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Influence of Product Differentiation on the Growth of Micro Finance Institutions in Malindi Sub-County, Kenya

Faith Lumbasi Wakoli[1], Dr. George Wanderi Karanja[2]

[1] School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya
[2] School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya

Abstract: This study sought to examine the influence of product differentiation on the growth of microfinance institutions in Malindi sub-county, Kenya. The study was guided by Diffusion of Innovation Theory. A descriptive research design was employed. The target population of the study included 71 sales and marketing personnel working in MFIs in Malindi sub-county. A census approach was adopted given the small size of the population. Questionnaires were used to collect data. The questionnaires were checked for validity and reliability. Descriptive and inferential statistics were used in data analysis, with the aid of Statistical Package for Social Sciences. Findings were presented with tables. The study found out that market development had significant relationship with the growth of micro finance institutions in Malindi sub-county, Kenya. Findings from the regressions indicated that market development significantly influenced the growth of micro finance institutions in Malindi sub-county, Kenya. Hence, the study concluded that market development had a vital role in determining the growth of micro finance institutions in Malindi sub-county, Kenya. The study recommended that the MFIs should focus on implementing market development strategies to enhance their growth. Hence, enhancing the market development will ensure continued growth of the institutions.

Keywords: Growth of Micro-finance Institutions, Malindi sub-county, Microfinance Institution, Product Differentiation and Strategic management Practices.

I. INTRODUCTION

Organizations thrive in an operating environment that has become more and more competitive as firms strive to outperform each other. In order to remain competitive, firms need to devise strategies that will help them build competitive advantage which they can then seek to sustain. Renewing strategy to achieve strategic success in today's turbulent environment is the top agenda item of management team. This is because during a downturn, managers are overwhelmed by fire fighting and implementing quick tactical measures to ensure survival. However, what truly brings value to the organization is the clarity in strategy to both preserve value for today and renew organizational growth for tomorrow [1].

Strategic management practices contribute to performance by generating relevant information, creating a better understanding of the environment and reducing uncertainty. Organizational performance is determined by the ability of the firm to find its unique position and strategic management practice is the tool to enable the firm acquires that strategic position. Importance of strategic management in the microfinance institutions is validated by its requirement for better performance for the projects the organization engages in [2]. Strategic management affects organization's abilities between strengths and weaknesses and predictions and strengths issues on the setting in which the firm functions. This is geared towards exploiting the production of the initiative and strengthens its management method [3].

The practice of strategic management helps in identification of the organizational function and plan of actions to achieve that purpose. It is all about a set of managerial verdicts and movements which regulate a business initiative long-term performance. Strategic management practices helps in accessing and regulating businesses where the corporation is involved in. It involves evaluation of its aspiration and sets aims and strategies to meeting all prevailing and possible competitors, reassessment of every strategy regularly with a view to determine how it has applied and whether it is thriving or requires additional fresh strategy to meet altered circumstances, fresh technology, new economic environment or fundamental environment [4].

The purpose of microfinance is to improve access to credit for the entrepreneurial poor via innovate lending technologies designed to decrease problems of systematic information. The expectation is that microfinance institutions offering more than one credit product, offer a wide product rage that enables its clients to borrow as per their financial ability. Microfinance institutions just like other organizations needs to adopt strategic management, in order for them to meet their organizational goals and enable the poor to break the cycle of poverty. Micro finance institutions are increasingly emerging as a powerful tool of fighting poverty on a large scale, particularly in developing countries like Kenya where the majority are poor and cannot access credit facilities from commercial banks [5].

Micro-finance institutions are seen as one of the tools that promote poverty alleviation and community development. The microfinance sector is equally faced with numerous challenges impacting negatively on the MFIs growth and sustainability. Even those microfinance programs committed to financial sustainability, they manage to cover only 70 percent of their costs as almost all programs still receive considerable subsidization, especially those focusing on social welfare. Microfinance steps in when the potential client, an individual or an enterprise is not convenient enough for standard lending institutions, being traditionally banks. Not only do microfinance institutions have a mission to fill the gap on the credit market, but by fulfilment of this mission it can provide the initial capital for potential entrepreneurs and businesses that otherwise could not get out of the poverty trap only because of lack of collateral. In this way microfinance helps to reduce the poverty and promotes development by simply offering a chance (by granting a loan) to clients, excluded from the reach of traditional banking services for various possible reasons [6]. As [7] state, policy of MFIs interest rates faces not only positive reactions, but also criticism of two types. On one hand, it is believed by the public that interest rates are set too high and do not reflect the basic social goals of microfinance movement. On the other hand, the prevailing opinion is that the amount of interest rates is inefficiently subsidized from public resources and may disadvantage those MFIs who do not receive it [8].

Strategic management practice is an important catalyst to the growth and success within the organization [8]. Various cross-country studies have attempted to explain the uneven microfinance performances by differences in economic and organizational indicators, such as MFIs' legal status, regulation and corporate governance [9; 10 & 11]. More recently, microfinance studies also started to take the impact of formal institutional arrangements into account. These studies suggest that MFIs may perform better in countries where the traditional financial system is underdeveloped [12] and where formal institutions are weak [13].

In an industry where most companies offering a similar product, the differentiation which will be created by core competencies and competitive advantage will be critical in profitability and success. The nexus between DTMIs' loan service outreach to the poor and their institutional financial viability invites intensified scholarly debate on the approaches that DTMIs, donors, and governments are advised to follow to promote financial inclusion [14]. The debate is predominantly between the proponents of the self-sustainability approach (also called the financial systems approach or the institutionalism approach) and the poverty lending approach (also called the welfarist approach). The source of the controversy is whether DTMIs could continue targeting the poor while

1.1 Global Perspectives on Strategic Practices and Growth of Micro Finance Institutions

Strategic management is an ongoing process that evaluates and controls the business and its industry, to assess the competitors and set goals and strategies to meet all existing and potential competitors, and then reassess each strategy to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy. Proper strategic management practices (SMP) enable the organization to avoid a mismatch with the environment, it provides a link between an organization and its environment and must be consistent with the goals, values, the external environment, resources, organizational structures and systems [15].

Microfinance or Microcredit is not a new phenomenon as it is widely portrayed to be. Microfinance or Microcredit can be traced as far back as the 18th Century, when Jonathan Swift established the Irish Loan Fund System with the aim of providing loans to poor farmers who had no collateral and otherwise were unable to get loans [16]. Through this Irish Loan Fund System, 20% of Irish households and farmers were able to get small loans. This was followed by Friedrich Wilhelm Raiffeisen in the mid-19th century, who developed the financial Cooperative in Germany and which later spread to the rest of Europe [16].

In Bangladesh, Microfinance was started in 1976 by Mohammed Yunus when he started microfinance scheme as part of an experiment in the rural areas. The scheme later became the Grameen Bank which has created the way for many microfinance banks and institution all over the world. Mohammed Yunus was awarded the Nobel Peace Prize for these efforts of trying to eliminate poverty through the use of microfinance [17]. The experiment done by Yunus evolved into the Grameen Bank which became the first microfinance institution in the world. Their operation popularized a system of group lending, where loans were given to individual members of homogeneous groups, then members of the group would guarantee each other. The members would not get any further credit if any member defaulted in payment. This

in turn created the incentive to pay the loans that were issued. The loans did not have any collateral so they became very popular among the people without anything to use as collateral. This microfinance model began to spread globally, especially in developing countries [18].

A number of scholars such as Armstrong [19] and [20], argue that businesses that create competitive advantage usually experience higher profitability and are more successful. However, not all firms would make similar successes in individual markets. As a result, businesses must adopt strategies to enable them keep afloat and attain their desired goals of growth and development [21]. In USA, [22] posited that government agencies adopt strategic planning because of government initiatives, others adopt it for several reasons including the need and desire to set policy and define program direction, emulate good business practices, respond to public demands and pressures to reduce expenditures, and as a symbol of personal leadership. Others adopt it because of their need to resolve competing agency resource allocation priorities and tie performance to resource allocation.

Market development strategy is a declaration of intent that provides the strategic direction of a firm's competitiveness [23]. This strategy according to Ansoff can be achieved through market segmentation and penetration into new geographical markets. Market development involves market penetration, market segmentation, and market diversification practices involves focusing on selling existing products into existing markets to gain a higher market share. The strategy also involves selling more to current consumers and to new customers who can be thought of as being in the same market place. Market development would be achieved through price adjustment strategy that aims at increasing sales; augmented promotion which is a tool for increasing brand awareness; distribution channels strategy which involves opening of new distribution channels like telemarketing, e-mail marketing and online marketing. Such opening of new distribution channels lead to increased market space and overall profitability and enhances competitiveness of the firms' offerings [24].

1.2 Regional Perspectives on Strategic Practices and Growth of Micro-Finance Institutions

Strategic management practices contribute to performance by generating relevant information, creating a better understanding of the environment and reducing uncertainty. Organizational performance is determined by the ability of the firm to find its unique position and strategic management practice is the tool to enable the firm to acquire that strategic position. [25] investigated the impact of strategic management on organizational growth and development of selected manufacturing firms in Anambra State. Results from the analysis indicated that strategic management was not common among the manufacturing firms in Anambra State but its adoption had significant effect on competitiveness and influences on manufacturing firms.

The impact of strategic planning on organizational performance and survival of First bank of Nigeria, the study evaluated the planning-performance relationship in organization and the extent to which strategic planning affected performance of First Bank of Nigeria. The findings indicated that planning enhances better organizational performance, which in the long term impacts its survival [26]. Businesses, according to [27] that fail to drive good planning practices and tools forward, will not only stay bound by slow, stovepipe planning processes, but also find it difficult to compete in good conditions. The survival-base theory also calls for every business manager to keep in mind the need to be strategic if they do not want their organizations to be crushed by competitors. Strategy is about achieving competitive advantage through being uniquely different in your industry [28]. It is no longer competing for product leadership, rather competing in core competence leadership [29]. He further argues that defining core competences amid the formulation of strategies is intentionally to attain sustainable competitive advantages [29].

However, [28] asserts that owners and managers of SMEs in Nigeria are poorly aware of the contribution of strategic management practice to the success of their organization and the way in which it can be undertaken. The authors examined the impact of strategic management on the performance of SMEs in four states-Lagos, Ogun, Osun and Oyo State and found that strategic management practices were found to significantly assist SMEs in increasing their sales and improving on their profits levels. They went further to explain that though most firms are still making use of short term methods and outdated evaluation techniques, the adoption of strategic management practices empowers the mobilization of a firm's assets towards a desire future position in the marketplace.

Similarly, carrying out a study on the strategic management practice and corporate performance of selected small business enterprises in Lagos metropolis, [30] established the enhancing effect of strategic management practices on both the profitability and market shares of SMEs. Similarly, using a case study of SMEs in Botswana, [31] did attest that these SMEs level of engagement in strategic planning is limited. Most of their plans are informal and undocumented; for instance, only 44.4% had all three components of strategic planning-vision and mission and long term objectives while 55.6% either had one or two of the components only. Lack of knowledge of the planning process with the size of the business was some of the factors identified to have prevented them from engaging in strategic planning activities.

1.3 Local Perspectives on the Growth of Micro Finance Institutions
A strategic management practice is the link between an organization and the external environment thus enabling the organization to position itself in a chosen market, compete successfully, please customers and realize good business performance. Strategic management therefore encompasses strategic planning, direction setting for the organization as a whole, and the formulation, implementation and evaluation of specific organization strategies. The organizational strategies reflect the actual pattern of choices and actions made in guiding the organization through time [32].
A study on the effects of strategic management practices on the performance of public health institutions in Kisii County, Kenya and found out that technology creates innovation leading to product quality and high value of the company's offerings hence competitiveness. Strategic drivers of competitiveness both locally and globally therefore are closely linked to specific strategies that maximize organizational performance. In connection to the aforementioned observations, this study focused on the influence of strategic management practices on competitiveness of Kenyan tea which includes market and product development, strategic planning and strategic alliances [33].
Strategic management is of critical importance to the performance and growth of the commercial enterprises such as Small Scale Enterprises [34]. The strategic management sets the direction of the firm enabling the organization to meet its financial and non-financial objectives, it enables the company to become competitive through response to market demands, and acts to respond to changing customer's demands and technology [35]. According to [36] strategic management practices also enables the Small Scale Enterprises to bring innovation to company which is needed for competition. Small scale enterprises sector is also characterized by unpredictable and rapid change, which increases uncertainty for individuals and firms operating within them. This requires strategic management practices in order to continuously deal with the changing environment. The strategic management practices also leads to prudent usage of resources in organizations. The strategic management assists in planning on adequate acquisition and usage of resources in a cost efficient manner and with the optimum level of output. Small Scale Enterprises benefit through the development, articulation and sustenance of the organization and its mission hence giving it a sense of purpose, direction and focus and enables an organization to adapt under conditions of externally imposed stress or crisis [37].
MFI penetration is still extremely low for both rural and urban areas of [38]. The majority of people living in rural areas have absolutely no access to formal financial services. For MFIs to achieve maximum impact in these underserved areas, they need to be able to provide a complete set of financial services to a large number of clients. To do this, they need to reach scale and become a fully regulated financial institution. Among other things, this means MFIs need to have a streamlined and efficient operations system, an appropriate governance structure, and a highly qualified Board of Directors and management team. Combined with overcoming the logistical obstacles that exist with serving primarily rural populations, this is no small feat for MFIs operating in Kenya. MFIs endeavouring to become regulated and reach scale will require strong strategic leadership and an actionable strategic plan to guide them through the myriad of challenges associated with rapid growth [38].

II. STATEMENT OF THE PROBLEM

A report by financial access household survey (2016) indicated that the growth of Microfinance institutions had slowed down for eight years beginning from 2009 to 2016. From the report it is reported that between 2006 and 2016, microfinance institutions improved their growth from 1.7% to 3.5% which is a very negligible improvement in comparison to other financial services providers. The bank supervision report for 2015 reported that there were 3 large microfinance banks with an aggregate market share of 92.26 per cent, One (1) medium microfinance bank with a market share of 3.79 per cent and 8 small microfinance banks with a market share of 3.95 per cent.
Microfinance banks in medium peer group experienced a drop in their combined market share from 5.09 per cent in December 2014 to 3.79 per cent in December 2015 due to the exit of REMU Microfinance Bank which moved to the small peer group. From the reports, small microfinance institutions are finding it difficult to thrive and grow into large financial institutions. Hence there is need to examine the strategic practices that can be employed by the MFIs to enhance their growth and sustainability. Organizations that correctly apply competitive strategies tend to have higher performance and growth. Various studies on the impact of microfinance have been carried out in different parts of the world, but researchers have differed on their conclusions [39]. A study by [40] indicated that there is no clear-cut conclusion on whether microfinance achieves its objectives all the time. This study sought to examine the strategic practices influencing the growth of micro-finance institutions in Malindi sub-county, Kenya.

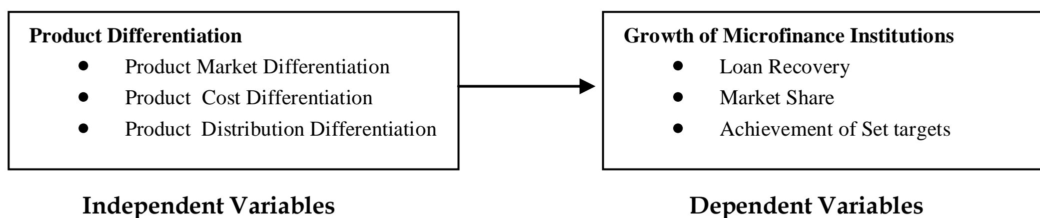
III. OBJECTIVES OF THE STUDY

The study sought to examine the influence of product differentiation on the growth of microfinance institutions in Malindi sub-county, Kenya.

IV. HYPOTHESIS OF THE STUDY

Product differentiation does not significantly influence the growth of microfinance institutions in Malindi sub-county, Kenya.

V. CONCEPTUAL FRAMEWORK



Independent Variables **Dependent Variables**

Fig 1. Conceptual Framework

VI. THEORETICAL FRAMEWORK

6.1 Diffusion of Innovation Theory

Even though the Ansoff growth strategy helps companies come up with new products and new target markets, research however shows that consumers differ in how quickly they decide to adopt (buy) a product after they are introduced in the market. A relevant theoretical approach that responds to this weakness is that of Everett Rogers called Diffusion of innovation [41]. Everett M. Rogers' theory on Diffusion of Innovation, explores what type of person adopts products at different stages of the product life cycle. Under Rogers' Diffusion of Innovation, a product will encounter five types of purchasers as it moves through its life cycle. There is need to link growth strategy and diffusion of innovation phenomenon. Diffusion of innovations is a theory [41] that seeks to explain how, why, and at what rate new ideas and technology spread through cultures. In the book Diffusion of Innovations, Rogers suggests a total of five categories of adopters in order to standardize the usage of adopter categories in diffusion research. The adoption of an innovation follows an S curve when plotted over a length of time. Rogers argues that diffusion is the process by which an innovation is communicated through certain channels over time among the participants in a social system.

The categories of adopters include innovators, early adopters, early majority, late majority and laggards; Innovators are willing to take risks, have the highest social status, have financial liquidity, are social and have closest contact to scientific sources and interaction with other innovators. Their risk tolerance allows them to adopt technologies that may ultimately fail. Financial resources help absorb these failures. The early adopters are individuals who have the highest degree of opinion leadership among the adopter categories. Early adopters have a higher social status, financial liquidity, advanced education and are more socially forward than late adopters. They are more discreet in adoption choices than innovators. They use judicious choice of adoption to help them maintain a central communication position. The Early Majority adopt an innovation after a varying degree of time that is significantly longer than the innovators and early adopters. Early Majority have above average social status, contact with early adopters and seldom hold positions of opinion leadership in a system [42].

The Late Majority adapt to an innovation after the average participant. These individuals approach an innovation with a high degree of skepticism and after the majority of society has adopted the innovation. Late Majority are typically skeptical about an innovation, have below average social status, and little financial liquidity, in contact with others in late majority and early majority and little opinion leadership. The Laggards are the last to adopt an innovation. Unlike some of the previous categories, individuals in this category show little to no opinion leadership. These individuals typically have an aversion to change-agents. Laggards typically tend to be focused on traditions, lowest social status, lowest financial liquidity, oldest among adopters, and in contact with only family and close friends [40]. The Diffusion of innovation theory therefore is useful in understanding the concept of market adoption characteristics which is seen as the link between product development strategy and firm performance.

VII. EMPRICAL REVIEW

7.1 Product Differentiation and the Growth of Microfinance Institutions

MFIs have used product differentiation strategies as their key so as to survive competition and ensure sustainability. The achievement of competitive advantage is not always permanent or even long lasting. Sustainable competitive advantage enables the financial institutions including Deposit Taking Microfinance Institutions to continue offering valuable, rare, inimitable, and non-substitutable financial services to the market where its competitors are unable to duplicate the benefits of the financial firm's strategy. The primary objective of a differentiation strategy as a management tool is important to the performance of the firm, and achieving a performance advantage through strategic initiatives is increasingly important [43].

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Firms that succeed in a differentiation strategy often have critical internal strengths: Access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation [44].

A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. These could include patents or other intellectual property, unique technical expertise, talented personnel, or innovative processes. Successful brand management also results in perceived uniqueness even when the physical product is the same as competitors [45]. Businesses also face a very competitive environment due to globalization process and new technologies. In this environment, they need a full range of products that solves their financial problems. They also need consultancy services from MFIs, which includes a plan for business start-up, the overall financial, business operations and management. MFIs assist SMEs to adapt to these environmental changes by developing core competencies in various areas which include automation, distribution, marketing, credit policy and management [46]. MFIs can assist the SMEs in implementing advanced technology to achieve high efficiency and cost effectiveness. The MFIs assist the SMEs distribution channels to meet their needs, as well as marketing to create an efficient market selling culture, improvement of credit scoring and rating tools as well as in helping the top management have a clear vision for the future of the business [47].

In Kenya, Equity bank was able to penetrate into the market due to its differentiated customer service and targeting middle and low class group. Banks before were considered to be for the rich and mostly employed people. The banks services were considered the best when it entered the market and thus the bank has up to date created an image in the market as the big bank that gives quality service to its customers. The only thing that made it different from other banks is its differentiated customer service which up to date its competitive advantage [48].

7.2 Growth of Microfinance Institutions

The emergence of microfinance institutions in most of developing countries is aimed at enabling poor household to obtain finance to inject to their investment opportunities This has helped the poor households to raise their economic well-being as it has enabled them to reduce income fluctuations, protect them against risks and increase their productive opportunities as the credit obtained has helped the majority who had no work to do to became self-employed by drawing on that money to invest in their entrepreneurial activities [45].

Growth of Microfinance in most countries especially Kenya has been a challenge which is contrary to their vision on creation and more so their goals and that of the firm which is profit maximization that only comes true through various aspects of growth. MFS in Kenya have the potential of growth. The ratio of gross loans however increased from 5.2 per cent in December 2013 to 5.6 per cent in December 2014, leverage/gearing ratios increased by 32.4 per cent to Kshs. 108.3 billion in December 2014 from Ksh. 81.8 billion in December 2013 which affected growth of microfinance banks in Kenya. Growth of private sector credit in Kenya is impeded among other factors, by efficiency. The costs incurred by micro finance banks to mobilize deposits are spread over a smaller number of borrowers, which contributes to the higher cost of credit [49].

The growth of MFIs faces big challenges which retard them from fighting against poverty. The MFIs faces problems such as poor management, frauds, inadequate capital, business misconduct and non- performing loans. These challenges and many others may be a cause for poor MFIs growth [50]. Today Microfinance Institutions are seeking financial sustainability. They are restructured in order to achieve financial sustainability and finance their growth. It embraces generating sufficient profit to cover expenses, even those less obvious subsidies, such as loans made in hard currency with repayment in local currency [51]. According to [52], financial sustainability of MFI is probably the key dimension of the MFI sustainability and performance. It is the dimension which keeps the institution keep on going towards the microfinance objective without continuing donor support. This can be attained through efficient and vibrant self operations which ensure profit making enough to cover costs.

A few examinations have recognized a few factors that impact the growth and sustainability of microfinance institutions. The financial companies need stability in financial operation to smoothly operate [53]. While microfinance institutions need to generate funds by keeping in mind the end goal is to reserve funds for survival. Moreover, Microfinance institutions need to minimize operating expenses to become more efficient [54]. The microfinance institutions performance and growth is increased when lower interest rate is charged [55]. The growth and development

of microfinance institutions also depends on political condition of the country. The political pressure to accommodate more creditors and overstaffing in Asian countries leads to the inefficiency of MFI's. MFI's usually charge higher interest rate as compare to commercial banks caused hindrance in poverty alleviation. The higher interest rate often increases the risk of non-performing loans. The unstable political condition leads to inconsistent policies which ultimately affects the performance of microfinance institutions [56]

VIII. RESEARCH METHODOLOGY

The study used descriptive research design. The target population of this study included the marketing and sales personnel in micro finance institutions in Malindi town. There are 14 microfinance institutions with a total of 71 sales and marketing personnel. Since the targeted population was small, the study adopted a census where all the marketing and sales personnel in all the micro-finance institutions were included in the study. Questionnaires were used to collect data. Questionnaires were tested for validity and reliability. Data obtained through questionnaire was validated, edited and then coded. The returned questionnaires were scrutinized to determine correctness and accuracy of responses. Descriptive and inferential statistics were used in data analysis, with the aid of Statistical Package for Social Sciences (SPSS) IBM software. Descriptive statistics included the frequencies and percentages, mean and standard deviations while inferential statistics was in form of correlation analysis and multiple regression analysis. The findings of the study were presented in form of statistical tables.

IX. FINDINGS AND ANALYSIS

The number of questionnaires that were distributed to the respondents were 71 where 58 of them were appropriately completed and returned from the marketing and sales personnel in micro finance institutions in Malindi town. This represented an overall successful response rate of 81.7%. According to [57], any response rate that is 50% or more is satisfactory. [58] also proclaimed that response rate of 50% is suitable to investigate and publish, 60% is good whereas 70% is very good. Therefore, a response rate of 81.7% was characterized as very good.

9.1 Descriptive statistics

9.1.1 Product Differentiation Descriptive Statistics

Descriptive statistics regarding product differentiation were established. The findings were as presented in table 1.

TABLE 1: Descriptive Statistics on Product Differentiation

	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev.
Product differentiations adopted by our MFI enables us to offer integrated financial services	29.3	65.5	3.4	0.0	1.7	4.21	.669
Offering of different products to different segments of the market increases our micro finance institutions' performance	24.1	67.2	6.9	1.7	0.0	4.14	.605
Our Micro finance institution has designed their financial services at a lower cost to their customers	19.0	50.0	10.3	19.0	1.7	3.66	1.052
Low cost has led to quality financial products	19.0	56.9	19.0	5.2	0.0	3.90	.765
Products offered by our MFI at different prices are embedded in the collective knowledge of the staffs	27.6	53.4	5.2	1.7	12.1	3.83	1.216
Our MFI uses distribution channels to meet their needs as well as marketing to create an efficient market selling culture	37.9	53.4	3.4	0.0	5.2	4.19	.926
Valid N (listwise)	58						

Results from descriptive analysis indicate that majority of the respondents comprising of 94.8% agreed that product differentiations adopted by their MFI enables them to offer integrated financial services. This assertion attracted a mean of 4.21 and a standard deviation of .669. Further, responses on whether offering of different products to different segments of the market increases micro finance institutions' performance, 91.3% of the respondents agreed with a mean of 4.14 and a standard deviation of .605. In addition, 69.0% of the respondents were found to have agreed (M=3.66, SD= 1.052) that their micro finance institution has designed their financial services at a lower cost to their customers. A mean of 3.90 and a standard deviation of .765 were registered where 56.9% of the respondents agreed while 19.0% of them strongly agreed that low cost has led to quality financial products. Additionally, on whether products offered by their MFI at different prices are embedded in the collective knowledge of the staffs, the researcher established that 81% of the respondents agreed with the notion. This aspect had a mean of 3.83, and a standard deviation of 1.216. They also agreed

that their MFI uses distribution channels to meet their needs as well as marketing to create an efficient market selling culture. 53.4% of the respondents agreed while 37.9% of them strongly agreed registering a mean of 4.19 and a standard deviation of .926.

9.1.2 Growth of Micro Finance Institutions Descriptive Statistic Results

The study went further to establish the views of the respondents in regard to the growth of micro finance institutions in Malindi sub-county, Kenya. The percentages, means and standard deviations of the responses were established to aid in making inferences. The findings from the analysis were as presented in Table 2.

TABLE 2: Descriptive Statistics on Growth of Micro Finance Institutions

	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev
Our MFI generate sufficient profit to cover expenditure targets and finance their growth	63.8	36.2	0.0	0.0	0.0	4.64	.485
Due to low interest rates of our MFI loans, we have achieved a huge market share	32.8	36.2	10.3	19.0	1.7	3.79	1.151
Growth of our MFI has been enhanced by our superb management and non-performing loans	20.7	31.0	19.0	25.9	3.4	3.40	1.184
Regular repayment of loans by the client has reduced the level of non-performing loans in our MFI	46.6	39.7	6.9	3.4	3.4	4.22	.974
Our MFI has been able to meet its performance targets over its period of operation	56.9	34.5	3.4	3.4	1.7	4.41	.859
Setting of performance of targets has been key on the growth of our MFI	74.1	20.7	1.7	1.7	1.7	4.64	.765
Valid N (listwise)	58						

From the analysis findings established that all of the respondents agreed that their MFI generate sufficient profit to cover expenditure targets and finance their growth. This recorded a mean of 4.64 and a standard deviation of .485. Further, 69% of the respondents strongly and/or agreed that due to low interest rates of MFIs loans, they have achieved a huge market share registering a mean of 3.79 and a standard deviation of 1.151. On whether growth of MFIs has been enhanced by superb management and non-performing loans, it was established that 51.7% of the respondents agreed with a mean of 3.40 and a standard deviation of 1.184. Additionally, 46.6% of the respondents strongly agreed while 39.7% of them agreed that regular repayment of loans by the client has reduced the level of non-performing loans in MFIs. This aspect had a mean of 4.22 and a standard deviation of .974. Respondents agreed (M=4.41, SD=.859) that their MFI have been able to meet their performance targets over their period of operation. 56.9% of the respondents strongly agreed while 34.5% of them agreed. Finally, 74.1% and 20.7% of the respondents strongly agreed and agreed respectively that setting of performance of targets has been key on the growth of their MFI. This assertion had a mean of 4.64 and a standard deviation of .765.

9.2 Correlation Analysis

9.2.1 Product Differentiation on Growth of Micro Finance Institutions

The researcher correlated product differentiation on growth of Micro Finance Institutions. The results of the analysis were computed into table 3.

TABLE 3: ***Correlations of product differentiation on growth of Micro Finance Institutions***

		Product Differentiation
Growth of Micro Finance Institutions	Pearson Correlation	.468**
	Sig. (2-tailed)	.000
	N	58

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations analysis established that there was a relatively weak but positive significant (r =.468, p=.000) relationship between product differentiation and the growth of micro finance institutions. This indicates that a slight change in product differentiation causes a change in growth of MFIs in the same direction. This means that product differentiation plays an important role in the growth of MFIs in Malindi sub county, Kenya. The findings were congruent with the findings of [43] who examined the effects of differentiation strategy on sales performance and established that product differentiation strategy has a positive correlation with firm performance. MFIs have used product differentiation strategies as their key so as to survive competition and ensure sustainability. The primary objective of a differentiation strategy as a management tool is important to the performance of the firm, and achieving a performance advantage through strategic initiatives is increasingly important [43].

9.3 Hypothesis Testing

The study utilized simple regression analysis to test individual contribution of the independent variable to the dependent variable as well as to test the hypothesis.

The hypothesis $\mathbf{H_{01}}$ stated that product differentiation does not significantly influence the growth of microfinance institutions in Malindi sub-county, Kenya. Simple regression analysis on this hypothesis gave the following results.

TABLE 4: Model Summary on Product Differentiation and Growth of Microfinance Institutions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.468[a]	.219	.206	.20157

a. Predictors: (Constant), Product Differentiation

From the model summary, an R-Square value of .219 was calculated. This means that product differentiation could account for up to 21.9% of the total variance on growth of microfinance institutions while the remaining 78.1% of the total variance could be explained by other factors that have not been covered in this model.

TABLE 5: ANOVA[b] on product differentiation and growth of microfinance institutions

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	161.377	1	161.377	15.744	.000[a]
	Residual	574.002	56	10.250		
	Total	735.379	57			

a. Predictors: (Constant), Product Differentiation

b. Dependent Variable: Growth of Micro Finance Institutions

From the ANOVA findings above, an F-statistics value of 15.744 was established with p-value of .000. The value was therefore significant at $p<.05$. Hence, product differentiation was found to have a significant contribution to the growth of microfinance institutions in Malindi sub-county, Kenya. Therefore, the hypothesis $\mathbf{H_{04}}$ that product differentiation has no statistically significant influence on the growth of microfinance institutions in Malindi sub-county, Kenya was rejected. The study concluded that product differentiation has significant influence on the growth of microfinance institutions in Malindi sub-county, Kenya. According to [43] the primary objective of a differentiation strategy as a management tool is important to the performance of the firm, and achieving a performance advantage through strategic initiatives is increasingly important.

CONCLUSIONS

The study found out that product differentiation had a positive significant influence on the growth of micro finance institutions. Product differentiation had a vital role in determining the growth of micro finance institutions. MFIs can use product differentiation strategies in order to survive competition and ensure sustainability through offering services that are unique and are valued by the customer. Thus, the researcher concluded that product differentiation had a crucial role in determining the growth of micro finance institutions in Malindi sub-county, Kenya.

The study recommended that the MFIs should explore the various ways they can differentiate their products to have a customer appeal with their products. This will be based on price sensitivity of the clients, the uniqueness of the institutions resources and the prevailing demands of the products. Findings demonstrated that product differently is

significantly related to MFIs growth. Regression analysis showed that product differentiation significantly influences the growth of MFIs. Therefore, enhancing product differentiation would go along way in enhancing MFIs growth.

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