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INFLUENCE OF MARKET DEVELOPMENT ON THE GROWTH OF MICRO FINANCE INSTITUTIONS IN MALINDI SUB-COUNTY, KENYA

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Abstract: **This study sought to examine the influence of market development on the growth of microfinance institutions in Malindi sub-county, Kenya. The study was guided by Ansoff matrix 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, Market Development, Microfinance Institutions 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 (Abishua, 2010).

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 (Melchorita, 2013). 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 (Johnson, 2011).

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 (Baum & Korn, 2010).

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 (Kiai, 2010). 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 (Njihia, 2013).

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. Otiende, Mobegi, Mitema, Achuti, Momanyi, Omesa and Ogeto (2015) notes that 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. As Janda and Zetek (2014) 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 (Garson, 2010).

Strategic management practice is an important catalyst to the growth and success within the organization (Garson, 2010). 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 (Cull, Demirguc-Kunt, & Morduch, 2011; Mersland & Strom, 2009; Roberts, 2013). 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 (Vanroose & D'Espallier, 2013) and where formal institutions are weak (Ahlin, Lin, & Maio, 2011).

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 (Millson, 2013). 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

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 (Chin & Nor, 2016).

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 (Armendáriz & Murdoch, 2010). According to Armendariz and Murdoch (2010), 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 (Armendariz et al., 2010).

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 (Bateman, 2014). 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 (Kirika, 2011).

A number of scholars such as Armstrong (2010) and Pearce and Robinson (2011), 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 (Kotler & Armstrong, 2013). In USA, Berry and Wechsler (2015) 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 (Ansoff, 2011). This strategy according to Ansoff can be achieved through market segmentation and penetration into new geographical markets. Turner (2010) indicated that 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 (Turner, 2010).

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. Muogbo (2013) 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 Taiwo and Idunnu (2010). Businesses, according to Eniola and Ektebang (2014) 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 (Adeyemi, Isaac & Olufemi, 2017). It is no longer competing for product leadership, rather competing in core competence leadership (Agha, Alrubaiee & Jamhour, 2011). Agha et al. (2011) further argues that defining core competences amid the formulation of strategies is intentionally to attain sustainable competitive advantages.

However, Adeyemi et al. (2017) 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, Dauda, Akingbade and Akinlabi (2010) 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, Majama and Magang (2017) 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.

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 (Onyango, 2012).

Juma and Okibo (2016) carried out 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.

Strategic management is of critical importance to the performance and growth of the commercial enterprises such as Small Scale Enterprises (Otieno, 2012). 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 (Tsuma, 2013). According to Alese & Alimi (2014) 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. Kasekende (2013) notes that 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.

MFI penetration is still extremely low for both rural and urban areas of (Kenya FSD Kenya, 2013). 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

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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 (FSD Kenya, 2011).

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. Jonsson and Devonish (2009) observed that 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. A study by Rosenberg (2010) 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.

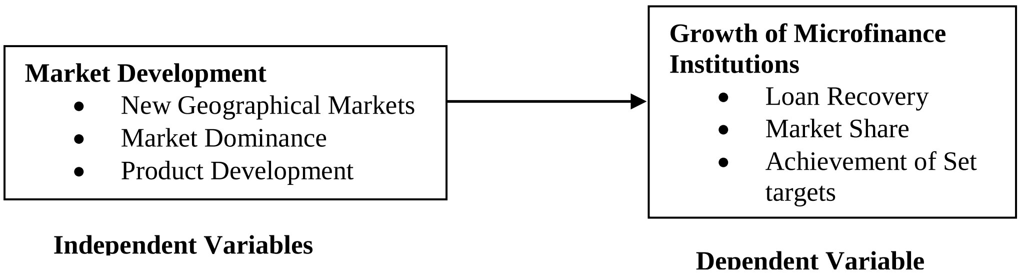
III. OBJECTIVE OF THE STUDY

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

IV. HYPOTHESIS OF THE STUDY

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

V. CONCEPTUAL FRAMEWORK



VI. THEORETICAL FRAMEWORK

Ansoff Matrix

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets. This matrix helps companies decide what course of action should be taken given current performance. The Ansoff matrix (1957) as a business technique provides a framework enabling growth opportunities to be identified as it helps firms to device the strategies they adopt and each of these growth options draws on both internal and external influences. The matrix offers a structured way to assess potential strategies for growth. The four strategies are: market penetration, product development, market development and diversification. Market penetration involves selling more established products into existing markets, often by increased promotion or price reductions or better routes to market, for example online. Product development involves developing new products or services and placing them into existing markets. Market development entails taking existing products or services and selling them in new markets. Diversification involves developing new products and putting them into new markets at the same time. Diversification is considered the most risky strategy. This is because the business is expanding into areas outside its core activities and experience as well as targeting.

The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than penetration (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration.

VII. EMPIRICAL REVIEW

Market Development on the Growth of Microfinance Institutions

Market development is a growth strategy that identifies and develops new market segments for current products. A market development strategy targets non-buying customers in currently targeted segments (Bang, 2010). It also targets new customers in new segments. A market development strategy entails expanding the potential market through new users or new uses. New users can be defined as: new geographic segments, new demographic segments, new institutional segments or new psychographic segments. Another way is to expand sales through new uses for the product.

Market development strategy depends on the fact that customers prefer and purchase a business's existing products in new markets rather than the rival products (Kumar, 2010). Market development to boost selling is achieved by accessing to new segments and turning nonusers into customers of the business. Therefore, new geographic areas, new departments with demographic qualities, new institutional markets or market departments with new life forms might be among the aims of a business. Businesses are in search of new users for their existing products.

To maximise on the returns of the company, there is need for the management to develop strategies that shall enable the organization meet the needs of non-customers by focusing on the common things that both non-customers and customers could buy thereby unlocking demand on the non-customers. The management finally needs to develop system that enhance the implementation of blue ocean strategy by creating the right sequence of events, dealing with the hurdles that exist within the company and finally executing the strategy to oversee the development of new market for the existing product (Kim & Mauborgne, 2015).

Businesses try to determine new opportunities that might be useful for their development. In this context, it is important to find and get into new markets (Kotler & Keller, 2011). With the effect of globalisation on competition, businesses have had to make a choice about which international markets to get into. Success of market development strategy primarily requires understanding the market characteristics from customer's perspective and comparing the products with the rivals in the market. This determination is necessary to determine appropriate business targets and strategies for the market. Because the effect of social and political institutions on market development strategy shows discrepancies according to different countries and regions, these factors should be analysed carefully during decision-making (Casson & Lee, 2011).

Organization entering into the market that has no competition makes it a first entrant into that market. In many cases, being first entrant into a market gives organization opportunity to enjoy first mover advantage. This provides the organizations with superior brand recognition and customer loyalty which provides sustained market-share advantage over later entrants; this rewards them with huge profits and monopoly-like status in the market (UNCTAD, 2015). With later entrants into the market by competitors, first movers may suffer loss of market share in situations brought about by the first mover disadvantage. Some of the first mover disadvantage includes free-rider effect in which late entrant ride on the investment of pioneers in areas like consumer education, infrastructure developments and personnel training (OECD, 2013). This reduces the cost of operations for the late entrants but reduce the profitability of the pioneer organization. Market uncertainty puts the first movers at the risk of dealing with the unknowns thereby increasing the risks of operating in the new market. In most cases, late entrants have been in position to study and analyse behaviour of consumers in an existing market giving them advantages of identifying and targeting appropriate customers in the market depending on their needs, a disadvantage that the pioneer company have to cope with (OECD, 2013). There are two major concepts used by organizations to develop market for their products and increase overall performance in the emerging markets, these concepts include the Bottom of the Pyramid (BOP) strategy that was developed by Prahalad and the blue ocean strategy developed by Kim and Mauborgne.

Accessibility of the market at the base of the pyramid therefore requires different strategies from those used in the regular market in which the companies operate. Companies entering the market at the BOP need to price their products at the lowest possible price to give a very thin profit margin. This will require the company to improve performance by achieving high volumes of unit sales to make up for the low profit margin (Ruvinsky, 2011). To achieve high unit sales volume, there is need for the companies to develop efficient distribution channel which could increase the cost of operation for the company. To reduce the costs of distribution and enhance accessibility of products in this market, Voveryte (2011) noted that companies involved local entrepreneurs in the distribution and retailing of products in the market.

The companies may enter the market by first building linkages with local market structures such as local SMEs which are better suited to cater for the BOP market due to their knowledge and local networks, this suggest the company is better of engaging in the business to business marketing and distribution (Muga, 2016). Due to low disposable income, the market at the BOP is associated with infrequent purchases of products at the regular markets. This therefore requires these companies to design products that are in line with the cash flow of customers who are mostly paid on daily basis. Unilever PLC in India has managed to offer products suitable for the market by offering their products in small packages which allows the consumers to purchase the products within their daily budgets (Muga, 2016). To increase acceptability of products, companies may have to make more modifications to address market resistance by either eliminating unnecessary features or creating additional features that encourage consumption (Anderson & Markides, 2009). Acceptance of the products and continuous use can be enhanced by conducting regular consumer education; these create aspirations and pass knowledge about products. Kim and Mauborgne (2015) described business environment as consisting two distinct market spaces which are Red Ocean and Blue Ocean. Red Ocean is described as a market space that is in existence for the companies in the industry, well understood by each of the companies and rules for competition are well set. In the red ocean, companies compete each other for the existing market share and growth rate in this market is due to change in customer loyalty attributed to the effectiveness of marketing strategy and as the number of competitors rise, the prospect growth and profits declines while Blue Ocean is a market with no competitors, it provides opportunity for fast and rapid growth for a company (Hax, 2009).

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 (Houssen & Hassen 2011).

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 (Yaak, 2017).

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 Magali (2014). 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 (Daker & Le Sout, 2012). According to Nyamsogoro (2010), 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 (Tiwari, 2012). 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 (Hermes, Lensink & Meesters, 2011). The microfinance institutions performance and growth is increased when lower interest rate is charged (Ahlin, Lin & Maio, 2011). 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 (Akoijam, 2012).

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 Mugenda and Mugenda (2003), any response rate that is 50% or more is satisfactory. Babbie (2004) 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.

Descriptive statistics

Market Development Descriptive Statistics

The study also established the views of the respondents regarding market development by computing the percentages, mean and standard deviations of their responses. The findings from the analysis were as presented in table 1.

Table 1: Descriptive Statistics on Market Development

	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev.
Our MFIs has been able to venture into new geographical markets over time	41.4	41.4	5.2	0.0	12.1	4.00	1.257
Our MFI has elaborate development strategy that has enabled it expand to new markets	60.3	39.7	0.0	0.0	0.0	4.60	.493
The widespread market development has enabled our MFI achieve market dominance	44.8	46.6	6.9	1.7	0.0	4.34	.690
Operating in new markets help our MFI maintain dominance in the market	41.4	39.7	6.9	10.3	1.7	4.09	1.031

Our MFI has been able to come up with superior brand recognition which leads to sustained market share advantage	36.2	34.5	17.2	6.9	5.2	3.90	1.135
Our MFI have continually engaged in product development to add value to our customers thus expanding the market	36.2	24.1	10.3	15.5	13.8	3.53	1.466
Our MFI has increased sales by selling present products in new markets	51.7	31.0	10.3	5.2	1.7	4.26	.965
Valid N (listwise)	58						

Descriptive statistic indicated that majority of the respondents comprising of 82.8% were in agreement that MFIs have been able to venture into new geographical markets over time where a mean of 4.00 and a standard deviation of 1.257 were registered. Further, the study established the views of the respondents on whether their MFI have elaborate development strategy that have enabled them expand to new markets. 100% of the respondents agreed with the assertion recording a mean of 4.60 and a standard deviation of .493. Additionally, findings established a mean of 4.34 and a standard deviation of .690 were registered where 91.4% of the respondents strongly and/or agreed with the assertion that the widespread market development has enabled their MFI achieve market dominance. Further, a mean of 4.09 and a standard deviation of 1.031 were established where 41.4% and 39.7% of the respondent strongly agreed and agreed respectively that operating in new markets has helped their MFI to maintain dominance in the market. More findings from the research showed that, 36.2% of the respondents strongly agreed while 34.5% of them agreed that their MFI have been able to come up with superior brand recognition which leads to sustained market share advantage. This notion attracted a mean of 3.90 and a standard deviation of 1.135. Further, the assertion that their MFI have continually engaged in product development to add value to their customers thus expanding the market yielded findings indicating that 36.2% of the respondents strongly agreed and 24.1% of them agreed with a mean of 3.53 and a standard deviation of 1.466. Lastly, the study looked into whether their MFI have increased sales by selling present products in new markets. The findings revealed that 82.7% of the respondents agreed with the assertion having a mean of 4.26 and a standard deviation of .965.

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

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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.

Correlation Analysis

Market Development and Growth of Micro Finance Institutions

The researcher went further to evaluate the existence of a link between market development and growth of micro finance institutions. By employing Pearson correlation coefficient, the findings were tabulated as in the table 3.

Table 3: Correlations of Market Development on Growth of Micro Finance Institutions

		Market Development
Growth of Micro Finance Institutions	Pearson Correlation	.485**
	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 ($r = .485$, $p=.000$) relationship between market development and growth of Micro Finance Institutions. In essence, an increase in market development has an impact on the growth of MFIs. Therefore, for MFIs to realize growth, they should consider, among other factors, market development strategies. The study findings were in tandem with the findings established by Kim and Mauborgne, (2015) who asserted that to maximise on the returns of the company, there is need for the management to develop strategies that shall enable the organization meet the needs of non-customers by focusing on the common things that both non-customers and customers could buy thereby unlocking demand on the non-customers. The management finally needs to develop system that enhance the implementation of blue ocean strategy by creating the right sequence of events, dealing with the hurdles that exist within the company and finally executing the strategy to oversee the development of new market for the existing product.

X. HYOTHESIS 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 market development 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 Market Development and Growth of Micro Finance Institutions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.485[a]	.235	.222	.16870

a. Predictors: (Constant), Market Development

From the model summary, R-Square value was .235. Therefore market development accounted for up to 23.5% of the total variance in the growth of microfinance institutions whereas the remaining 76.5% could be explained by factors not covered in this model. This indicated that market development contributes to the growth of MFIs in Malindi sub-county, Kenya. The ANOVA findings were presented as shown in the table 5.

Table 5: ANOVA[b] Market Development and Growth of Micro Finance Institutions

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	173.103	1	173.103	17.240	.000[a]
	Residual	562.277	56	10.041		
	Total	735.379	57			

a. Predictors: (Constant), Market Development

b. Dependent Variable: Growth of Micro Finance Institutions

The ANOVA analysis findings in the table above produced an F-statistic value of 17.240 with a p-value of .000. Therefore, the value was significant at $p<.05$. Hence, it was established that market development has a significance influence on the growth of Micro Finance institution in Malindi town Kenya. As such, the hypothesis $\mathbf{H_{02}}$ that market development does not significantly influence the growth of microfinance institutions in Malindi sub-county, Kenya was also rejected. The conclusion arrived at was that market development has a significant influence on the growth of Micro Finance Institutions in Malindi sub-county, Kenya. According to UNCTAD (2015), market penetration provides the organizations with superior brand recognition and customer loyalty which provides sustained market-share advantage over later entrants; this rewards them with huge profits and monopoly-like status in the market.

XI. CONCLUSIONS AND RECOMMENDATIONS

Conclusions of the Study

The researcher found out that market development significantly influenced the growth of micro finance institutions. It was observed that in order to enhance the growth of micro finance institutions market development must also be enhanced. Market development helps the MFIs to maintain their dominance in the market. Also helps MIFs to boost selling of their services by accessing new market segments and by turning non-users into customers of the business. As a result, the study concluded that market development had an important role in determining the growth of micro fiancé institutions in Malindi sub-county, Kenya.

Recommendations of the Study

The study recommended that the MFIs should focus on implementing market development strategies to enhance their growth. Findings demonstrated that market development strategies are positively correlated with the growth of MFIs. Further, regression analysis indicated that market development influences the growth of MFIs in Malindi Sub-county Kenya. Hence, enhancing the market development will ensure continued growth of the institutions. Therefore, the MFIs should aim at achieving the market dominance position, improve on product development and expand into new geographical markets.

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