

Research Article

Driving Competitiveness of Microfinance Banks Through Learning Orientation

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Abstract

Microfinance banking industry is critical cog in the economic wheel as it contributes to the Gross Domestic Product, generation of employment and enhancement of socio-economic status in its pursuit for financial inclusivity for the segment of the Kenyan adult population that has been ignored by the conventional banking products and services. However, the over-reliance of microfinance banks on traditional product design and service delivery models with glaring absence of customized solutions and overdependence on conventional financing methods has greatly eroded their competitiveness. Thus, this study investigated the effect of learning orientation on competitiveness of Microfinance banks in Kenya. The study was underpinned on dynamic capabilities theory and resource-based view. Positivism research paradigm and explanatory research design were adopted as the overarching research strategy. The units of analysis and observation were microfinance banks and management personnel respectively, with a population of 616 management staff. Proportionate stratified and simple random sampling techniques was used for choosing the study sample of 243 management staff from which data was obtained using a structured questionnaire. A pilot study was performed on randomly chosen 25 management assistants or their equivalent. Linear regression was applied as the empirical model, whereby the decision rule for statistical inferences was based on a confidence level of ninety-five percent. Underlying assumptions of linear regression were evaluated. Data was subjected to descriptive analysis based on frequency count, measures of central tendency and measures of spread. Causal inference was analysed using simple linear regression at 95 percent confidence interval. The results thereof were presented in graphical form or tabulated. Learning orientation was determined to have a positive effect on firm competitiveness. The Head of Human Capital should review and strengthen the existing institutional learning and development framework to promote employees' participation in identifying skills gaps. The Head of Operations should formulate clear institutional guidelines for sharing work-related experiences, facilitating information flow, capturing knowledge generated through stakeholder interactions, and establishing mechanisms for translating the know-how of high-performing employees into accessible and transferable formats.

Keywords

Commitment to Learning, Firm Competitiveness, Intra-Organizational Knowledge Sharing, Learning Orientation, Open-Mindedness and Shared Vision

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1. Introduction

Financial services sector is regarded as knowledge intensive where the tendency to gain new knowledge and skills is instrumental to firm's adaptability initiatives for fostering innovation and thereby driving firm competitiveness and performance [38, 42, 48]. The shift towards knowledge-based economy has embedded an organizational philosophy that learning is a critical resource and ingredient for development and determination of optimal configuration of other firm's resources and capabilities [8]. This fundamental belief enables management to embrace the practice of unlearning any knowledge or information that is outmoded, besides eliminating undesirable mental models.

Inclusive financial systems provide individuals with increased access to facilities that promotes educational investment, optimization of business opportunities, saving for retirement and ability to confront economic shocks [20]. Micro finance institutions provide financial products and services to members of society that suffer from constrained access to conventional banking system and market or are vulnerable to financial exclusion [1, 33]. Therefore, microfinance banking is fundamental to fostering financial inclusivity among the segment of society that has been ignored by the conventional financial system [1, 20, 26] thereby alleviating poverty as envisioned in United Nation Social Development Goal, African Union Agenda 2063 and Kenya Vision 2030. Microfinance banking entails the provision of financial services and solutions to the impoverished and low-income segment of the society with the principal object of spurring economic development at family, community and national level for poverty alleviation and creation of unemployment [3].

Globally, the existence of a huge disparity where 35 percent of the adult population in developing countries does not have a bank account, whereas only a paltry 6 percent is unbanked in developed countries [82]. This realization has served as a basis for reenergizing initiatives towards broadening of access to the usage of financial services and particularly so through the expansion of micro finance services. Accordingly, the micro finance industry has a market of over 100 million customers, and which was valued at 218, 317.95 million dollars in 2022, with a projected compounded yearly growth rate of 12.72%. The microfinance sub-sector in India has a market share of 80 percent of financial services and is dominated by on-Bank Financial Institution [23, 81] of innovative products in the Indian micro finance sub-sector.

Despite the myriad challenges hampering development of the African financial sector, the growth in diversity of providers of financial services proffers a vast opportunity for designing innovative financial solutions to the segment of the adult population that is either underbanked or unbanked [62]. In as much as an estimated half of the world adult population has no access to conventional banking system, Sub-Sahara Africa has comparatively the lowest share of banked households, estimated at twelve percent of the overall adult population

(United Nation, 2013). Nonetheless, the East African region has become a hotbed of innovative financial products and services with tremendous growth potential compared to developed economies of the world.

Kenya's financial sector is estimated to be twice as large as Uganda's and Tanzania's and is considered as home to roughly 75 percent of microfinance institutions in the East African region [76]. The bank supervision annual report of Central Bank of Kenya (CBK) observes that micro finance banks play a complimentary role to commercial banks, as opposed to being competitors, by offering a vital service channel to a significant proportion of the population in Kenya that lacks access to financial solution offered by commercial banks [11]. Even though Kenya has a comparatively more developed and robust microfinance sector in the sub-Saharan Africa, there has been a characteristic low uptake of microfinance services amongst the unbanked adult population [3].

Innovative lending procedures and delivery channels such as social mobilization, collateral substitutes, creation of awareness, pre-loan savings requirement and character-based lending can be used to realize the dual-bottom-line objective of micro finance banks that prioritizes social and financial performance [18, 53]. Such a shift in financing practices has immense potential to generate affordable financial services and thereby challenge the traditional models of product and service delivery that principally focus on provision of credit, while ignoring such products as leasing, savings, remittance and insurance [18, 39].

In global economy that is open and liberalized, fostering firm competitiveness has become a major challenge attracting a great deal of attention and concerns to practitioners, policy makers and researchers [79]. It has been strongly argued that it is firms that form the basic unit of competition and in reality, learning orientation is an indispensable ingredient for building innovation capability which ultimately engenders firm competitiveness. Indeed, firm-level competitiveness underlies industry, national, regional and international competitiveness. Learning orientation is a core component of strategic orientation that draws from the learning school of thought of strategy formation [50]. Domiciled within the broader emergent schools of strategy, the learning school considers learning orientation as an embodiment of generative learning which confers an enterprise with the capacity to adapt to shifts in its environment [51, 84].

A vast body of literature has identified learning orientation as an imperative for any firm seeking to perceive its environment with reasonable level of accuracy, and enables successfully adaptation of the value proposition and thus driving its competitiveness in the industry [77]. This perspective is corroborated by substantial body of empirical literature that has demonstrated that firm competitiveness is an outcome of learning orientation besides others such as customer satisfaction and firm performance [46]. It has been contended that the

primary role of learning orientation in an enterprise is establishing and maintaining a dynamic fit with an ever-evolving business environment [47]. Essentially, integrating and embedding the attitude and tendency of regarding learning as imperative for development of other productive corporate resources and capabilities is instrumental to synchronizing the practices and activities of an enterprise with its shifting conditions and shaping its competitive posture.

Learning orientation is a bedrock for experimentation, learning from mistakes, and reflection, all of which is necessary for idea generation and refinement, identification of inherent pitfalls, and attainment of meaningful innovation. A growing body of literature presents innovation capability as a mechanism that enables enterprises to leverage on learning orientation in enhancing firm competitiveness [5]. Primarily, what would be the purpose learning orientation if it does not engender innovation in an enterprise? Given that business enterprises operate in challenging, complex and dynamic environment, learning orientation underpins and underlies the firm's capability to engender novel ideas, as well as translating them to innovative products, services and processes that aligns to the market requirements [83]. As a matter of fact, learning orientation has been determined and presented as a principal antecedent for innovation capability. A learning-oriented business enterprise has an ingrained capacity to favorably effect commensurate innovations in its value proposition as compared to its rivals [9].

Learning orientation impacts the quality of learning and bolsters the quality of information that is fed into an enterprise strategic decision making [5]. Learning orientation underpins commitment to learning, open-mindedness, and shared vision as critical integral success factors for enterprise whose environment is in a state of flux [46, 67, 83]. Moreover, through learning orientation, firms advocate for abandonment of passive learning postures and adoption of deliberate active behaviors which stimulates transformation of informational resources into institutional knowledge, skills, and capabilities that aid in the development of innovative solutions [63, 65]. Notably, intra-organizational knowledge sharing has gained prominence as a dimension of learning orientation, with a proposition for its integration, particularly in knowledge-intensive [31]. Consequently, a more integrative perspective that conceptualizes learning orientation as shared vision, commitment to learning, intra-organizational knowledge sharing, and open-mindedness has been adopted for this study.

2. Statement of the Problem

Microfinance banking industry seeks to enhance accessibility of financial services to the segment of the Kenyan adult population that has been ignored by the conventional banking products and services, and in this manner promotes financial inclusion [1]. The Central Bank annual supervision report has revealed unfavorable profit trend in the microfinance banking industry whereby combined pre-tax losses of Ksh

622,000,000 and Ksh 2,400,000,000 were recorded in 2017 and 2023 respectively [10, 11]. In 2024, there was a further increase in combined loss before tax to Ksh 3,500,000,000 [12]. Besides, the overall industry branch network has dropped by 7 percent from 115 in 2017 to 107 operational branches in 2024. Furthermore, it has been observed that that microfinance banks are poorly capitalized, a phenomenon that eroded their market position as well as downplayed their credit and financial intermediation roles [37]. Such observable outcomes are reflective of a weak posture of firm competitiveness which as has been noted entails having optimal capacity to operate efficiently and being able to generate fairly large proportion of market share and substantial revenues [21].

Microfinance banks have been found to primarily rely on traditional product design and service delivery models [39, 53], an occurrence that has greatly eroded their competitiveness [59]. Indeed, the competitive posture of microfinance banks has been substantially negated by the significant drop in borrowing and net advances of 60.1 percent and 16.8 percent respectively in 2024, predominantly as a result of growing competition from alternative financial services providers [4, 12]. Notably, with 2023 serving as the base period, the level of dedicated innovation teams plummeted to 57 percent in 2024 [12]. Additionally, the trend in market share has demonstrated sustained fluctuations amongst the three peer groups and movement across the peer groups. For instance, in 2017, three microfinance banks comprising the large peer group had an aggregate market share of 87.6 percent compared the 86.2 percent attributed to seven microfinance banks that in the same group in 2024.

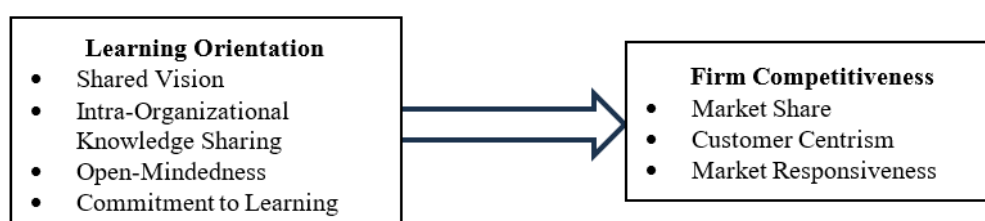
The adoption level for Application Programming Interfaces which is instrumental for optimizing operational efficiency and customer experience across crucial digital service points was 64 percent in 2024 [12]. Besides, only 36 percent of microfinance banks had prioritized investing in innovative solutions in 2024. The Kenya Bankers Association (KBA) has recognized accessibility of affordable customized solutions drawing from optimal segmentation of target market, as imperative for success in enhancing financial intermediation among the unbanked and underbanked by microfinance banks [36]. Accessibility, affordability and customization of product and services are fundamental outputs which even though signifying competitiveness have been observed as wanting among microfinance banks in Kenya.

Rigorous review of relevant literature has unveiled various research gaps which erodes its applicability in resolving the current concerns in microfinance banks in Kenya. The study by [46] though providing an empirical validation of the linkage between dimensions of learning orientation and competitiveness, relied on non-random selection of management staff in small medium enterprises in Aguascalientes, Mexico. Similarly, the study by [41] involving the insurance industry in Kenya though premised on linear regression model failed to verify the assumptions of multicollinearity and homoscedasticity prior to testing the research hypotheses. Furthermore,

the two studies decomposed predictor variable into commitment to learning, shared vision and open-mindedness. The study employed proportionate stratified and simple random sampling as advocated by [15] and also verified all the assumptions of linear regression. Moreover, intra-organizational knowledge sharing was integrated as an additional construct of learning orientation as suggested by [31] for knowledge intensive firms.

3. Conceptual Framework

The conceptual model illustrating the hypothesized relationship between learning orientation and organizational performance is presented in Figure 1.



Source: Author (2025)

Figure 1. Conceptual Model.

3.1. Objectives of the Study

The objective of the study was to establish the influence of learning orientation on competitiveness of Microfinance Banks in Kenya.

3.2. Research Hypotheses

The research hypotheses for the study were formulated to provide a basis for the statistical testing of the objective of this study.

H₀: Learning orientation does not positively affect competitiveness of Microfinance Banks in Kenya.

H₁: Learning orientation positively affect competitiveness of Microfinance Banks in Kenya.

4. Theoretical Literature Review

The concepts, principles and postulates of dynamic capabilities theory and resource-based view were reviewed to provide a robust theoretical foundation for the study.

4.1. Dynamic Capabilities Theory

The theory of dynamic capabilities evolved from the seminal work as a basis of providing a more rigorous explanation of sustainability of firm-level competitive advantage and the ensuing competitiveness [71]. The theory principally sought to elaborate the sources of firm-specific capabilities and regeneration of competences, both of which were regarded as important for embedding dynamic fit between corporate actions and the shifting business landscape [24]. This theoretical perspective complemented the partially developed notion that

attributed development of long-term competitive advantage to the existence of isolating mechanisms in value creation and capture [61, 64, 70, 78] that failed to explicate the real sources of sustainable competitive advantage. Further development of the dynamic capabilities' perspective placed path-dependent processes as imperative to integrating, building and reconfiguring the portfolio of competences at the core of firm competitiveness [72].

Whereas the preceding theoretical stream primarily attributed sustainable competitive advantage to possession of immobile and difficult-to-replicate resources and capabilities, which underscore the indispensability of firm's dynamic capabilities [72]. A key argument of the theoretical lens is that dynamic capabilities are necessary for creating, enhancing, extending, combining, protecting and reconfiguring a firm's idiosyncratic asset base [73]. Therefore, survival and successes in a complex and dynamic business landscape requires firms to go beyond their ordinary capabilities whose principal focus is optimization of existing processes and safeguarding the existing business model [22, 52, 72]. In this kind of context, dynamic capabilities such as sensing, seizing and transforming or recombining firm's complement of competences are fundamental to sustenance of competitive advantage and safeguarding firm competitiveness [28, 80].

Dynamic capabilities are essentially critical for alignment and re-alignment of an enterprise's asset base in the processes of value creation and co-creation [22, 74]. Industry best practices are an embodiment of operational or ordinary capabilities whose quick and deliberate adoption by other firms wears out their inherent ability to serve as a reliable foundation for long-term competitive advantage [75]. On the contrary, [22] contends that dynamic capabilities confer an enterprise with the ability to conceive, develop, amalgamate and reconfigure its stock of competences to reliably navigate the uncertainty in its

environment [30]. Besides, dynamic capabilities are rooted in an enterprise's proclivity to learn, a critical attribute that is ingrained in firm's routines and processes [29]. Indeed, a firm's ability to proactively navigate a complex, dynamic and unpredictable environment can hardly be nurtured in the absence of learning orientation. As has been argued, the critical function of learning orientation in an enterprise is establishing and maintaining the much-needed match with its dynamic environment [47].

In as much as accumulation and control of resources and capabilities that are unique is an imperative for survival, alignment of their exploitation and optimization of their mix to the shifting demand of the environment, coupled with the ability to regenerate them is what makes actualizes firm-level competitiveness [57]. As a matter of fact, its learning orientation that enables enterprise to unlearn any conventional wisdom that has become obsolete regarding customers, markets and competition thereby allowing them to avoid competency traps through proactivity in decision-making [8]. Learning orientation considers co-creation of value as a critical element in innovation and at the center of development of firm's dynamic fit. Unlike ordinary capabilities, when augmented by learning orientation, dynamic capabilities serve as the seedbed for innovative solutions that are strikingly appealing to the enterprise's stakeholders. Such innovative solutions propel the enterprise to go beyond transient success and competitive advantage.

Learning orientation functions as a dynamic capability by empowering an organization to continually monitor its environment for new opportunities and potential challenges, respond through timely decisions and strategic initiatives, and adjust or restructure its internal systems, processes, and resources to remain competitive and relevant [73, 86]. Knowledge-intensive firms with a strong learning orientation are better positioned to evolve in dynamic environments, as they actively apply competences that are instrumental to unleashing the ability to adapt to the shifts in its environment. Therefore, the theoretical lens of dynamic capabilities fundamental for explaining firm competitiveness on the basis of learning orientation.

4.2. Resource-Based View

The resource-based view emerged in 1984 from the work of Birger Wernerfelt as a theoretical perspective for explaining performance heterogeneity on the basis of resource and capability endowment [78]. However, the first reference to a firm as a bundle of productive resources was made by [61]. The emphasis made in this theoretical approach is that a firm is a collection of productive resources, where management motivated by the need for survival and success of the firm, play a catalytic role through innovative combination of resources that spurs creative innovation and adaptive responses [40]. In this manner, the resource-based view plays a primordial role in explaining how firm competitiveness can be developed

from the endowment of resources and capabilities that are distinct from those of other firms in the industry [84]. Whereas the environmental circumstances are likely to be homogeneous for firms in the same industry, firm aggregate characteristics and actions are pivotal for driving the practices and processes that triggers conception, creation, and delivery of goods and services of relatively superior market appeal as compared to those offered by rivals, taking into account both non-price and price attributes [13].

Firm resources encompass capabilities, knowledge, processes, information or any other attribute that facilitates conception, development and exploitation of strategies with potential to foster firms' competitiveness and ultimate performance [6, 7]. As opposed to the positioning school of strategy, possession of and capacity to exploit tangible and intangible resources serve as a foothold for generating customer value with potential for setting a firm apart from the rest in the industry [43]. The resource-based school of strategy contends that it is potentially feasible for management to exploit external opportunities as well significantly scale down external threats using existing firm's resources and particularly those that are intangible in nature [44]. This perspective is reinforced by the assertion that firm competitiveness draws from optimal combination of tangible and an intangible asset which confers the ability to conceive, capture, develop, sustain and maximize customer value [32].

The prospect of value sustainability may be actualized through fostering the strategic character of intangible resources which serves as a basis of isolating mechanisms for the firm [19, 64, 85]. As a strategic resource, learning orientation establishes the much-needed foundation and building block for reliably screening the business environment, and thereby discerning and identifying novel ideas, which are consequently translated into innovative products, services and processes that matches prevailing market requirements [83]. The isolating mechanisms is essentially what confers value appropriation to the firm, besides, it safeguards the firm's value creation process from potential imitation by rivals in the industry [49]. The resource-based perspective is premised on resource heterogeneity and immobility [6, 78].

As has been noted by [68], learning orientation is a variant of firm's intangible resources which is facilitated by deliberate management initiatives that establishes the conditions and motivation to perceive, understand and accurately interpret cues from the business environment and concurrently align the activities for value creation and delivery in such a way that enhances firm competitiveness. As an intangible resource, learning orientation has cultural underpinnings which fosters the firm's capacity and tendency to unlearn any conventional wisdom that has become obsolete regarding customers, markets and competition [5, 46]. In this manner, firms are able to avoid competency traps by being proactive in decision-making. Such culturally based attributes render learning orientation potent in embedding firm's practices and process of trans-

forming internal and external informational resources into corporate knowledge and skills which stimulates development of innovative ideas, products and processes with potential of setting the firm apart from its competition [63].

Indeed, firms that possess attributes of learning orientation manifest a high degree in their capacity to adapt and adopt practices that are competitive [69]. The complexity and dynamism of the business environment trigger the evolution of a firm's idiosyncratic behavior [2], a path dependent attribute that serves as an antecedent for innovation and firm competitiveness. In a knowledge-intensive firm, shared vision, commitment to learning, open-mindedness, and intra-organizational knowledge sharing function as intangible productive resources by fostering a unified direction, continuous capability development, adaptive thinking, and effective knowledge flow; all of which are critical for sustaining innovation and competitiveness [67]. The resource-based view is therefore considered as the theoretical underpinning for open-mindedness, commitment to learning, shared vision, and intra-organizational knowledge sharing which are construed as intangible productive resources with potential to engender competitiveness of in an enterprise.

5. Empirical Review

A research study on learning orientation and competitive advantage [41] was confined to firms in the insurance industry in Kenya. The study was premised on positivism research paradigm and utilized linear regression model. Validation of the linear regression as an optimal empirical model was not exhaustively done as only the assumptions of linearity and normality were evaluated and confirmed. Conversely, the assumptions of multicollinearity, homoscedasticity and independence were ignored. Learning orientation as an explanatory variable was construed as a multidimensional variable with such constructs as commitment to learning, open-mindedness and shared vision. Intra-organizational knowledge sharing has been adopted as an additional dimension premised on the understanding that knowledge as a strategic asset resides in organizational members, procedures and processes, and that its value increases with use and sharing [31]. Intra-organizational knowledge sharing is considered as an integral construct of learning orientation [9, 17] particularly so for knowledge intensive firms, industries and sectors.

The role of learning orientation in explaining performance was investigated within the context of Micro and Small Agro-Processing Enterprises that operates in Tanzania [54]. The construct of learning orientation was decomposed into commitment to learning, open-mindedness and shared vision, thereby ignoring the dimension of intra-organizational knowledge sharing. Multiple linear regression analysis determined all the dimensions of leaning orientation to have a positive contribution to performance of Agro-Processing Enterprises. The diagnosis of the model encompassed assessment of normality, autocorrelation, linearity, and homoscedasticity.

Noticeably, the test of autocorrelation was inconsistent with the cross-sectional data surveyed in this study, and the assessment of multicollinearity was ignored. In this thesis, linear regression model was used to estimate the extent of variability of firm competitiveness that can be explained by learning orientation. This model was further used to assess the mediating and moderating role of innovational capability and management support respectively as third level variables. All relevant assumptions of linear regression analysis were diagnosed to ensure non-biased estimation of the conceptualized causal links as recommended by [15].

The explanatory role of learning orientation on innovative service development of Ghanaian insurance industry was examined by [34]. In the survey, Data was drawn from the management staff of the diverse players in the insurance industry including reinsurance companies, insurances brokerage firms and insurance firms. Learning orientation was construed as commitment to leaning, shared vision and open-mindedness. Innovative service development was determined as an output of learning orientation. The survey further determined business performance as an outcome of innovative service development. The contextual diversity and the imperativeness of intra-organizational knowledge sharing in knowledge intensive enterprises serve as a sound basis for the need for this survey. In essence, intra-organizational knowledge sharing was determined as a critical construct of learning orientation [17].

Through a review of literature, a framework that would serve as a guide to future research endeavors regarding entrepreneurial orientation, learning orientation, innovativeness and business performance was developed [68]. In the review, there was substantial evidence that learning orientation is an imperative for innovation and business performance. However, it was also observed that entrepreneurial orientation would be necessary for establishing an optimal condition within which leaning orientation would be embedded in an organization. The propositions drawing from the review of literature require empirical validation in divergent contexts. Therefore, the current thesis sought to provide empirical evidence of causal explanation of firm competitiveness in terms of learning orientation. Furthermore, innovation capability and management support have been integrated as third level variables in appreciation of existence of the complex nature of causal links amongst institutional phenomena that in the final analysis yield firm competitiveness as an output variable.

6. Research Methodology

Positivism was espoused as the philosophical basis underpinning the execution of measurement and analysis of the survey through its principles and assumptions. As a research paradigm that has its genesis in the scholarly work of Auguste Comte, positivism has the orientation of hypothetico-deductive scientific thinking of science that seeks to verify a priori hypotheses through operationalization and measurement of re-

search phenomena [16, 60]. Under positivism, a business enterprise is considered as a value neutral entity and thus impactful and meaningful evaluation of causation should be devoid of impartiality, judgement and biasness of the researcher [56, 58, 60].

A mixed descriptive and explanatory research design was adopted as the overall blueprint for the study, providing a framework for data measurement, sample description, and testing hypothesized causal relationships [45]. The explanatory component was appropriate for examining the hypothesized relationships among learning orientation and firm competitiveness, within a quantitative survey framework. The descriptive component complemented this by documenting the characteristics and current status of the study variables and respondents [25]. The combined design is consistent with its application in management and social science research for describing existing conditions and examining relationships among interconnected phenomena [35, 55].

The study was conducted in Microfinance Banks within

Kenya. The unit of observation was management staff involved in strategic, tactical and operational matters in Microfinance Banks. Microfinance banks in Kenya are classified according to a composite market size index, rather than conventional market share. In 2024, large microfinance banks accounted for 86.2% of the index, medium microfinance banks accounted for 14.7%, while small microfinance banks recorded a combined index of -0.9% [12]. The management staff comprised 616 subjects, from whom 243 were selected using stratified proportionate and simple random sampling techniques as a recommended for ensuring representativeness of the sample [16].

Empirical data were collected from the selected management personnel using a structured questionnaire based on a seven-point summated rating scale. A pilot study involving 25 management assistants or equivalent personnel was conducted to assess the feasibility of the main study and validate and refine the research instrument. The analysis of the pilot data yielded the results in Table 1.

Table 1. Analysis of Pilot Data.

Inter-item Correlations Coefficients		
Construct	Inter-item Correlation Range	Decision
Learning Orientation	0.334 - 0.577	Satisfactory Convergence
Firm Competitiveness	0.376 - 0.579	Satisfactory Convergence
Item-Total Correlation Coefficients		
Construct	Corrected Item-Total Correlation Range	Decision
Learning Orientation	0.403 - 0.692	Satisfactory Consistency
Firm Competitiveness	0.378 - 0.790	Satisfactory Consistency
Reliability Statistics		
Construct	Cronbach's Alpha	Decision
Learning Orientation	0.764	Reliable
Firm Competitiveness	0.851	Reliable

Source: Pilot Data (2025)

The inter-item correlation analysis revealed positive and statistically significant associations among the measurement items, with coefficients ranging from satisfactory ($r = 0.334$) to strong ($r = 0.579$), with p -values not exceeding 0.05. These findings provided preliminary evidence of convergent validity and confirmed the suitability of the items for measuring their respective constructs. The item-total correlation coefficients ranged from 0.378 to 0.790, exceeding the recommended minimum threshold of 0.3. This indicated satisfactory alignment of the items with their respective constructs and provided preliminary evidence of construct validity. The reliability analysis indicated Cronbach's alpha coefficients of 0.764 and 0.851

for learning orientation and firm competitiveness, respectively, exceeding the minimum threshold of 0.700 as has been recommended [14]. These results indicated that the scales demonstrated acceptable internal consistency and were therefore considered reliable for data collection and subsequent statistical analysis.

A total of two hundred and forty-three questionnaires was administered to the sampled management staff of microfinance banks. Sufficient time was provided for engaging with the data collection instruments, with sustained follow-up to minimize the risk of a high non-response rate. Among the two

hundred and forty-three administered questionnaires, one hundred and seventy were filled in and returned. This yielded a response rate of seventy percent, with a corresponding non-response rate of thirty percent.

The data collected from 170 management personnel were scrutinized for completeness, coded, and entered for analysis of the sample mean, variance, standard deviation, and relative standard deviation (coefficient of variation). The data were subsequently assessed for suitability for inferential analysis, with assumption tests confirming the requirements of linearity, normality, multicollinearity, and homoscedasticity. Linear regression analysis was then performed to test the hypotheses,

using a 95% confidence level and a 5% significance level as the decision criteria.

7. Descriptive Statistics

A perspective that conceptualizes learning orientation in terms of shared vision, commitment to learning, intra-organizational knowledge sharing, and open-mindedness was adopted in this study. The descriptive statistics for learning orientation are summarized in Table 2.

Table 2. Descriptive Statistics for Learning Orientation.

Variable	Mean	Standard deviation	Variability
Shared Vision	6.408	0.698	0.109
Open-Mindedness	6.499	0.628	0.097
Commitment to Learning	6.436	0.658	0.102
Intra-Organizational Knowledge Sharing	6.333	0.689	0.109
Learning Orientation	6.419	0.668	0.104

Source: Survey Data (2025)

The descriptive statistics for the independent variable, learning orientation, indicated that respondents generally rated the different dimensions highly. Open-mindedness had the highest mean score of 6.499, with a standard deviation of 0.628, indicating a strong presence of this aspect and relatively low variability in respondents' perceptions. Commitment to learning followed with a mean of 6.436 and standard deviation of 0.658, while shared vision recorded a mean of 6.408 and standard deviation of 0.698. Intra-organizational knowledge sharing had the lowest mean score of 6.333, with a standard deviation of 0.689, although it still reflected a high level of agreement. The coefficients of variation, ranging from 9.7% to 10.9%, further indicate relatively consistent perceptions across the dimensions of learning orientation.

The aggregate mean of 6.419, with a standard deviation of 0.668 and coefficient of variation of 10.4%, indicates that learning orientation was strongly manifested in the micro-finance banks. The high aggregate mean, relative to the seven-point Likert scale, suggests that the microfinance banks had adopted practices that promote openness to new ideas, continuous learning, shared organizational direction, and knowledge sharing among employees. The relatively low standard deviation and coefficient of variation indicate a fairly consistent perception of learning orientation among the respondents. Overall, the findings demonstrate that learning orientation is substantially embedded in the institutional practices of the microfinance banks. The summary descriptive statistics for firm competitiveness were presented in Table 3.

Table 3. Descriptive Statistics for Firm Competitiveness.

Variable	Mean	Standard deviation	Variability
Repeat purchases are closely monitored	6.324	.582	.092
Client onboarding is embedded in institutional practices	6.453	.697	.108
Customer needs are the primary organizational focus	6.435	.605	.094
Responsiveness to customer needs is vital for outperforming competitors	6.459	.672	.104
Customer-valued features are continuously integrated into products	6.406	.611	.095

Variable	Mean	Standard deviation	Variability
Environmental insights are used to develop user-friendly processes	6.447	.616	.096
Innovative platforms are used to reach potential customers	6.488	.588	.091
Technology is used to enhance company visibility	6.547	.635	.097
Firm Competitiveness	6.445	.626	.097

Source: Survey Data (2025)

The findings indicate that the construct of firm competitiveness recorded a relatively high mean score of 6.445 and a low standard deviation of 0.626. The corresponding coefficient of variation of 9.7% indicates limited dispersion in responses and a high level of agreement among respondents regarding firm competitiveness in the observed microfinance banks. The individual indicators recorded high mean scores, ranging from 6.324 for monitoring repeat purchases to 6.547 for using technology to enhance company visibility. The relatively low variability across the indicators further suggests that respondents had consistent perceptions of the competitiveness practices adopted by the microfinance banks.

Notably, the findings indicate strong agreement that technology is used to enhance company visibility (mean = 6.547) and that innovative platforms are used to reach potential customers (mean = 6.488). Similarly, respondents agreed that responsiveness to customer needs is important for outperforming competitors (mean = 6.459). The findings further show that client onboarding is embedded in institutional practices (mean = 6.453), while environmental insights are used to develop user-friendly processes (mean = 6.447). In addition, customer needs are the primary organizational focus (mean = 6.435), and customer-valued product features are continuously integrated into product improvement (mean = 6.406). Overall, the high mean scores demonstrate that customer-focused practices, innovation, and technology use are strongly

embedded in the competitiveness of the observed micro-finance banks.

8. Inferential Statistics

Unweighted arithmetic mean of the four fundamental sub-constructs of learning orientation (ie open-mindedness, commitment to learning, shared vision, and intra-organizational knowledge sharing) was evaluated as guided by the formulation as has been recommended [66].

$$\bar{x} = \frac{\sum_{i=1}^k x_i}{k}$$

Where: x_i = i^{th} dimension of learning orientation

k = Number of dimensions combined to form the composite score

The unweighted arithmetic mean is particularly suitable whenever an identical scale is used to measure all items of the research constructs and the distinct dimensions are presumed to be equally important to the underlying construct [27]. The constructed composite index constituting learning orientation was instrumental in testing the research hypotheses in this study.

Table 4. Regression Results.

Model Summary						
Model	R	R Square		Adjusted R Square	Std. Error of the Estimate	
1	.777 ^a	.604		.601	.21237	
a. Predictor: (Constant), Learning Orientation						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	11.546	1	11.546	255.998	.000 ^b
1	Residual	7.577	168	.045		
	Total	19.123	169			
a. Dependent Variable: Firm Competitiveness						

Model Summary

b. Predictor: (Constant), Learning Orientation

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% CI
	β	Std. Error	Beta			
1	(Constant)	1.797		6.174	.000	1.222 – 2.371
	Learning Orientation	.726	.777	16.000	.000	0.636 – 0.815

a. Dependent Variable: Firm Competitiveness

Source: Research Data (2025)

The results in the model summary reveal that learning orientation provides strong explanatory power for variations in firm competitiveness. The multiple correlation coefficient ($R = 0.777$) indicates a strong positive linear association between learning orientation and firm competitiveness. This suggests that higher levels of learning orientation are associated with higher levels of firm competitiveness in the observed microfinance banks. The coefficient of multiple determination ($R^2 = 0.604$) indicates that learning orientation explains 60.4% of the variation in firm competitiveness. This represents a substantial explanatory power, suggesting that learning orientation has a large effect on firm competitiveness. The remaining 39.6% of the variation is attributable to other factors not included in the model.

The results indicate that the estimated linear regression model is statistically significant and demonstrates a good overall fit in explaining variations in firm competitiveness. The Regression Sum of Squares ($SSR = 11.546$) exceeds the Residual Sum of Squares ($SSE = 7.577$), indicating that the model accounts for a substantial proportion of the variation in firm competitiveness, while a smaller proportion remains unexplained. The F-statistic ($F = 255.998$; $df = 1, 168$; $p = 0.000$) indicates that the estimated model is statistically significant at the 95 percent confidence level. This implies that learning orientation provides a statistically significant basis for explaining variations in firm competitiveness among microfinance banks.

The contribution of learning orientation to firm competitiveness can be well understood by interrogating the results in the coefficients table. Based on the estimated coefficients, the predictive regression model is defined as:

$$\text{Firm Competitiveness} = 1.797 + 0.726 \text{ Learning Orientation}$$

Learning orientation was found to have a statistically significant positive effect on firm competitiveness ($\beta = 0.726$, $t = 16.000$, $p < 0.001$). The positive coefficient indicates that an increase in learning orientation is associated with an increase in firm competitiveness. Specifically, a one-unit increase in learning orientation is associated with a 0.726-unit increase in firm competitiveness. The statistically significant coefficient

provides sufficient evidence to reject the null hypothesis and conclude that learning orientation has a statistically significant positive effect on firm competitiveness among microfinance banks. The standardized beta coefficient ($\beta = 0.777$) further demonstrates a strong positive contribution of learning orientation to firm competitiveness.

The finding is consistent with the conclusion that learning orientation contributes positively to competitive advantage among insurance firms in Kenya [41]. It also corroborates the findings that the dimensions of learning orientation positively contribute to the performance of Micro and Small Agro-Processing Enterprises in Tanzania [54]. Similarly, it has been established that learning orientation plays an important role in explaining innovative service development in the Ghanaian insurance industry, which subsequently contributes to business performance [41]. The finding is also in agreement with [68], whose review of literature provided substantial evidence of the importance of learning orientation in promoting innovation and business performance.

However, the present finding extends these studies by demonstrating the explanatory role of learning orientation in firm competitiveness within the microfinance banking sector. Unlike studies that examined learning orientation primarily through commitment to learning, open-mindedness and shared vision, the present study incorporates intra-organizational knowledge sharing as an additional dimension. This broader conceptualization recognizes the importance of sharing knowledge embedded in organizational members, processes and procedures in enhancing the value of organizational learning. The strong positive coefficient obtained in the present study therefore provides empirical support for the argument that learning orientation, when embedded in organizational learning and knowledge-sharing practices, can contribute substantially to firm competitiveness. The finding further provides empirical evidence within the microfinance banking context, thereby extending the application of prior learning orientation research to a knowledge-intensive and highly competitive financial services environment.

9. Conclusion

The microfinance banking industry plays a critical role in Kenya's economy through financial inclusion, employment creation and enhancement of socio-economic welfare. However, reliance on traditional product and service delivery models has constrained the competitiveness of microfinance banks. This study therefore examined the effect of learning orientation on firm competitiveness, conceptualizing learning orientation in terms of shared vision, commitment to learning, open-mindedness and intra-organizational knowledge sharing. The findings established that learning orientation has a statistically significant positive effect on firm competitiveness among microfinance banks in Kenya. The study therefore concludes that microfinance banks with stronger learning-oriented practices are better positioned to enhance their competitiveness. In particular, fostering shared vision, commitment to learning, open-mindedness and intra-organizational knowledge sharing enables microfinance banks to adapt to changing customer needs, utilize knowledge effectively and strengthen their competitive position.

10. Contribution to Knowledge

The findings of this study contribute to both empirical and theoretical knowledge on firm competitiveness. Empirically, the study provides context-specific evidence that shared vision, open-mindedness, commitment to learning and intra-organizational knowledge sharing, as dimensions of learning orientation, enhance the competitiveness of microfinance banks in Kenya, while addressing identified conceptual and methodological gaps. Theoretically, the findings provide empirical support for Dynamic Capabilities Theory by demonstrating that learning orientation enables firms to sense changes in their environment, respond to emerging opportunities and challenges, and reconfigure resources and processes to sustain competitiveness. The findings also reinforce the Resource-Based View by demonstrating that these learning-oriented practices constitute valuable intangible resources that facilitate value creation and strengthen firm competitiveness.

11. Policy and Practical Recommendation

The Executive Management Team in microfinance banks should develop and implement policies that strengthen learning orientation by fostering a shared sense of purpose, collective responsibility, mutual trust and collaboration among employees. The Head of Human Capital should strengthen institutional learning and development programmes by supporting employee participation in identifying skills gaps, providing adequate resources for training and promoting continuous learning. In addition, the Head of Operations should establish

clear mechanisms for sharing work-related experiences, facilitating information flow and capturing and disseminating knowledge generated within the organization. These measures would strengthen shared vision, commitment to learning, open-mindedness and intra-organizational knowledge sharing, thereby enhancing the competitiveness of microfinance banks.

Abbreviations

ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
KBA	Kenya Bankers Association

Author Contributions

Faith Gacheri Kamandi: Conceptualization, Data curation, Formal Analysis, Investigation, Methodology, Writing – original draft, Writing – review & editing

Godfrey Muigai Kinyua: Conceptualization, Methodology, Supervision, Validation

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Conflicts of Interest

The authors declare that they have no conflicts of interest regarding the publication of this manuscript.

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