

MODERATING EFFECT OF COMPETITION ON RELATIONSHIP BETWEEN MARKETING PRACTICE AND PERFORMANCE OF MICROFINANCE INSTITUTIONS IN NIGERIA

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Abstract

This paper investigates the moderating effect of competition on the relationship between marketing practices and performance of microfinance institution from the Nigerian context. The paper uses structural questionnaires, to collect data from 121 MFIs. The findings reveal that competition moderates the relationship between marketing practice and performance of MFIs. The result demonstrates that the performance of MFIs is influence by not only the marketing but also considering the competitions in the industry. The general findings of this study indicate that strategic management is relevant and applicable to MFIs and consequently can influence the performance of MFIs.

Keywords: Marketing, Competition, MFIs, Performance.

Introduction

The need for organizations to know the competition as well as develop strategy to survive in the market has been given much attention. In order to compete, in a particular industry, organizations would need to identify the five forces and also determine the intensity of each of the forces. Each of the five forces can influence the level of the competition in the market and the organizations operating in the market in different ways.

organizations need to develop their capabilities to cope with changes occurring in their business environment. In order to cope with dynamic, competitive or complex environments, organizations seek more specific information as well as change their organizational structure. In addition, an organization is required to revise their strategy development process so that they are able match their business strategy with their organizational structure as well as their competitors.

Moreover, findings of the past studies by , and have also suggested that competition has moderating effect on organizational performance. Although previous research provides evidence that environment has moderating effect on organizational performance, the moderating effect that environment has on MFIs remain largely unexplored.

In the context of MFIs, most of the past studies focused on internal factors such as governance, ICT, ownership and capital structure without giving serious research attention on the external environmental forces such as competition . Organizations that ignore their external factors, in particular competition, will affect its chances of survival. More specifically, the contingency perspective suggests the need for organizations to adapt their internal operations to the conditions that exist in their external business environment . Preceding literature shows the performance of MFIs have failed to the acknowledge the influence competition on relationship between marketing practice and performance. Therefore, this establishes research gaps for further study.

Literature Review

Organisations need to develop, manage and leverage their marketing practices. Marketing practices can help organisation to achieve superior performance when competing with their rivals. As organizations that provide products and services, MFIs need to adopt marketing practices that will enable them to respond to the changing needs and expectations of their various stakeholders . *Literature* indicates marketing practices are linked to organizational performance. *As an important business practice, marketing has been identified as one of the determinants of organizational performance. Past findings indicated that marketing practices have a positive effect on the performance of organizations .*

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

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

A more recent study by also suggests a positive relationship between marketing practices and organizational performance. The results of the study revealed that a better application of marketing practices among organizations resulted in more superior organizational performance. The other recent study by also indicated significant positive significant between marketing practices and organizational performance. Furthermore, the findings of the study show that the banking business in Nigeria specifically needs relationship marketing to help them manage and leverage their competitiveness.

Even though, *marketing is considered as an important business practice that can affect*

the performance of organizations, there has not been much research focus on the marketing practices adopted by MFIs in Nigeria .

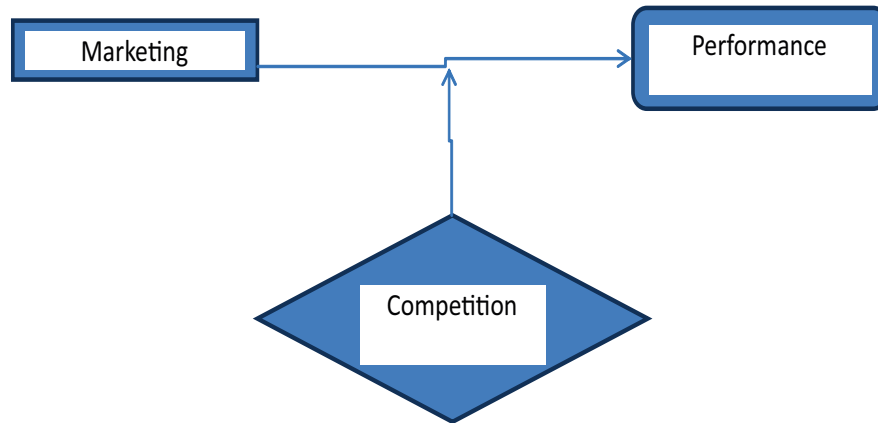


Figure 1 : The research Model

Research Methodology

The populations of this study is all the 872 MFIs in Nigeria and this study consider all the MFIs as the sample firms as its unit of analysis. According to the Central Bank of Nigeria (CBN) Directory, These MFIs are currently 872 in Nigeria. The 872 MFIs are located in 37 states of Nigeria. The MFIs ownership involved are; the Community Bank MFIs, the Private MFIs, the Government MFIs, the NGO MFIs, and the Foreign MFIs. The data for this study was collected through structural questionnaires. The structured questionnaires were addressed to the Managing Director/CEO, General Managers and Senior Managers of the MFIs as the respondents. However, of the 872 MFIs, only 121 completed and returned the questionnaires.

The structured questionnaire used in this study comprised three sections. In the first section, nine items were used to generate information regarding the background of the respondent. The 35 items in section two attempted to collect information regarding the features of the MFIs. Section three has 113 items that focuses on the management practices of the MFIs. This study used the Least Squares Structural Modeling (PLS-SEM) to analyze the data collected as well as to test the hypotheses of the study. The first part of the data analysis involved descriptive statistics. This involves determining the percentages, means, modes, standard deviations, minimum and maximum value of the items used in collecting the data for the study. In the second part, the partial least squares (PLS) regression modeling was used for testing the research hypotheses. The PLS analyses used in this study involves the assessment of measurement as well as the structural models. The following section briefly describes the statistical procedures used in this study.

The Results

Marketing, Competition and Performance

Table below presents the regression results between the Marketing, competition and the performance of the 121 MFIs that participated in the study. The results indicate that there were positive significant relationship between business practices and the performance. Specifically, the correlations between marketing, competition and the performance of MFIs. The results ranged from ($\hat{\alpha} = 0.81, t = 8.1, p < 0.000$).

Table 1
Regression between strategic Marketing and Performance

Hypothesis	Beta	Standard Error	T-Statistics	P-Value	Decision
H: Mrk, Com -> P	0.90	0.12	4.1***	0.000	Supported

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

The result of the regression analysis appears to provide some support for the hypothesis that the greater the application of the practice of Marketing the high will be the performance of the MFIs.

As far as Marketing is concerned, the results suggest the MFIs in the study emphasized on this business practice. As shown in Table 2, the results indicated that 92.0 percent (mean score of 3.82 and standard deviation of 0.57) of the 121 MFIs at least given some attention to the Marketing in their institutions.

This paper examines the influence of competition on relationship between Marketing and performance of MFIs. At general level, the results of the correlation analyses as presented in table 1 indicates significant positive relationship between marketing practice and performance of MFIs. The result provides empirical evidence that suggest competition moderate the relationship exists between marketing practice and the performance of MFIs. The findings of this study concur with the previous studies that suggests competition moderate the relationship between marketing practice and performance of MFIs. This study offers implications for owners and managers of MFIs. The study is able to demonstrate that competition has influence on marketing and the performance of MFIs. The conclusions of this study suggest that competition to a certain extent influence the performance of MFIs in Nigeria. Notwithstanding these conclusions which are based on one study, the findings should be regarded as only suggestive. More empirical research is therefore needed and will be particularly useful in providing more empirical evidence to support the theory that strategic management can help improve the performance of MFIs, specifically the MFIs operating in the financial industry in Nigeria.

The conclusions of this study suggest that marketing practices and competition to a certain extent influence the performance of MFIs in Nigeria. Notwithstanding these

conclusions which are based on one study, the findings should be regarded as only suggestive. More empirical research is therefore needed and will be particularly useful in providing more empirical evidence to support the theory that environment can help improve the performance of MFIs, specifically the MFIs operating in the financial industry in Nigeria. For instance, it is important to note that the business strategy observed in this study may not necessarily prevail among all the MFIs in the financial industry in Nigeria. This is because the MFIs evolve through different stages of development. Therefore, there is a need then to investigate at MFIs at their different level of development. Like other organizations, MFIs at different stage of development tend to adopt different marketing practices as well as business strategy. By doing so, more comprehensive theory and understanding of MFIs can be developed. This is particularly important in the Nigerian context, where very few studies have focused on examining the performance of MFIs at different stages of development.

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