction of new products and services (Lorch, 1967; Miller & Friesen, 1983).

On the question of firm being the first to introduce new products in the market, the respondents were keen to state that their products are usually customer oriented and therefore market based. For instance, there are many situations where individuals graduate from group borrowing and their financial needs may be customized to meet their needs. All the MFIs examined had very different products and services customized to meet their clients' needs. The most unique were savings accounts that were specifically targeting the youth involved in entrepreneurial activities. There was a close relationship between proactiveness and competitive aggressiveness. The main difference being that proactive is more futuristic while competitive aggression is a posture based on a threat in competitive market place. Hughes & Morgan (2009) acknowledge that proactiveness is a critical factor at the nascent stages of a firm growth. A firm is able to secure its chosen market place to gain longer term prosperity. Its proactiveness is demonstrated by its awareness of and responsiveness to market signals. This is in agreement with MFIs examined which showed proactivity and high level of future planning.

The statistical test for proactiveness was based on the following hypothesis:

H_0: Proactiveness has no significant effect on the growth of MFIs

H_1: Proactiveness has a significant effect on the growth of MFIs

The findings reveal that proactiveness is positively and statistically significant in explaining the growth of MFIs. An increase in the effectiveness by one unit leads to an increase in growth of MFIs by 1.012 units. Entrepreneurial proactiveness can be said to have affected the growth of MFIs in the last decade where transformational process is evident. This is in agreement with findings by Wiklund & Shepherd,(2005); Cruz & Nordqvist, (2012) that proactiveness raises a firm's receptiveness to market signals and responsiveness to customer needs due to their sensitivity to market signals. Entrepreneurial proactiveness enables the establishment of trust relationships with members in social network and attains mechanisms that facilitate resource acquisition (Eggers, 2013). This trend is evident in the MF sector where social networking ability has resulted to ongoing beneficial coalitions. Park (2010) acknowledges that proactiveness lead to social networks, valuable tools that assist in attainment of resources and business intelligence fundamentals for a firm's survival and expansion. Stam & Elfring, (2008) findings confirm that entrepreneurial proactiveness has greater ability to access resources when the attribute is combined with social networks.

Table 4.16: Effect of Proactiveness on the Growth of Microfinance Institutions

Statements	Mean	Std.dev
1. Our firm initiates actions to remain competitive in the market place	3.75	0.734
2. Our firm strives to be an industry pioneer in its operations	3.62	1.258
3. Our firm strives to capture the benefits of being an industry pioneer	3.82	0.993
4. Our managers /owners believe that employees perform better when they are involved in setting their targets	4.12	0.762

4.7 Autonomy

The third research objective was to examine the effect of autonomy on the growth of microfinance institutions. The respondents were requested to indicate the extent to which they agree with each of the statements. The findings are shown on Table 4.17 below**.** As indicated from the responses, employees have authority and responsibility to act alone if they think it is in the interest of the business in this firm had the highest mean of 3.45 with a standard deviation of 0.7133. From the MFIs perspective, autonomy can be viewed as the ability to make decisions and to proceed with activities independently without any restrictions from the organization (Lumpkin &Dess, 1996). This is a day to day experience of managers who have to make decisions on credit extended to customers, the nature, period of payment and the amount to be lend out to customers. The basic principles such as interest and customer information, business information or the nature of the venture are just guidelines but the final decision which carries along risk is the manager’s decision.

The statement that business owner/ manager favor their own original approaches to solving problems had a mean of 2.29 with a standard deviation of 1.184. The next statement, employees are given freedom and independence in doing their work without depending on the owner/manager's direction had a mean of 3.08 with a standard deviation of 1.234 and the final statement business owner/ manager involves employees in solving problems had the least mean of 2.83 with a standard deviation of 1.226. In general the respondents were of the opinion that owner/manager plays a major role in identifying and selecting the business opportunities the firm pursues as they all gave a positive response to the question.

Managers are faced on a day to day basis with the challenge of making strategic decisions and sometimes they may involve reorganizing work in their departments to stimulate entrepreneurial initiatives. The findings are in support of findings by Pfeiffer and Sutton, (2006) that autonomy may be established through skunk works to encourage independent thought and action. New project ideas which have strategic and economic impact however need the support of senior managers who have experience with similar projects. The finding from these set of statements are in support of (Huang & Tsai, 2009) that autonomy is the strong desire of a person to have freedom in the development of an idea and its implementation. The owner/manager of a firm is responsible for all operations and the key person in determining the firm's decisions, direction and policies.

The hypothesis for autonomy was as shown below:

H_0: Autonomy has no significant effect on the growth of MFIs

H_1: Autonomy has a significant effect on the growth of MFIs

The study findings show that autonomy is positively and statistically significant in explaining the growth of MFIs. An increase in the effectiveness of autonomy by one unit leads to an increase in growth of MFIs by 1.201 units. Autonomy from an EO perspective refers to strategic autonomy (Lumpkin & Dess, 2011). This level of autonomy enables teams to solve problems, define them and find goals that will be met in order to solve the problem. The level of autonomy in this study is tested with regard to owners/managers who make decisions. This is in agreement with Lumpkin and Dess (1996) individual autonomy that enables entrepreneurial activities and decision making is driven to implementation through individual leadership. Autonomy is an orientation towards independent behaviour that requires the ability and the will to be self directed in the pursuit of opportunities (Autio, 2007). It is accompanied by an individual's willingness to accept the attendant risks and responsibilities resulting from one's action. The managers/owners require discretion in decision making involving credit authorization. The study established that managers have authority and responsibility to act alone if they think it is in the interest of the firm which had the highest mean of 3.45 and standard deviation of 0.7133. Individual leadership in the implementation of decisions in regard to business opportunities that the firms pursue was recognized.

Autonomy may also be viewed as relating to granting and allowing freedom to employees to determine the means by which to achieve a goal (Amabile, 2000), not necessarily autonomy for selecting what goals to go after. Individuals who stand out in their ability to perform creative acts often value independence and autonomy. Higher levels of autonomy on the job have been shown to increase job satisfaction and motivation to perform the job. Flatter organization structures result to increased autonomy at lower levels (Hitt, 2011). The need for autonomy is regarded as a main driver for entrepreneurship and it is viewed as an important motivator for choosing to be self employed (Marcos and Kritkos, 2011). The study established that autonomy is critical especially in credit approvals and choice of projects implementation.

Table 4.17: Effect of Autonomy on the Growth of Microfinance Institutions

Statements	Mean	Std.dev
1. Employees have authority and responsibility to act alone if they think it is in the interest of the business in this firm.	3.45	.7133
2. Our business owner/ manager favors their own original approaches to solving problems	2.29	1.184
3. Our business owner/ manager involves employees in solving problems	3.23	1.226
4. Our employees are given freedom and independence in doing their work without depending on the owner/manager's direction	3.08	1.234

4.8 Innovativeness

The fourth research objective was to examine the effect of innovativeness on the growth of microfinance institutions. The respondents were requested to indicate the extent to which they agree with each of the statements. The findings are shown on Table 4.18 below. From the findings in Table 4.18, Teams and individual employees pursuing opportunities always obtain approval from their managers before making decisions had the highest mean of 4.12 with a standard deviation of 0.605 followed by firm borrows unique approaches used by other firms in the market in seeking to attract and serve customers better which had a mean of 3.91 with a standard deviation of 0.709, firm is creative in its methods of operations for competitiveness had a mean of 3.70 with a standard deviation of 0.797 and firm designs its own unique new methods of operations to remain competitive had the least mean of 3.45 with a standard deviation of 1.303. The respondents were in agreement that firms encourage and stimulate technological, product, market and administrative innovations.

In order to understand the implementation of innovativeness in their firms the informants were asked to indicate if their firms had marketed new products in the past few years, majority indicated that the demand for new products in the market and competition had driven them to innovate new product and services to meet the demands and that changes in their product were major in nature. They responded that they meet their customer preferences by looking at the customer's needs and requirement and market their product through personal selling.

On the question of technological innovation mobile banking was viewed as a major innovation in the sector. The innovation has seen 81.5% of the MFIs have at least one partnership in place for mobile banking and mobile money transfer (AMFI, 2014). The study confirmed findings of Lumpkin & Dess, (2005), innovativeness is demonstrated by problem solving, finding creative solutions and developing new products and services through the support of new ideas and experimentation. The MF outlook (2016) established that technology has transformed how an MF market operates. It allows them to access micro-entrepreneurs in the hard to reach areas and to enable the implementation of more robust ICT and risk assessment tools. Technological innovation is a huge opportunity for the MFIs. The stages of maturity from NGOs to fully certified banks can to a large extent be traced to technological innovations in the MFIs.

The hypothesis for innovativeness was:

H_0: Innovativeness has no significant effect on the growth of MFIs

H_1: Innovativeness has a significant effect on the growth of MFIs

The study findings were that innovativeness is positively and statistically significant in explaining the growth of MFIs. An increase in the effectiveness by one unit leads to an increase in growth of MFIs by 1.443 units. Covin & Miles (2001) argue that innovation is essential part of a strategy and that entrepreneurship cannot exist without it. Product innovation featured greatly as an attempt to meet ever increasing client's needs over and above access to credit. Technological innovations especially in mobile banking, money transfers and the creation of savings products is a major step towards the growth of MFIs. The use of mobile phones as virtual wallets along with the development of agent banking has transformed the MF sector. The study confirmed findings of Lumpkin & Dess (2005) that innovativeness is demonstrated by problem solving, finding creative solutions and developing new products and services.

Table 4.18: Effect of Innovativeness on the Growth of Microfinance Institutions

Statements	Mean	Std. Dev.
1. Our firm designs its own unique new methods of operations to remain competitive	3.45	1.303
2. Our firm borrows unique approaches used by other firms in the market in seeking to attract and serve customers better	3.91	.709
3. Our firm is creative in its methods of operations for competitiveness	3.70	.797
4. Teams and individual employees pursuing opportunities always obtain approval from their managers before making decisions	4.12	.605

4.9 Competitive Aggressiveness

The fifth research objective was to analyze the effect of competitive aggressiveness on the growth of microfinance institutions. The respondents were required to indicate the extent to which they agree with the statement against each of the statements. The findings are shown on Table 4.19 below. The findings show that firm always faces competitors head on to remain competitive had the highest mean of 4.62 with a standard deviation of 0.489 followed by firm always pioneers its competitors in introducing new services which had a mean of 4.37 with a standard deviation of 0.479, firm competes intensely in the micro finance sector had a mean of 4.29 with a standard deviation of

0.459 and firm always avoids confrontation with the competitors had a mean of 2.91 with a standard deviation of 1.334.The respondents are in agreement that firms take a bold and aggressive approach when competing with other similar firms.

In order to understand the implementation of competitive aggression in the MFIs, the informants were requested to indicate if they respond to actions that competitors initiate or initiate actions that competitors respond to**.** The respondents indicated that they respond to and initiate their actions in order to remain competitive. The implementation of EO dimension from the view of competitive aggressiveness requires managerial leadership since the microfinance sector has a broad unexploited market. To maintain a competitive advantage, Lumpkin and Dess (2009), suggest the use of tactical competitive actions. This involves the application of increased marketing efforts such as promoting stories of customers and use of altruistic benefits like going greener.

MFIs can also enhance products and services by addressing the gaps in service and making incremental product improvements. The tactical actions are competitive responses with low resource requirements.

Table 4.19: Effect of Competitive Aggressiveness on the Growth of Microfinance Institutions

Statements	Mean	Std Dev
1. Our firm always avoids confrontation with the competitors	2.91	1.334
2. Our firm always faces competitors head on to remain competitive	4.62	.489
3. Our firm always pioneers its competitors in introducing new services	4.37	.479
4. Our firm competes intensely in the micro finance sector	4.29	.459

The MF sector analysis on its competitiveness shows lowering ratios of competition as the Herfindal index on portfolio market share increases from 0.5524 to 0.6280 (MFI report, 2013). A higher Herfindal index signifies a less competitive industry possibly because the sector has a low number of active players and therefore the fastest growing firms acquire the relevant market share. However the three largest banks in the sector grew their share from 91.2% to 91.8% over the three year period. In the DTMs subgroup, there are positive signs of increased competition as new actors enter the DTM market segment and the index drops from 0.6 to 0.5. The market share concentration of the three DTMs fell slightly from 100% to 98.9% during the three year period.

Table 4.20: Sector Competitive Analysis

Competitive analysis	2009	2010	2011
	Bank sector		
Herfindal index	0.5514	0.5597	0.6280
Market share (3 largest)	91.2%	91.5%	91.8%
	DTMs		
Herfindal index	0.5691	0.6054	0.5324
Market share	100%	99.9%	98.9%

Source: Annual Report on microfinance sector in Kenya (2013)

The study findings are in agreement with findings by Lumpkin & Dess (2005) that competitive aggressiveness may not always lead to competitive advantages, and that it is a strategy that needs to be used in moderation. The full potential market for the sector is yet to be fully exploited and therefore to outperform and do battles with each other in the sector may not be of benefit. The strategy that appears to be employed is on dynamic leadership to facilitate the firms to take advantage of the existing opportunities.

The hypothesis for competitive aggressiveness was:

H_0: Competitive aggressiveness has no significant effect on the growth of MFIs.

H_1: Competitive aggressiveness has a significant effect on the growth of MFIs.

The research findings were that competitive aggressiveness is positively and statistically significant in explaining the growth of MFIs. An increase in the effectiveness of competitive aggressiveness by one unit leads to an increase in growth of MFIs by 1.325 units. The informants indicated that they respond to actions that competitors initiate. A closer analysis indicates that the DTMs subgroup showed positive signs of increased competition as new actors enter the DTM market segment.

In summary, the combined influence of predictor variables explains 77.3% of the variation in growth of MFIs. This is an indication that other variables also contribute to the growth of MFIs. The combined effect of EO dimensions is positively and statistically significant in explaining the changes in the growth of MFIs. This is in agreement with other empirical studies (Wiklund & Shepherd; Nguyen &Ng, 2007; Li, Huang & Tsai, 2009) that showed a positive effect on firm performance. The independent variables are strong determinants of MFIs growth. For the micro finance sector to stay ahead of competitors in a dynamic and hostile environment, Covin and Slevin (2005) found that they have to engage in entrepreneurial strategies at firm level.

However, MF outlook (2016) notes that from a structural perspective, the potential for growth across most MF market is vast as financial exclusion remain widespread. There is still a large gap especially between developing and developed countries. This is in agreement with the findings of Microfinance sector report (2013) that there is a high degree of concentration as the number of players is still low and the fastest growing firms are able to acquire the relevant market share. This study supports the same findings that MFIs need to utilize EO dimensions for strategic growth as the results indicate a positive effect on the growth of MFIs.

Findings from the study show that the null hypothesis is accepted. The five independent variables (risk taking propensity, proactiveness, autonomy, innovativeness and competitive aggressiveness) significantly explain the variation in growth of microfinance institutions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study sought to examine the effect of entrepreneurial orientation dimensions on the growth of microfinance institutions. This chapter discusses the summary of key data findings and draws conclusions from the findings based on the objectives. The Chapter also presents the recommendations made from the findings and areas for further research.

5.2 Summary

The regression coefficient showed that the EO dimensions were positively and statistically significant in explaining the growth of MFIs. This is in agreement with the findings by Zahra and Covin (2005) that EO dimensions have a positive influence among firms that take first mover advantage of emerging markets. Kenya has been identified as one of the major microfinance market (MF Outlook, 2016), it is part of the long term strategy for the financial sector deepening of financial services and products for a much larger number of households and small businesses (Vision, 2030). The study is in agreement with the finding that EO dimensions have a positive influence on the growth of MFIs in Nairobi.

The study was guided by the following objectives which were analyzed using qualitative and quantitative research techniques. (i) To analyze the effect of risk taking propensity on the growth of microfinance institutions (ii) To examine the effect of proactiveness on the growth of microfinance institutions (iii) To examine the effect of autonomy on the growth of microfinance institutions (iv) to examine the effect of innovativeness on the growth of microfinance institutions (v) To analyze the effect of competitive aggressiveness on the growth of microfinance institutions.

5.2.1 Risk taking

The specific objective was to analyze the effect of risk taking propensity on the growth of microfinance institutions.

The four EO statements on risk taking propensity had a mean score of 3 and above on a 5-point scale. This implies that firms identify the perceived risks and take precaution to minimize the probability of making costly decisions when confronted with uncertainty. EO dimension of risk taking is positively and statistically significant in explaining the growth of MFIs. The firms are involved in business where clients do not have conventional collateral which is deemed as risky from a banking perspective. The study established that MFIs take calculated risks. The approach to risk taking in a sector where most clients are considered unbankable takes into account the distribution of risks and engagement in moderate risk based on knowledge and experience.

The study conforms with findings by (Aldrich, 2009) that entrepreneurial risk taking ability is influenced by a diversity of factors, (Burgleman, 2003) some associated with entrepreneurs unique features, the experience, family related factor, owner/manager's educational background, industrial tenure and age. There was a close relationship between risk taking and innovation where the mean scores are above 3 on 5-point scale. This is evident of MFIs role of taking the risk to provide financing to the unbanked through innovative products. On the implementation of risk – taking practices in the firms, the study found out that customer default, lack of collaterals and failure of customers to repay the loans were major risks faced by MFIs. The managers deal with these uncertainties by ensuring customers follow-up through business training and advice on viable business opportunities. The microfinance market makes use of differentiation strategy which seeks to build customer loyalty by offering products with unique attributes that customers need. Building customer loyalty in return facilitates growth of the firm that has a continuous improvement strategy to customer satisfaction.

5.2.2 Proactiveness

The specific objective was to examine the effect of proactiveness on the growth of MFIs.

The four EO dimensions' statements had a mean score above 3 on a 5-point scale. This implies that managers have a forward looking attitude towards growth. The EO statement on managerial attitude towards employee's ability to make decision had the highest mean of 4 and standard deviation of 0.762. This is evident of MFIs ability to identify market inefficiencies, gather resources and capability to correct the inefficiencies. On the implementation of proactiveness in the firm, the study established that firms identify their business opportunities by use of inefficiency in the market, and get ideas on how to correct that inefficiency, or the ability to bring together the resources and capability needed to correct that inefficiency.

Proactiveness involves anticipating future needs and taking the necessary action to take advantage or provide for that need. This study observed that proactiveness involves pioneering and initiative taking, a commitment to implement new business processes in order to cultivate new markets as observed by Lumpkin and Dess (2011). The findings affirm that proactiveness is positively related to growth in a dynamic environment where there are demands for introducing new products and services (Lorch, 1967, Miller & Friesen, 1983). There was a close relationship between proactiveness and competitive aggressiveness with a mean score above 3 on a 5-point scale. Proactiveness is more futuristic and involves planning based on knowledge and experience. MFIs observed have embraced intensive customer satisfaction strategies so as to meet their unique financial needs through customized products.

5.2.3 Autonomy

The specific objective was to examine the effect of autonomy on the growth of MFIs.

Three out of four EO dimensions' statements on autonomy had a mean score above 3 on 5-point scale. This affirms that managers have the independence and freedom required to perform their work. The statement that managers favor their own original approaches to solving problems had the least mean score of 2.2 on 5-point scale. This can be restated to show that managers prefer team work and inclusiveness in decision making. Autonomy from an EO perspective refers to strategic autonomy (Lumpkin & Dess, 2009). Self-managing teams or autonomous work groups enlarges individual jobs to include a wider range of operative skills (Armstrong, 2012). The autonomous team is able to decide on methods of work, planning and monitors its own performance.

This level of autonomy enables teams to define the problem, solve them and set goals that will be met in order to solve the problem. The level of autonomy in this study is measured from the owner/manager's view as the decision maker. It was evident that the recognition and exploitation of opportunities are the result of a clear positively motivated business intentions and actions of the owner/manager. The findings are in support of (Huang & Tsai, 2009) that autonomy is the desire to have freedom in the development and implementation of an idea. The owner/managers are held responsible for operations and are the key persons in MFIs decisions, direction and policy formulation. They require some degree of freedom, discretion and autonomy in regard to operational decisions.

Managers in favor of autonomy and growth are able to give meaningful work, allow participation in decision making, recognize accomplishments' and allow freedom to be creative. Autonomous work groups focus on customer needs and work towards providing the best suited products based on needs assessment.

5.2.4 Innovativeness

The specific objective was to examine the effect of innovativeness on the growth of microfinance institutions.

The four EO dimension statements on innovativeness had a mean score above 3 on a 5-point scale. This implies that managers embrace innovations which were viewed from the perspective of the number of new products offered within the last five years. On the implementation of innovativeness in their firms, the study established that MFIs in

Nairobi had marketed new products in the past few years. The products are demand driven and in some cases requiring customization.

It was established that changes in their product were major in nature. Technological innovation in the microfinance sector is playing a major role in particular mobile banking. Technological innovations have seen 81.5% of the MFIs having at least one partnership for mobile banking and mobile money transfer (AMFI, 2014). The study affirms findings by Lumpkin and Dess (2005) that innovativeness is demonstrated by problem solving, finding creative solutions and developing new products and services. Managers are engaged in identifying incremental strategies for innovation in a financial market that is unique and unexploited.

The regression coefficient identifies innovativeness as the most important variable. This affirms the findings by Lumpkin and Dess (2005), that innovativeness is demonstrated by problem solving, finding creative solutions and developing new products. MFIs growth can be attributed to their ability to engage incremental strategies for innovation which involves providing financial services to the underprivileged in innovative ways.

5.2.5 competitive aggressiveness

The specific objective of the study was to analyze the effect of competitive aggressiveness on the growth of microfinance institutions.

The EO dimension statements on competitive aggressiveness had a mean score above 4 on a 5-point scale. The first statement can be restated that our firm does not engage in competition and that is why it had a low mean score of 2.9. The study established that competitive aggressiveness is positively and statistically significant in explaining the growth of MFIs. They are employing dynamic leadership strategy in order to take advantage of the existing opportunities. The full potential market for the sector is yet to be fully exploited and therefore the need to outperform and do battles with each other in the sector may not be of benefit.

The study viewed competitive aggressiveness as the extent to which a firm uses entrepreneurship to respond to competitions which is in agreement with Lumpkin & Dess (2011). However, there is still a broad unexploited market and therefore utilization of EO dimensions will lead to better and more competitive market exploitation. The growth of MFIs is taking a commercial path and therefore maintaining a degree of competitiveness will be beneficial in exploiting new markets. The nature of operations calls for the utilization of tactical competitive actions which entail low resource requirements.

5.3 Conclusion

1. The study findings show that the implementation of EO dimensions has a positive effect on the growth of MFIs. This study utilized managerial perceptions in measuring the EO dimensions and affirms that each sub-dimension of EO offers unique advantages to the entrepreneurial process.

2. The study confirms that entrepreneurial firms with high levels of EO have the ability to seize opportunities in the market place.

3. The null hypothesis is accepted, showing that the five independent variables significantly explain the variance in growth of microfinance institutions.

4. The coefficient of determination R^2 shows the combined influence of the predictor variables (risk taking propensity, proactiveness, autonomy, innovativeness and competitive aggressiveness) explains 77.3% of the variations in growth of microfinance institutions.

5. MFIs can take advantage of the vast financial exclusion and become industry pioneers. They are contributing to the economy of the country by providing financial services to low income customers including the self employed in business, small holder farmers and artisans.

6. The utilization of EO dimensions will enable MFIs to meet the needs of their customers which are evolving rapidly by embracing innovation, proactiveness and competitive aggressiveness.

7. The modern day managerial practices require exceptional managers who will manage for competitiveness by staying ahead in innovation, provision of quality and efficient products and services.

8. MFIs in Nairobi have embraced modern innovations in the financial sector such as mobile banking which has been successful due to strategic alliances with other service operators.

5.4 Recommendations

5.4.1 Policy Recommendations

The study recommends that utilization of entrepreneurial orientation dimensions could lead to improved growth of MFIs. Therefore important for the management to develop internal strategic measures that will promote innovation, proactiveness and autonomy in the management practices. The government and policy makers to come up with programmes that could be tailored to helping these firms integrate entrepreneurial orientation strategic behaviour in their management practices. The management can encourage innovative behavior, develop competitive aggressiveness posture, risk-taking, proactiveness and also encourage autonomous groups to empower and motivate the employees.

5.4.2 Entrepreneurial Recommendations

The study recommends that in order to improve their innovativeness; the MFIs should encourage creativity, experimentation as well as research and development. They should invest in new technology and adopt continuous improvement of their products and services. They should also develop a competitive posture by exploring the market to know what the competitor is doing and offering. The intention of doing so will be to take advantage of the broad unexploited market.

Through proactiveness, MFIs will be able to continually monitor the market so as to identify emerging needs and be first movers in such markets. Developing an autonomy posture will involve encouraging independent and creative thinking among staff and also fostering a culture of rewards. Risk-taking posture in these firms can be facilitated by carefully funding projects that may look risky but have prospects of large rewards and also funding new ideas, products and services with a view of entering into new markets.

5.4.3 Theoretical Implications

The Schumpeterian theory of innovation is of applicable since the regression coefficient shows that innovativeness is the most important variable. It embraces the idea that each innovation creates new process or product that gives its creator a competitive advantage (Schumpeter, 1934). Sustainability of MFIs depends on their capacity to innovate. The product delivery should be supported by well qualified personnel who are capable of delivering the services and products required. The social welfare approach to microfinance also addresses the need to provide other financial service such as training, technical assistance and financial literacy to micro entrepreneurs. MFIs can attain program sustainability without necessarily achieving self-sufficiency which would be a great contribution to poverty alleviation and improvement of the welfare of the poor economically active customers.

5.4.4 Practice Implications

The ability to recognize the developmental stage, in which each microfinance institution is in, will facilitate the utilization of appropriate competitive strategies. Each developmental stage has unique challenges and the ability to grow and succeed requires identification of the firm level critical success factors. MFIs have the opportunity to find or create a product’s or service differential advantage due to their nature of flexibility.

The differential advantage helps to separate one firm form another in product, price, promotion and distribution.

5.5 Areas for Further Research

The study mainly focused on the five dimensions of entrepreneurship orientation; innovation, risk taking, competitive aggressiveness, pro activeness and autonomy that affect the growth of MFIs based in Nairobi. The microfinance sector as a whole would benefit tremendously if a study is done involving a wider sample.

The study recommends a study focusing on the effect of each dimension of entrepreneurial orientation at different stages of growth life cycle.

The MFI sector has shown gradual shift towards commercialization and therefore a study on the effect of commercialization on financial inclusiveness will give insight into the emerging business model.

A majority of credit only institutions are widely unregulated and it would be beneficial to the MF sector if a study is done to examine the entrepreneurial strategies they engage to penetrate and sustain themselves in the broad unexploited market. Microfinance is widely recognized as one of the many ways to get out of poverty where small firms are created and supported through a flexible financial system that is accommodative and empowering through creation of employment. A study on the impact of microfinance in poverty alleviation would be beneficial to policy makers and social entrepreneurs.

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APPENDICES

Appendix I: Questionnaire

Date…………………………

To. ……………………………………………

……………………………………………

Dear Sir/Madam,

RE: COLLECTION OF RESEARCH DATA

My name is Alice Wainaina a Doctoral student in Entrepreneurship at Jomo Kenyatta University of Agriculture and Technology. Currently I am carrying out a research on *"**Effect of Entrepreneurship orientation on the growth of microfinance institutions (MFIs)***** under supervision of Prof. Namusonge and Dr. Karanja. My intended respondents are owners, Manager, CEOs or top level managers of MFIs.

I kindly invite you to participate in this research by responding to the attached questionnaire. I assure you that all information gathered is strictly confidential and can be accessed only by me or my supervisors.

Your contribution to this research is deeply appreciated.

Yours Sincerely,

Alice Wainaina

……………….

Kindly fill your responses in the space provided or tick (√) appropriately

PART A: Background information

1. Respondent's position ……………………………… Date …………………..

2. Gender: (tick) Male [ ] Female [ ]

3. Age:

21-30 years [ ] 31-40 years [ ]

41-50 years [ ] Over 50 years [ ]

4. Level of formal Education

Primary [ ] Secondary [ ]

Tertiary [ ] university [ ]

5. Name of MFI …………………………………

6. Nature of business (tick (√) as appropriate)

DTM [ ] Credit Only [ ]

Regulated [ ] Other (specify) ………………………………

7. Business ownership (tick (√))

Private company [ ] NGO [ ]

SACCO [ ]

Other (specify) [ ]

…………………………………………………………………………

8. Age of the business:

Below one year [ ] One year [ ]

Two years [ ] Three years [ ]

Over three years [ ]

9. Please specify the type of products / services offered to your customers

i) ……………………………………………………………

ii) ………………………………………………………………………

iii) …………………………………………………………………

iv) …………………………………………………………………

10. How many branches do you have within Nairobi county? ………………………
11. How many customers does your firm have currently? ………………………
12. How many loan products does your firm offer? ……………………………
13. How many active borrowers does your firm have? …………………………
14. Has your firm developed partnership (Strategic Alliances) with other sectors or actors outside the MFI sector? Please specify

    …………………………………………………………………………

PART B

1. In your opinion would you say the management's ability to take risks affects the growth of Microfinance?

   YES [ ] NO [ ]

Kindly tick (√) the appropriate answer indicating the extent to which each of these are used in your organization, **No answers are RIGHT OR WRONG:**

1	**2**	**3**	**4**	**5**
Strongly disagree	**Disagree**	**Not sure**	**Agree**	**Strongly Agree**

		1	**2**	**3**	**4**	**5**
i)	Our firm takes precaution to minimize the probability of making costly decisions when confronted with uncertainty.					
ii)	Our top managers have a tendency to choose high risk projects with chances of very high returns					
iii)	Our top managers have a tendency of choosing low risk projects with normal rates of return					
iv)	Employees of this firm are encouraged to take calculated risks with new ideas.					

2. Our firm continuously monitors past business trends to indentify future customer needs

YES [ ] NO [ ]

If yes, please indicate how the information gathered from past trends inform your organization's anticipation of future demand conditions.

Entrepreneurial orientation statements	**1**	**2**	**3**	**4**	**5**
v) Our firm initiates actions to remain competitive in the market place					
vi) Our firm strives to be an industry pioneer in its operations					
vii) Our firm strives to capture the benefits of being an industry pioneer					
viii) managers / owners believe that employees perform better when they are involved in setting their targets					

3. In your opinion would you say the owner/manager plays a major role in identifying and selecting the business opportunities this firm pursues?

YES [ ] NO [ ]

Entrepreneurial orientation statements	**1**	**2**	**3**	**4**	**5**
ix) Employees have authority and responsibility to act alone if they think it is in the interest of the business in this firm.					
x) Business owner/ manager favors their own original approaches to solving problems					
xi) Owner/ manager involves employees in solving problems					
xii) Employees are given freedom and independence in doing their work without depending on the owner/manager's direction					

Entrepreneurial orientation statements	**1**	**2**	**3**	**4**	**5**
xiii) Our firm designs its own unique new methods of operations to remain competitive					
xiv) Our firm borrows unique approaches used by other firms in the market in seeking to attract and serve customers better					
xv) Our firm is creative in its methods of operations for competitiveness					
xvi) Teams and individual employees pursuing opportunities always obtain approval from their managers before making decisions					

4. In your opinion does your firm take a bold and aggressive approach when competing with other similar firms?

   YES [ ] NO [ ]

Entrepreneurial orientation statements	**1**	**2**	**3**	**4**	**5**
xvii) Our firm always avoids confrontation with the competitors					
xviii) Our firm always faces competitors head on to remain competitive					
xix) Our firm always pioneers its competitors in introducing new services					
xx) Our firm competes intensely in the micro finance sector					

5. Please mention other factors that affect the growth of Microfinance institutions not captured above.

   i) ……………………………………………………………………
   ii) ……………………………………………………………………
   iii) ……………………………………………………………………
   iv) ……………………………………………………………………

PART C:

1. Please help provide the following performance parameters over the past five years

	Number of customers	Number of employees	Number of active borrowers	Number of Branches in Kenya	Number of Branches in Nairobi	Net Profit Before Taxes
2014						
2013						
2012						
2011						
2010						

2. Please indicate the range of your loan products over the last five years

	2014	2013	2012	2011	2010
Number of loan products					

3. Kindly list the loan products currently in your product portfolio

____

____

4. What does your organization do to retain customers to promote chances of repeat sales?

____

____

5. What are they key factors in influencing the performance of your organization?

____

____

6. Does your firm encourage and stimulate the following innovations? Please tick all as applicable

	YES	NO
Technological innovation		
Product innovation		
Market innovation		
administrative innovation		

Thank you for taking your time to give your greatly valued responses

Appendix II: Interview guide

Business Background

1. How long have you been in this organization? ---------------------------------------

2. Have you had experience working in the Microfinance industry before? ---------

3. How many full time employees does your organization have? ---------------------

4. Did you inherit this business from your family or set it up yourself? -------------

5. What type of services does your firm offer? ---

6. Who are your customers? ---

INNOVATIVENESS

OBJECTIVE: To understand the implementation of innovativeness in the firm.

1. Would you say your firm has marketed new products in the past few years? Please give examples.

R………………………………………………………………………………………

2. Would you say that changes in your products lines are major/minor in nature? Give examples

R………………………………………………………………………………………

3. How do you deal with changes in customer preferences?

R………………………………………………………………………………………

4. How do you seek, develop and apply new knowledge?

R………………………………………………………………………………………

5. How do you manage to stay innovative?

R………………………………………………………………………………………

6. How do you find potential customers?

R……………………………………………………………………………………

7. How do you market your products?

R………………………………………………………………………………………

RISK TAKING

OBJECTIVE: To understand the implementation of risk – taking practices in the firm.

1. What kind of uncertainties do you deal with in the micro finance industry?

R………………………………………………………………………………………

2. How do you deal with such uncertainties in your firm?

R……………………………………………………………………………………….

3. Is your firm considered bold? Please explain

R………………………………………………………………………………………

4. What would you do if faced with a high risk project which has a very high return?

R………………………………………………………………………………………

PROACTIVENESS

OBJECTIVE: To understand the implementation of proactiveness in the firm.

1. How do you identify business opportunities?

R………………………………………………………………………………………

2. How do you respond to business opportunities?

R………………………………………………………………………………………

3. Would you say your firm is often the first to introduce new products into the market?

R………………………………………………………………………………………

COMPETITIVE AGGRESSIVENESS

OBJECTIVE: To understand the implementation of competitive aggression in the firm.

1. In most cases do you respond to actions that competitors initiate or do you initiate actions that competitors respond to?

R………………………………………………………………………………………

2. How do you respond to competitors actions?

R………………………………………………………………………………………

3. Do you have a very competitive attitude to undo the competitors posture?

R………………………………………………………………………………………

4. Kindly let me know if there is anything else you would like to add that has not been covered in this interview so far?

i)……………………………………………………………………………………

ii)……………………………………………………………………………………

iii)…………………………………………………………………………………

iv)…………………………………………………………………………………

Appendix III: Entrepreneurial Orientation measurements Scale

Risk taking items

In general, top managers of my firm

have		owing to the nature of the
A strong proclivity for low risk projects	1 2 3 4 5	environment, bold, wide-ranging
Normal and certain rates of return		acts are necessary to achieve the
		firms objectives

When confronted with decision making

Situations involving uncertainity, my

Firm;	1 2 3 4 5	Typically adopts a bold, aggressive
Typically adopts a cautious wait and		posture in order to maximize the
See posture in order to minimize the		probability of exploiting potential
Probability of making costly decisions.		opportunities.

Innovativeness items

In general, top managers of my firm favor:		A strong emphasis on R & D,
A strong emphasis on the marketing of	1 2 3 4 5	technological leadership,
Tried and true products or services		innovations.

How many new lines of products or services

has your firm marketed in the past five years

or since its establishment?

No new lines of products or services 1 2 3 4 5 Very many new lines of product

or services

Changes in product or service line have 1 2 3 4 5 Changes in product or service

been mostly of minor nature lines have usually been quite

dramatic

Proactiveness items

In dealing with its competitors, my firm typically responds to actions which 1 2 3 4 5 Typically initiates actions to which competitors then respond

Competitors initiate

Is very seldom the first business to 1 2 3 4 5 Is very often the first business to

Introduce new product/service, introduce new product/service,

Administrative, operating techniques administrative, operating, technologies. techniques

Typically, seeks to avoid competitive Typically adopts a very

clashes preferring a live and let live 1 2 3 4 5 competitive undo the competitor

posture posture

Competitive aggressiveness items

In dealing with its competitors, my firm

Typically responds to actions which 1 2 3 4 5 Typically initiates actions which

Competitors initiate competitors then respond to

Is very seldom the first business to Is very often the first business to

Introduce new product/service, 1 2 3 4 5 introduce new products/services,

Administrative techniques, administrative techniques, operating technologies operating technologies.

Typically seeks to avoid competitive 1 2 3 4 5 Typically adopts a very

Clashes, preferring a live and let live competitive undo the competitor

posture posture

Autonomy items

My firm

Requires individuals or teams to rely 1 2 3 4 5 Supports the efforts of individuals and

On senior managers to guide their work or teams that work autonomously

In general the top managers of my firm

believe that:

The best results occur when the CEO 1 2 3 4 5 The best results occur when

And top managers provide the primary individuals and/or teams decide for

Impetus for pursuing business opportunities — themselves what business opportunities to pursue

In my firm

Individuals and/or teams pursuing Business opportunities are expected To obtain approval from their superior Before making decisions

1 2 3 4 5

Individuals and/or teams pursuing business opportunities make decisions on their own without constantly referring to superiors

In my firm,

The CEO and top management team Play a major role in identifying and selecting the entrepreneurial opportunities my firm pursues

1 2 3 4 5

employee initiatives and input play a major role in identifying and selecting the entrepreneurial opportunities my firm pursues.

Source: Covin & Slevin (1989)

Appendix IV: Target Population (MFIs in Nairobi)

MFI	CATEGORY	CONTACTS
K-rep Bank Ltd	Bank	Wood avenue/ Hurlingam
Equity Bank Ltd	Bank	Upperhill / Hospital road
Cooperative Bank	Bank	Coop Bank bldng/ Hailesellasie avenue
Kenya Post Office Savings	Bank	Post Bank building /Banda street
Unitas	SACCO	Cardinal Otunga Plaza/Kaunda strt
Vision Fund	Credit only	Karen road, Ngong rd
YEHU	Trust	Buxton, Tom Mboya
Micro Ensure Advisory	Insurance	Parklands plaza
Century	MFB	KK Plaza, New pumwani Road
KWFT	MFB	Kiambere Road, Upperhill
Spring board capital	Credit only	Muranga rd, 1st floor, Kensia hse
Letshego	Credit only	Cape Office park, Ring road
Mespt	DTM	Mespt Plaza, Tausi road
Faulu Kenya	DTM	Ngong lane, off Ngong road
Green land Fedha	Credit only	KTDA Farmers building
Krep Development Agency	Bank	Hurlingham/ Wood avenue
Eclof Kenya	Credit only	Mogotio road, westlands
Uwezo	MFB	Park plaza, Moktar Daddah
Jitegemea credit	Credit only	KCB building, Jogoo road
Sisdo	Retail mfi	Ngong lane, Off Ngong road
Micro Africa Ltd	Retail mfi	Consolidated Bank House, 2nd flr
Opportunity Kenya	Credit only	Geomaps centre, 1st flr, Matumbato rd
Yehu MF Trust	Trust	Buxton, Tom Mboya
ECLOF, Kenya	Credit only	Mogotio road, westlands
Jamii Bora	Bank	Jamii Bora house/ Koinange strt
AAR Credit Scheme	Credit only	Oloitoktok road, Methodist ministry
Jitegee Credit Scheme	Credit only	KCB building/ Jogoo road

Agha Khan Foundation	Trust	Parklands
Pamoja Women Dev. Program	Credit only	Kikinga house / Biashara
Juhudi Kilimo Ltd	Credit only	Priory Place, Argwings kodhek rd.
Rafiki	MFB	Biashara street
Musoni Kenya Ltd	Retail mfi	Cape office park, Ring road.Kilimani
Molyn Credit Ltd	Retail mfi	Urban/rural
Renewable Energy Program	Retail mfi	Urban/rural
Rupia Ltd	Retail mf	View park Towers. 10th flr
Milango Financial	Credit only	Rozina building, Moi Avenue
Remu	MFB	Finance House, Loita strt.
Greenland Fedha Ltd	Credit only	KTDA Farmers house
Youth Initiative (yike)	Credit only	Ngong lane Ngong road
Biashara Factors	Credit only	Oloitoktok road
Platinum Credit Ltd	Credit only	International House
Sumac Credit Ltd	MFB	Consolidated Bank House, Koinange
Samchi Credit	Credit only	Parklands plaza
Spring board capital	Credit only	Upperhill/
Mini savings and loan	Credit only	Moi avenue
Keef (empowerment found)	Retail mfi	Mapa House 3rd Floor
U & i microfinance	Retail mfi	Kenyatta avenue
One africa capital	Retail mfi	Urban/rural
Uwezo ltd	DTM	Park Plaza, Moktar Daddar strt

Appendix V: informed consent

TO MICROFINANCE MANAGEMENT

Dear Sir/ Madam

I am a student at Jomo Kenyatta University of Agriculture and Technology pursuing a doctorate degree in Entrepreneurship. Attached is the introduction letter from the University.

This study is aimed at examining the effect of entrepreneurial orientation dimensions on the growth of microfinance institutions.

There are no risks that may occur as result of you or your employee's participation in the study. The results will benefit the Microfinance industry in the implementation of entrepreneurial orientation.

Kindly note that your participation is on voluntary basis and your time is greatly appreciated. The information obtained will be held in confidence and used for academic purposes only.

Kindly agree to provide the required information.

Yours faithfully,

Appendix VI: Introduction Letter

JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY
DEPARTMENT OF ENTREPRENEURSHIP, TECHNOLOGY,
LEADERSHIP & MANAGEMENT

DATE: 17/11 2015

JKU/34/HD413-0026/2011

To whom it may concern:

Dear Sir/Madam,

RE: PhD RESEARCH PROJECT FOR ALICE WANJIKU WAINAINA

This is to introduce to you **Ms. Wainaina** who is a student pursuing Doctor of Philosophy degree in Entrepreneurship in the Department of Entrepreneurship, Technology, Leadership, and Management in the School of Entrepreneurship, Procurement and Management, College of Human Resource Development at Jomo Kenyatta University of Agriculture and Technology.

The student is currently undertaking a research proposal on: **"The Effect of Entrepreneurial Orientation on the Growth of Micro Finance Institutions Based in Nairobi, Kenya"** in partial fulfilment of the requirement for the programme.

The purpose of this letter is to request you to give the student the necessary support and assistance to enable her obtain the necessary data for the research. Please note that the information given is purely for academic purposes and will be treated with strict confidence.

Thank you.

Yours faithfully,

17 NOV 2015

CHAIRPERSON

Dr. Alice Simiyu
Postgraduate Research Coordinator
Department of Entrepreneurship, Technology, Leadership and Management

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