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# BALANCED SCORE CARD AND COMPETITIVENESS OF MICROFINANCE INSTITUTIONS IN KENYA

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***Abstract:*** **The aim of this study was to establish the impact of balanced scorecard on the competitiveness of micro-finance institutions in Kenya. The study explored the competitiveness of microfinance institutions in Kenya through the lenses of the four perspectives of the balanced scorecard, that is, internal business processes, financial, growth and learning as well as Customer focus. A descriptive research design was used while the target population comprised of the 48 registered Micro-Finance Institutions in Kenya. The sample size was drawn from the senior management in these Micro-Finance Institutions comprising of finance managers, branch managers, customer relationship managers and operations managers making a total of 192 respondents. A structured questionnaire was used to collect the primary data for the study. The collected primary data was analysed using descriptive and inferential statistics through SPSS. The findings revealed that financial perspective, organizational learning, internal business process and customer focus had a significant influence on the competitiveness of Micro-Finance Institutions in Kenya. It was concluded that through financial perspective, the MFIs would enhance their financial capability to run their operations. Internal business process would enhance the ability of the MFIs to have a smooth efficient operational framework for continued competitiveness. Organizational learning was concluded to be essential in promoting knowledge sharing and ability to solve problems in the MFIs, while customer focus is essential in bringing the customers closer to the MFIs and helping the institutions understand and meet their needs. The study recommended that there is need for the management of the MFIs in Kenya to embrace financial perspective; organizational learning, internal business process and customer focus as balanced scorecard aspects to stir competitiveness.**

***Keywords:*** **Balanced Scorecard, Firm Competitiveness, Micro-Finance Institutions.**

## 1. INTRODUCTION

### 1.1 Background of the Study

One of the major components of strategic management is the Balanced Scorecard (BSC). This is a management tool that tracks the effectiveness of the strategic management decision and the ability of these decisions to enhance firm performance. It ensures that the firm has a tracking framework to ensure the decisions made and adopted strategies are properly implemented (Sislian & Jaegler, 2020). The main role of BSC is to ensure that the formulated strategies are put into action, and that they do not just remain a plan. This is generally a strategic process that is aimed at seeing the firm benefit from its formulated strategies, thus gaining a competitive edge. Dimitropoulos, Kosmas, and Douvis (2017) define BSC as a framework that enables the top management in a given organization to clearly monitor and give unbiased guidance on which way to follow to have the strategies implemented successfully for continued growth and performance. Praptomo (2017) supports this by arguing that through implementation of a balanced scorecard, the organization is able to gain competitiveness while at the same time benefiting from the already existing strategies.

Adianti (2018) conducted a study on the effect of BSC on firm performance and found that balanced scorecard had key non-financial aspects such as learning and internal business process that are equally critical as the financial perspectives. The customer perspective is also among the non-financial perspectives. This aspect of BSC helps identify and keep track of the measures of customer satisfaction and their ability to uphold the organization's products and services (Kavun, Sviridenko, & Rubtsov, 2020). As a way of ensuring that the customer focus aspect is achieved, there is need for organizations to carry out proper analysis of the customer needs, and come-up with products and services that answer to the customer needs and expectations. On the internal process, Tjahjadi and Soewarno (2019) argue that through focus on the internal process of an organization, the BSC seeks to answer to the questions on whether the organization is internally ready for the changes because of the implementation of the new strategies. The internal process ought to flow with any new parameters brought about by the strategies, for them to be effective in enhancing competitiveness.

Mustapha, Zulkifli, and Awang (2018) assessed the role of implementation of balanced scorecard in enhancing sustainable competitiveness. Their study established that balanced scorecard through organizational learning and customer perspective significantly influenced the sustainable competitiveness of the firms. This is supported by Bilan, Hussain, Haseeb, and Kot (2020) who allude that BSC is about putting across key organizational learning measures that ensure the employees are committed to information sharing and gaining of new knowledge. The learning process in an organization focuses on empowering the human resource in a firm to implement strategies while learning new rules of the game for continued competitiveness.

According to Deressa, Brhane, and Yasin (2020), by BSC upholding financial perspective and organizational learning, it creates a more competitive organization by bringing on board two of the most critical inputs in an organization, which are financial resources and human skills. The authors contend that the financial perspective of BSC helps firms to seek the financial drivers that are required in order to make the adopted strategies successful. Krylov (2019) argues that balanced scorecard is built on the need for organizations to have a framework of focusing on their key capabilities that can best enable them to achieve their set goals and mandates. The author contends that through the perspectives of customer focus and internal business process, the BSC provides a basic for every organization that seeks to have its strategies implemented efficiently and effectively, towards achieving competitiveness.

Competitiveness is the ability of a firm or organization to have a continuous and strong degree of attracting more customers in the same market niche and with the same products and services (Bloodgood, 2019). Competitiveness has been considered as one of the key focus of modern organizations. Organizations seek to attain survival and sustainability in the market while enhancing their growth and development. Achieving these aspects is however dependent on the ability of the firm to remain competitive. This is achieved through implementing other supportive strategies that add value to the product or service while bridging any gap left by the competitors in the same industry.

Falciola, Jansen, and Rollo (2020) consider employee retention and productivity as conceptual aspect of competitiveness. Employees are the internal stakeholders in the organization who will make or break a firm. According to Rodríguez-Pose, and Hardy (2017), once the employees are convinced that the future of the firm is not guaranteed, they most likely tend to look for other greener pastures. Moreover, an organization that is increasing its competitiveness will have more disposable income to reward and motivate the employees hence the retention will be high. This justifies the choice of the three aspects to measure competitiveness of the MFIs in this study.

Micro Finance Institutions in Kenya play an essential role in the economic development by serving the population left out by the big banks. This is the micro savings and credit service where banks failed to meet the needs of the poor customers and citizens who cannot afford securities/collateral required by mainstream banks. Currently, statistics indicate that banks serve approximately 22.6% of the population, 7.9% is served by the micro population unreached by any financial service. In the last three decades, there has been emergence of numerous MFIs to serve this segment. By serving the enormous poor population successfully there has been transformation of some MFIs to fully fledged banks like Equity Bank, KRep Bank (now Sidian Bank), Kenya Women Finance Trust (KWFT) and Family Bank (Bitok, Cheboi, & Kemboi, 2020).

### 1.2 Statement of the Problem

Micro Finance Institutions (MFIs) are key to economic growth and development because they encourage saving, provide loans to small businesses as well as provide employment to the country's workforce (Muithya, & Muathe, 2020). However, competitiveness of these institutions has been at stake with more than 70% of MFIs either recording losses, closing operating doors or laying off employees to save on operational costs. Despite the fact that most MFIs have been in operation for over a decade, their growth and expansion remain meagre. It also remains unclear whether they have embraced the appropriate ways of implementing strategies in order to gain competitiveness, even with the over increasing competition from other players in the sector.

Balance scorecard has been recognized as a key tool for strategic management that helps to steer business to multinational levels. According to Boachie-Mensah and Acquah (2015), majority of the modern organizations formulate mainstreams aimed at ensuring success of balance scorecard but at the same time, most of these firms continue to underperform or struggle in the market. The question now becomes; are these firms implementing the balance score card; what are the prospects that could be influencing the implementation of the tool? Available literature shows that while most modern organizations are aware of the need for BSC, its implementation remain minimal, hence they do not benefit from the latter. Dinçer, Yüksel, and Martinez (2019) allude that while close to 60% of organization particularly in the developed world formulate BSC effectively, they lag behind in its implementation, thus benefit from it becomes unrealized. In a local context, Muli (2016) assessed the effect of balanced scorecard implementation on financial performance of SMEs in Nairobi and found that Balance Scorecard was not upheld effectively among these firms an aspect that could affect their performance.

The studies available locally on balanced score card have not adequately addressed its effect on firm performance and competitiveness. The context of most of the studies is different from the current study where some have focused on empirical approaches while others have focused on other sectors such as SMEs whose framework of operation may not be replicated on the scenario of MFIs. Other studies have only shown the general effect of balance scorecard on performance without mentioning how the specific pillars of balanced scorecard affect performance hence leaving a knowledge gap. This study is therefore will attempt to shed light on these methodological, contextual, conceptual and knowledge gaps by assessing the effectiveness of the of balanced scorecard implementation on competitiveness of micro-finance institutions in Kenya.

### 1.3 Objectives of the Study

### 1.3. General Objective

The main aim of this study was to establish the effect of balance scorecard on the competitiveness of micro-finance institutions in Kenya.

### 1.3.2 Specific Objectives

i. To assess the contribution of the financial perspective of BSC on the competitiveness of micro-finance institutions in Kenya

ii. To determine the effect of internal business process on the competitiveness of micro-finance institutions in Kenya

iii. To assess the role of organizational learning on the competitiveness of micro-finance institutions in Kenya

iv. To determine the influence of customer focus on the competitiveness of micro-finance institutions in Kenya

### 1.4 Research Questions

i. What is the contribution of the financial perspective on the competitiveness of micro-finance institutions in Kenya?

ii. What are the effects of internal business process on the competitiveness of micro-finance institutions in Kenya?

iii. How does organizational learning enhance the competitiveness of micro-finance institutions in Kenya?

iv. What is the influence of customer focus on the competitiveness of micro-finance institutions in Kenya?

## 2. LITERATURE REVIEW

### 2.1 Theoretical Review

### 2.1.1 Resource Dependence Theory

First put forward by Pfeffer and Salancik (1978), the Resource Dependence Theory (RDT) seeks to point out on the need for resources as key inputs in enhancing firm competitiveness. According to Pfeffer and Salancik (1978), organizations highly rely on resources for them to achieve their mandates and objectives. These resources include the human resources, the financial resources and the infrastructural resources. MFIs are also in need of resources for their continued effectiveness and competitiveness. This means that for the institutions to effectively enhance their competitiveness through awareness creation, marketing and providing exemplary services, they should have adequate resources in terms of finances and human skills. The MFI institutions will require to seek better ways of ensuring that their operations have enough resources to keep them running (Ozcan & Eisenhardt, 2009). The RDT therefore comes in as an attempt to anchor the variable on financial perspective, as financial resources is one of the key resources that the MFIs would require to sustain competitiveness.

**2.1.2 Dynamic Capabilities Theory**

The term Dynamic Capabilities was first introduced in a working paper in 989, was influenced by Gary Hamel's multinational strategy research leading to Core Competences of the Corporation (Prahalad & Hamel, 1990) and was cited in Nonaka and Takeuchi's (1995) innovation strategy work on the knowledge-creating company. Dynamic capabilities by contrast to core competencies, refer to "the capacity of an organization to purposefully create, extend, or modify its resource base" (Helfat *et al*, 2007). MFIs need to have well-structured and effective internal processes for them to achieve competitiveness and growth their business. The dynamic capabilities theory upholds the need for internally enhancing efficiency, for the organization to gain competitiveness. This efficiency is gained through well-equipped and skilled employees, as well as effectively managed organizational systems and processes. Internal business process is aimed at having the business operations at the internal environment level geared towards achieving the best of the strategic goals of the organization. The theory is employed on the study to anchor the variable internal business process, and how it relates to the competitiveness of the MFIs.

**2.1.3 Transformative Learning Theory**

Mezirow (1997) put the transformative theory of organizational learning forward in an effort to expound on how learning process is constituted and how it is aligned towards bringing impactful change to both the learners and the educators. The theory defines learning as the process of instilling significant knowledge while still gaining more knowledge in the process of passing the latter (Taylor & Cranton, 2012; Christie, Carey, Robertson & Grainger, 2015). The transformative learning theory upholds the need for embracing a learning culture in an organization, as a way of ensuring knowledge sharing and enhancement of employee skills and competencies. When learning is embraced at the organizational level, the employees are able to be more committed to the main goals of the company, thus enhancing the competitiveness of the firm. The theory has been used in the study to anchor the organizational learning variable.

**2.1.4 Relationship Marketing Theory**

Relationship marketing theory was mainly advanced by Gummesson (1987) who aimed at analysing the paradigm shift from the traditional form of marketing to a modern marketing approach that is focused on enhancing the relationship between the seller and the buyer. It is from relationship marketing theory that Customer Relationship Management (CRM) is derived. The approach is about bringing the customers closer to the organization as a way of enhancing their continued commitment and loyalty to the company's products and services (Stavros & Westberg, 2009). In the context of this study, any strategic manager who upholds balanced scorecard has to ensure that the customers are given the first priority as they are the key determinants of how best the strategies adopt can be effective. The management has the obligation of ensuring that there is a well-formulated and prolonged relationship with the customers (Brodie, 2017). Through continued customer focus, the organization increases customer satisfaction and retention, which are key aspects of achieving competitiveness. The theory is therefore employed in the study to help understand the customer focus variable.

**2.2 Empirical Review**

**2.2.1 Financial Perspective and Firm Competitiveness**

Financial perspective remains an integral aspect of BSC that contribute to firm effectiveness and competitiveness. Previous studies have shown varied results on the relationship between the financial perspective and firm competitiveness. According to Pham et al. (2020), financial resources are crucial in the achievement of both short-term and long-term, organizational goals, hence the need to focus on the ability for a given strategy to require the available financial resources. The findings revealed that the main gaols of financial perspective of the balanced scorecard is to have a well-framed financing approach of the organization and how the key strategies and operations are to be financed. According to Malgwi and Dahiru (2014), through financial perspective of the BSC, the performance of modern businesses is enhanced thus recommending the need for upholding the perspective for better performance. The study however was entirely based on an empirical approach hence the need for a study that adopts a primary approach where the actual situation on the ground is defined.

Lesáková, Dubcová, and Gundová (2017) analysed the knowledge and use of the balanced scorecard method in businesses in the Slovak republic. The findings revealed that one of the main perspectives of balance scorecard that significantly influenced the business continuity and growth is financial perspective. Financing is one of the aspects that steers the capability of businesses to strengthening their capacity to operate in a volatile and dynamic environment. Lesáková et al. (2017) affirmed that through extensive focus on financing and ensuring that an organization is aligned towards having a reliable financing source, it is able to implement its strategies towards sustaining growth and competitiveness.

### 2.2.2 Internal Business Process and Firm Competitiveness

Internal business process is an essential aspect that helps streamline the efficiency of an organization and its ability to gain competitiveness (Plouffe, Bolander, Cote, & Hochstein, 2016). Among the studies that have focused on the relationship between internal business process and firm performance is one by Putra, and Welda (2019) who assessed the influence of business process on the internal quality assurance of organizations. The study utilized an empirical approach and revealed that the internal business process was critical in enhancing the performance and competitiveness of businesses. Putra and Welda (2019) indicate that the internal processes adopted in an organization determines the flow of processes within the organization hence it is essential for the competitiveness of the firm. According to Addis et al. (2020), extensive focus on the internal business process as one of the perspectives of balanced scorecard ensures effective operational framework within the organization thus steering performance and efficiency.

Sokah (2020) assesses the bottlenecks towards the implementation of BSC among organizations in Tanzania. The findings revealed that the internal business process was a key aspect of BSC that directly influenced the effectiveness of the entire balanced scorecard system. According to Sokah (2020), the internal business process ought to be aligned to the goals of the firm, for it to be effective in enhancing performance and competitiveness. The internal business process of a firm affects several aspects of an organization, such as the skills of the employees and their productivity, through which competitiveness is achieved. Benková, Gallo, Balogová and Nemec (2020) while assessing the effectiveness of internal business process established that an internal business process ought to be subjected to the available capabilities within a firm, and how they are integrated with the strategic gaols of the firm. Erawan (2020) also identifies internal business process as an integral perspective of BSC that determines the ability of an organization to have smooth and efficient processes of serving their customers, and acting to the best interests of both the shareholders and the customers.

### 2.2.3 Organizational Learning and Firm Competitiveness

Organizational learning has been upheld as one of the most crucial perspectives of Balanced Scorecard. A well-implemented BSC upholds the need for effectively embracing the right structures in an organization that enhance learning and information sharing among the stakeholders in the firm (Tortorella, Vergara, Garza-Reyes, & Sawhney, 2020). Zizlavsky (2014) analysed the effect of balanced scorecard implementation through innovative performance measurement and management control system on organizational performance. The findings revealed that the learning and growth perspective of balanced scorecard was mainly built upon the ability of the organization to stand out from the rest through continuous enhancement of new ways of doing things. The perspective as postulated by Zizlavsky (2014), measures the company's ability to keep their competitive advantage through being different and offering more advanced solutions to the customers through innovation and extensive learning (Soleyman, Sadegheh, and Nahideh (2017).

Quesado, Aibar, and Rodrigues (2018) while assessing the impact of organizational learning established that learning is an aspect of enhancing the skills and competencies in an organization, for enhanced performance. Through embrace of key learning processes within an organization, employees gain more knowledge, which is essential for their productivity. According to Smith, Prabhu and Bhargava (2017), BSC is about having the right inputs for enhanced implementation of organization strategies. The inputs are mainly the skills possessed by the employees, which can be achieved through continuous learnings. This is the essence of organizational learning, as a perspective of BSC.

### 2.2.4 Customer Focus and Firm Competitiveness

Gengeswari, Padmashantini, and Sharmeela-Banu (2013) assessed the impact of customer focus and retention on firm performance. Their study aimed at assessing the effect of customer focus as one of the perspectives of balanced scorecard on the performance of businesses in the third world countries. The authors utilized an explanatory research design where they aimed at exploring the extent to which the firms in the developing countries upheld customer focus. The findings revealed that customer focus and retention were the main determinants of performance and competitiveness in most of the

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surveyed firms. According to Gengeswari et al. (2013), one of the main aspects of balanced scorecard that the surveyed companies upheld was customer focus which they fund to be essential in capturing the fastest growing markets and promoting competitiveness.

Fatima and Elbanna (2020) analysed the influence of balanced scorecard on the competitiveness of the hospitality and tourism industry in Pakistan. Their study focused on assessing how balanced scorecard influenced business competitiveness and narrowed to two main BSC perspectives which are customer perspective and business process perspective. The findings revealed that customer perspective was upheld in most of the companies surveyed since this was one of the determinants of how well the industry could thrive and gain competitiveness from the rest of the World. According to Fatima and Elbanna (2020), companies have the mandated to ensure customer satisfaction through enhanced quality of services and products, efficiency and timely service to customers as well as properly getting committed towards meeting the customer needs. Sarraf, and Nejad (2020) while assessing the customer focus and competitiveness of firms regarded customers as the most crucial stakeholders in an organization, that require full attention and focus, for competitiveness of an organization. According to Sarraf and Nejad (2020), customers are the main drivers of organizational success, and it is through them that competitiveness can be achieved. Through the customer perceptive of BSC, the managers are capable of deriving strategies that can be articulated to the needs and expectations of the customers, thus enhancing their satisfaction and retention (Madsen et al., 2019).

**2.3 Conceptual Framework**

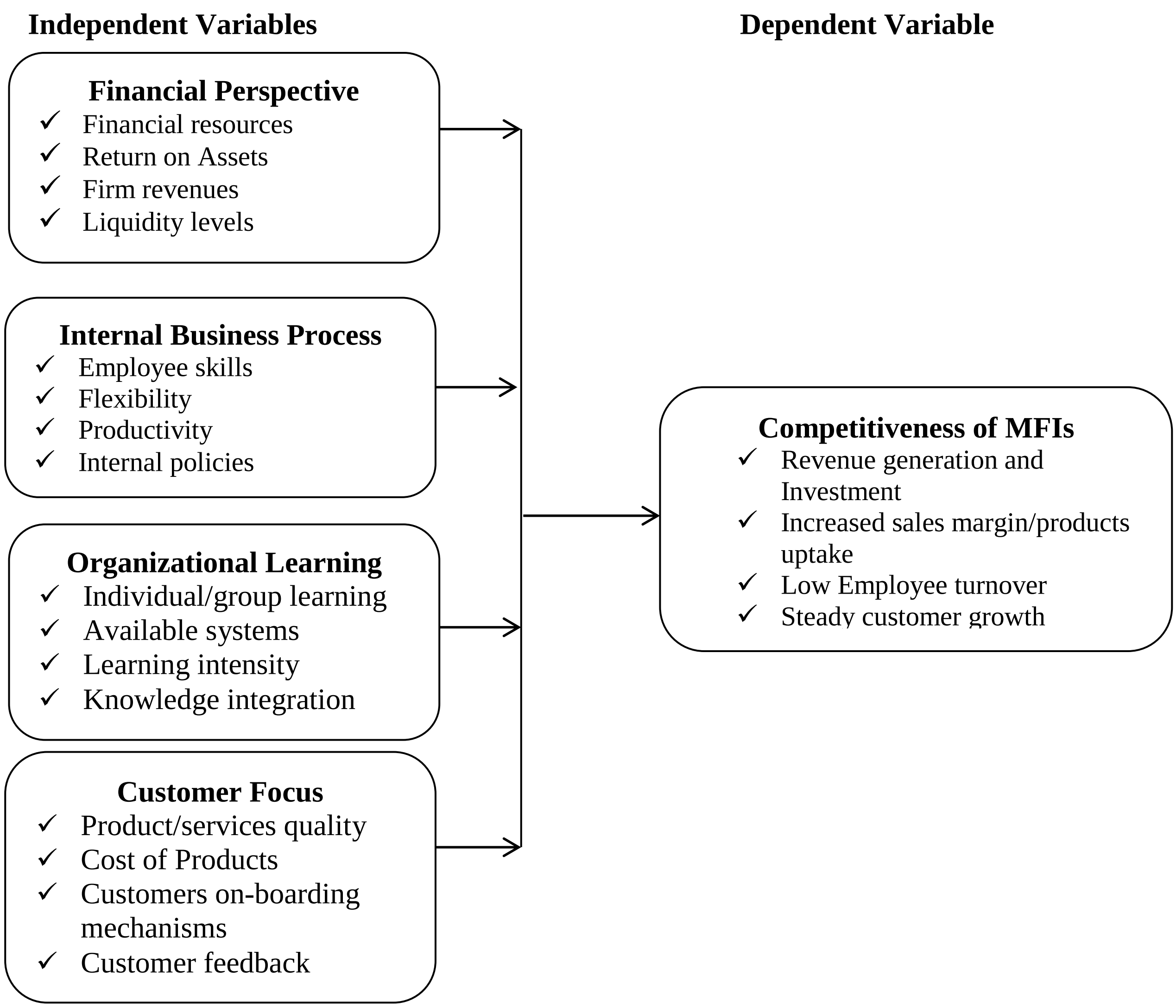


**Figure 1: Conceptual Framework**

## 3. METHODOLOGY

### 3.1 Research Design

In this study, a descriptive-survey research design was adopted to collect and analyse the data for conclusions and recommendations. It is a design that upholds the collection of both qualitative and quantitative data that is integral in extensively responding to the research questions.

### 3.2 Target Population

The target population for this study comprised of the Micro-finance Institutions in Kenya. According to the Central Bank of Kenya (CBK) (2019), there are 48 licenced MFIs in Kenya. The study specifically targeted four key departments in the 48 MFIs from whom respondents were drawn. These departments were finance, the customer relations, the operations and administration. These departments are the main implementers of the balanced scorecard; hence, they are more informed on how it has influenced the competitiveness of the MFIs.

### 3.3 Sample and Sampling Technique

The study used a census and a purposive sampling technique. A census was used on the unit of analysis whereby all the 48 MFIs in Kenya, which are the units of analysis for this study, were surveyed. A purposive sampling was used for the senior management team from the four selected departments comprising of the finance managers (finance department), branch managers (administration department), customer relationship managers (customer relations department) and operations managers (operations department). These managers were expected to be the units of observation for the study. The four purposively selected respondents from each MFI would make a total of 192 respondents (48*4) for the study.

### 3.4 Data Collection Instruments

The primary data was collected using a structured questionnaire. The questionnaire contained both open-ended and close-ended questions which were arranged in sections as per the study variables. The questionnaires were administered through drop and pick method whereby they were dropped at the respondents' places of work and picked at the agreed time.

### 3.5 Data Analysis and Presentation

The data was analysed using descriptive and inferential analysis. Descriptive analysis comprised of statistics such as mean, percentages, standard deviation and frequencies. Inferential analysis was carried out using a regression model as shown:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mathcal{E}$$

Where:

Y = Competitiveness of MFIs

$X_1$ - $X_4$ = Financial Perspective, Internal Business Processes, Organizational Learning, Customer Focus

$\beta_1$, $\beta_2$, $\beta_3$, and $\beta_4$ are coefficients for independent variables.

## 4. RESEARCH FINDINGS AND DISCUSSION

### 4.1 Response Rate

Out of the 192 questionnaires issued, 157 questionnaires were collected back, duly filled by the respective respondents. This represented a response rate of 81.8%. This was considered appropriate and adequate for the study.

### 4.2 Financial Perspective

The first objective of the study was to assess the influence of financial perspective on competitiveness of micro-finance institutions in Kenya. The findings are as summarised in Table .1 The findings imply that the embrace of financial perspective of the BSC could be the missing factor leading to decline in performance and competitiveness of MFIS in Kenya. According to Chiţu and Opriş (2014), putting in place key measures to control the financial processes of an organization is essential in promoting the performance of the firm. According to Praptomo (2017), balanced scorecard is about accountability and ensuring the financial resources of the firm are effectively utilized as planned. This shows that the financial perspective is integral in determining the performance of organizations, and when it is not effectively utilized, the competitiveness and performance of organizations including the MFIs could decline.

**Table 1: Descriptive Statics on Financial Perspective**

| Statement | Mean | Std. Dev. |
|---|---|---|
| Our MFI has been able to mobilize sufficient resources to run its operations | 2.50 | 1.46 |
| Our MFI has been able to realise good returns from its assets | 2.66 | 1.33 |
| Revenue collection from customers done in a timely manner | 2.11 | 1.26 |
| Constant monitoring of debtors and adherence to credit limit policies | 2.22 | 1.27 |
| Corporate budget is duly communicated and purchases done within the budget | 2.49 | 1.34 |
| Financial audits are done and communicated | 2.18 | 1.30 |
| Accountability of petty cash is done in a timely manner | 2.19 | 1.33 |
| The financial perspective of balanced scorecard has been effectively implemented in our company | 2.18 | 1.34 |

### 4.3 Internal Business Processes

The second objective of the study was to assess the influence of internal business processes on competitiveness of micro-finance institutions in Kenya. The internal business process was assessed through employee skills, flexibility of the processes, productivity and internal policies of the organization. The findings are as summarized in Table 2.The findings implied that internal business processes despite being essential in the success of organizations were not effectively aligned in the MFIs. According to Putra and Welda (2019), the processes of internal business are essential for business continuity and continued improvement in an organization, which positively stir firm performance. Tjahjadi and Soewarno (2019) allude that the internal business process defines how flexibility of business operations and structures, employee skills and internal policies enhance efficiency and effectiveness in organizations, thus enhancing their performance.

**Table 2: Descriptive Statistics on Internal Business Processes**

| Statement | Mean | Std. Dev. |
|---|---|---|
| The employees understand the ISO procedures that affect their respective departments | 2.53 | 1.55 |
| The departmental policies are not influenced by the corporate strategy | 2.58 | 1.41 |
| All the employees are familiar with the working instructions in their respective departments | 2.56 | 1.29 |
| There is an effective Total Quality Management system to achieve continuous improvement among the employees | 2.47 | 1.52 |
| The productivity of employees is effectively monitored to ensure continuous improvement | 2.40 | 1.35 |
| The internal business process in our MFI has been effectively monitored as outlined in the Balanced scorecard | 2.54 | 1.11 |

### 4.4 Organizational Learning

The third objective of the study was to assess the influence of organizational learning on competitiveness of micro-finance institutions in Kenya. The individual and group learning, available learning systems, intensity of learning and the integration of knowledge were the main parameters used to assess organizational learning. Table 3 summarizes the findings. The findings are in line with those by Anggraeni (2020) who established that organizational learning if not effectively embraced, companies may fail to obtain competitiveness since they lack proper learning mechanisms and the knowledge is not shared to ensure a unified operational framework and structure. Organizational learning has been found to be essential in streamlining the problem solving in modern organizations, while enhancing the ability of the employees to tackle their job duties more effectively. This makes organizational learning an integral part of the balanced scorecard that MFIs should uphold to enhance their competitiveness.

**Table 3: Descriptive Statistics on Organizational Learning**

| Statement | Mean | Std. Dev. |
|---|---|---|
| The institution embraces learning at individual level to equip employees with the appropriate skills | 2.42 | 1.53 |
| There are group learning forums to ensure knowledge sharing among the employees | 2.19 | 1.26 |
| Annual personal development plans are adhered to through constant monitoring | 2.29 | 1.35 |
| Performance appraisals are done as scheduled in the corporate plan | 2.40 | 1.48 |
| There is a leave management plan to ensure process continuity in my absence | 2.07 | 1.14 |
| There are systems for communication and information sharing and knowledge integration mechanisms to enhance learning in the organization | 1.76 | 1.08 |
| Performance appraisals are done as scheduled in the corporate plan | 2.71 | 1.40 |
| There are intensified learning programmes to ensure every employee is catered for in terms of training | 2.09 | 1.24 |

### 4.5 Customer Focus

The fourth objective of the study was to assess the influence of customer focus on competitiveness of micro-finance institutions in Kenya. According to Krylov (2019), among the main key aspects of balanced scorecard, customer focus is one of the most essential aspects that drive the way an organization is able to enhance quality of its services and products. It also enhances understanding the needs of the customers, thus gaining more sustainable competitiveness. In this study, customer focus was assessed through customer-boarding mechanisms, feedback to customers, product/service quality and reduced cost of products. Table 4 summarizes the findings. Most of the MFIs surveyed lacked promptness in giving feedback to their customers, and this as elaborated by Gengeswari *et al.* (2013) leads to customer dissatisfaction, thus they divert their loyalty to the competitors. Kavun *et al.* (2020), listening to customer queries and giving the appropriate feedback is an essential move that enables companies to understand the need of the customers and work towards meeting them, thus enhancing their competitiveness.

**Table 4: Descriptive Statics on Customer Focus**

| Statement | Mean | Std. Dev. |
|---|---|---|
| The organization monitors the quality of the services rendered to the customers to enhance satisfaction | 2.08 | 1.31 |
| There are clear and elaborate customer on-boarding mechanisms to enhance customer intake | 2.25 | 1.30 |
| The MFI has friendly and favorable costs on its products. | 2.07 | 1.38 |
| Frequent customer satisfaction surveys are carried to improve quality of services | 2.54 | 1.44 |
| Customer relationship management systems have been adopted to bring the customers closer to the organization | 2.36 | 1.34 |
| There are simultaneous incentives for loyal customers | 2.15 | 1.34 |
| Customer complaints are handled efficiently and feedback given | 2.13 | 1.25 |
| Customers receive feedback to their queries and concerns timely | 2.31 | 1.26 |

### 4.6 Competitiveness of Micro-Finance Institutions

The study sought to establish the competitiveness of micro-finance institutions in Kenya. The competitiveness of MFIs was assessed using the sales margin, employee turnover, growth in the number of customers and generation of revenue. The respondents were asked to indicate their level of agreement or disagreement with specific statements drawn from these parameters. The findings are as summarized in Table 5. As described by Falciola et al. (2020), competitiveness in a business is seen through the ability of the firm to reduce the costs of operations and enhance its sales revenue to outperform the competitors. The employee turnover was high in most of the surveyed MFIs and most of the institutions lacked a promising future due to decline in the customer flow. This is an indication that most of the MFIs were recording low competitiveness, an implication that the embrace of BSC among the institutions would be among the missing factors.

**Table 5: Descriptive Statistics on Competitiveness**

| Statement | Mean | Std. Dev. |
|---|---|---|
| The level of revenues generated in the organization has been increasing over the past five years | 2.32 | 1.41 |
| The biggest share of the profits made by institution is reinvested back into the business | 2.11 | 1.30 |
| The institutions diversifies the attained profits in other business lines | 2.63 | 1.42 |
| The level of sales and products uptake in the institution has been o the increase in the past five years | 2.46 | 1.57 |
| The costs of operations have been on the decline in the past five years | 2.24 | 1.32 |
| Fewer employees have been leaving the organization recently | 2.45 | 1.35 |
| The organization has a more promising future than it was in the past five years as measured by constant increment rate of customer growth | 2.31 | 1.31 |

### 4.7 Inferential Statistics

A multiple regression model analysis was carried out to establish the combined effect of financial perspective, internal business process, organizational learning and customer focus on the competitiveness of MFIs in Kenya. This is a reflection of the general objective of the study which is to establish the effect of balance scorecard on the competitiveness of micro-finance institutions in Kenya. The model summary results as shown in Table 6 revealed that the R-square for the model was 0.737, which implies that as a result of financial perspective, internal business process, organizational learning and Customer focus, there will be a 73.7% variation of the competitiveness of MFIs in Kenya. The R of 0.858

also shows that there is a strong overall correlation between financial perspective, internal business process, organizational learning and Customer focus and competitiveness of MFIs in Kenya.

**Table 6: Model Summary for the Overall Model**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .858[a] | .737 | .730 | .52920 |

a. Predictors: (Constant), Customer Focus, Financial Perspective, Internal Business Processes, Organizational Learning

The Analysis of Variance (ANOVA) results for the model are as shown in Table 7. As the results portray, the F-statistic for the model was 106.301 at a significance level of 0.000<0.05. This implies that the model is statistically significant to predict the relationship between financial perspective, internal business process, organizational learning and Customer focus and competitiveness of MFIs in Kenya. The results also imply that at least one predictor variable can significantly predict the dependent variable, an indication that the model is viable for the study.

**Table 7: ANOVA Results for the Overall Model**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 119.079 | 4 | 29.770 | 106.301 | .000[b] |
| | Residual | 42.568 | 152 | .280 | | |
| | Total | 161.646 | 156 | | | |

a. Dependent Variable: Competitiveness of MFIs

b. Predictors: (Constant), Customer Focus, Financial Perspective, Internal Business Processes, Organizational Learning

The regression coefficients for the model are as shown in Table 8. As the results reveal, the unstandardized coefficients for the independent variables (financial perspective, internal business process, organizational learning and Customer focus) were 0.297, 0.230, 0.224 and 0.249. From the coefficients, the following model is derived:

$Y = 0.016 + 297X_1 + 230X_2 + 224X_3 + 249X_4 + e$

**Table 8: Regression Coefficients for the Overall Model**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .016 | .123 | | .133 | .894 |
| | Financial Perspective | .297 | .091 | .265 | 3.276 | .001 |
| | Internal Business Processes | .230 | .081 | .224 | 2.855 | .005 |
| | Organizational Learning | .224 | .093 | .209 | 2.395 | .018 |
| | Customer Focus | .249 | .075 | .242 | 3.317 | .001 |

a. Dependent Variable: Competitiveness of MFIs

The findings therefore imply that a unit change in financial perspective will influence the competitiveness of the MFIs by 0.297 units, while a unit change in internal business process will influence competitiveness of the MFIs by 0.230 units. A unit change in organizational learning will influence the competitiveness of the MFIs by 0.224 units, and a unit change in customer focus will influence competitiveness of the MFIs by 0.249 units. The t-values of the variables are 3.276, 2.855, 2.395 and 3.317 respectively. The values are below 2.0, with significance levels less than 0.05, an indication that financial resources, internal business process. Organizational learning and customer focus significantly influence the competitiveness of MFIs.

## 5. CONCLUSION AND RECOMMENDATIONS

### Conclusion of the Study

The study concluded that financial perspective as an aspect of balanced scorecard significantly influences the competitiveness of micro-finance institutions in Kenya. The financial resources mobilization, generating revenues from return on assets and enhancing liquidity levels stir the competitiveness of the MFIs by making them stable to run internal operations and reinvest to gain more market.

Internal business process is essential in aligning the business internal operations and ensuring that they are smoothly ran to attain the organizational goals and objectives. The study concluded that the internal business process was significant in enhancing the competitiveness of micro-finance institutions in Kenya.

The study concluded that organizational learning through group and individual learning, use of learning and communication systems and integrating knowledge sharing, enhances the competitiveness of micro-finance institutions in Kenya. A learning organization is one that employees and managers share knowledge, undergo training and have opportunities to expand on the capacity.

Customer focus has been embraced as an element of balanced scorecard due to its ability to bring closer the customers to the organization and promote the organization's ability to understand and meet customer needs. The study concluded that customer focus despite being essential in promoting the competitiveness of micro-finance institutions in Kenya was not effectively upheld by the institutions.

**Recommendations of the Study**

The management of the MFIs have the duty of ensuring that the institutions gain competitiveness and perform better for growth and sustainability. This can be made possible by embracing balanced scorecard. One of the aspects of the BSC is financial perspective. Embracing this would enhance the ability of managers to understand the financial needs of the MFIs and establish how to meet such needs for better performance and competitiveness.

The managers of the MFIs ought to streamline the internal business process as a way of enhancing the competitiveness of the institutions. The managers ought to ensure employees are engaged and flexible timelines put in place as way of promoting the efficiency of the internal process. Having clear internal policies that uphold employee productivity would also be essential in promoting the efficiency flow of operations in the institutions, thus making them more competitive.

The study recommends the need for MFIs' management to enhancing and embraces organizational learning through providing adequate support for employees to learn individually and participate in group learning. Availing the appropriate learning resources would be an essential move to enhance the effectiveness of organizational learning. The employees also have the duty to intensify learning and share knowledge for better individual and team productivity, which would stir competitiveness of the MFIs.

It is recommended that the MFIs through their management embrace customer focus as an element of balanced scorecard. Through having quality products/services and pricing them appropriately based on the market niche, the MFIs would attract more customers and retain their existing ones for competitiveness. The MFIs are also supposed to engage their customers and give them timely, adequate and appropriate feedback, through which the seller-buyer relationship is enhanced. This would effectively serve to retain the customers thus gaining competitiveness.

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