**STRATEGIC INNOVATION ORIENTATION AND PERFORMANCE: MAKING MICRO FINANCE INSTITUTIONS WORK FOR CUSTOMERS IN KENYA**

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**Abstract**

The strategic innovation orientation concept is indispensable for firms that want to survive and remain resilient in the market. Micro Finance Institutions have contributed significantly to the economic growth of Kenya. They are vital stakeholders towards achieving the Vision 2030 economic pillar goal since they offer financial services to the low cadre people in society. Therefore, this study investigated the effect of strategic innovation orientation on the performance of Micro Finance Institutions in Kenya. Specifically the study investigated the effect of product innovation orientation, organizational innovation orientation, financial innovation orientation, and market innovation orientation being relevant. Both descriptive and explanatory research designs were used. The target population comprised 13 Micro Finance Institutions, and 352 respondents who were sampled using a proportionate stratified random sampling technique. Primary data was collected using self-administered questionnaires while secondary data was from document review. The collected data was analysed using multiple linear regression model. The study found out that product innovation orientation, financial innovation orientation, and market innovation orientation had a statistically significant effect on performance of Micro Finance Institutions in Kenya. However, organizational innovation orientation had a positive but insignificant effect on the performance of Micro Finance Institutions in Kenya. The study recommends that Micro Finance Institutions should develop strategies which support product innovation orientation, financial innovation orientation and market innovation orientation for the Micro Finance Institutions to be resilient and sustainable.

*Key words; Strategic innovation orientation, Product innovation orientation, Organisational innovation orientation, Financial innovation orientation, Market innovation orientation, Performance, Micro finance institutions*

**1. Introduction**

The United Nations (UN) supports programmes that are geared towards poverty reduction and ensuring that the poor and low-income households have secure livelihoods. One approach has been through Micro-Credit Institutions (MFIs), within which MFIs fall. For example, Muhammad Yunus and Grameen Bank were granted the Nobel Peace Prize to reduce poverty through MFIs in 2006 (Hudon, Labie & Szafarz, 2019). However, MFIs have significantly increased in Asia and Africa due to unsatisfied demand for financial services (Uddin, Hamdan, Embi, Kassim & Saad, 2020).

The Economic Outlook for 2019 forecasted growth in micro and Small and Medium Enterprises (SME) finance markets by 10-15%. In Sub-Saharan Africa, the growth was estimated to be 6-10% due to the prevailing environmental conditions. The major problems facing microfinance institutions are; profitability, portfolio quality, environmental adjustment, customisation of methodology and guarantees, financial management, and customer support (Ouma and Kilika, 2018).

The Kenyan economy grew by 5.4% in 2019 and grew to 6.2% in 2020. However, due to COVID -19, the financial sector has suffered negatively (Kenya Financial Stability Report, 2019). As a result, the MFI sector has suffered negatively, and this can be solved by having the right strategic decisions on how to effectively tap on the various strategic innovation orientations held by MFIs. In Kenya, MFIs are regulated by the Central Bank of Kenya (CBK) through the Association for Micro-Finance Institutions (AMFI), which has 60 fully paid up members (AMFI Report, 2019).

The MFIs performance has been at a slow growth rate in Kenya; they recorded a 4.7% growth in assets as of 31st December 2018, 7% decline in 2017 and a 5% growth was witnessed in 2016 (CBK, 2018). As a result, the combined loss before tax of MFIs as of 31st December 2017 was Kshs. 622 Million, while in December 2018, the combined loss had increased to Kshs. 1.4 Billion (CBK, 2018). Despite the risks, volatility, uncertainty, complexity and ambiguity in the economic environment, MFIs need to survive by using their capabilities well. This calls for appropriate strategic innovation orientation by the institution's top management team (TMT) to sustain the performance. The strategic innovation orientation of the firms can be in the form of activities geared towards product innovation orientation, organizational innovation orientation, financial innovation orientation, and market innovation orientation.

**2. Review of Literature**

**2.1 Theoretical Review**

**2.1.1** **Balanced Score Card**

Kaplan and Norton (1992) were the proponents of the Balanced Score Card (BSC) paradigm. The model came up as a critique of how performance was earlier conceptualized in financial terms like profitability, ROI, and ROA. They came up with the BSC tool, which measured performance holistically; both financially and non-financially. The balanced scorecard has been used as a performance measurement and strategic management tool (Saleheen, Habib & Hanafi*,*2018; Zandieh, Shariat, Rabieh, & Tootooni, 2020)

It brings a balanced approach to measuring financial and non-financial metrics (Zandieh *et al.,* 2020). Non-financial measures encompass stakeholders and customers’ satisfaction, growth and survival of the business, and increased quality and efficiency (Kaplan & Norton, 1996). The paradigm argues that institution performance should go beyond understanding the financial gains to include those who interact with the business whether they are satisfied. Hubbard (2009) improved BSC to include Sustainable Balanced Score Card (SBSC), which had six pillars; financial, customer, internal business, learning, social and environmental performance.

The findings on the study by Herath (2020) on entrepreneurial orientation influence on SME performance using the absorptive capacity *as a*moderator among firms were in corroboration with the premise behind Balanced Score Card. However, the study focused on financial performance aspects only. On the other hand, studies by Saleheen *et al.* (2018) and Zandieh *et al.* (2020), which used both financial and non-financial measures of performance, were anchored on Balanced Score Card.

**2.1.2 Resource Based View**

Edith Penrose is the principal proponent of Resource-Based View (RBV) (Penrose, 1959). The theory emphasized the constructs of a firm’s resources. Assets and dynamic capabilities are crucial determinants of competitive advantage and performance. The RBV describes a firm as an amalgamation of tangible and intangible assets, resources, or competencies associated with the institution and are tedious to duplicate. Strategic innovation orientation as a capability is anchored on the RBV.

Studies by Lioukas, Reuer and Zollo (2016) on the effects of information technology capabilities on strategic alliances used RBV as the anchor theory of the study. Further, Donnellan and Rutledge (2019) used RBV as the main theory in establishing the performance of banks through proper alignment of strategies. Therefore, the strategic innovation orientation variable will be anchored on this theory. Edith Penrose is the principal proponent of Resource-Based View (RBV) (Penrose, 1959). The theory emphasized the constructs of a firm’s resources. Assets and dynamic capabilities are crucial determinants of competitive advantage and performance. The RBV describes a firm as an amalgamation of tangible and intangible assets, resources, or competencies associated with the institution and are tedious to duplicate. Strategic innovation orientation as a capability is anchored on the RBV.

**2.1.3 Dynamic Capabilities Theory**

Teece, Pisano and Shuen (1997) posited that dynamic capabilities theory reflects on the firm’s potential to gain new and revolutionary ways of competitive advantage despite path dependencies and core rigidities in its operational and technical processes. The dynamic capabilities theory borrows from RBV, which found out that firm-specific resources are the foundation for dynamic capabilities. Dynamic capabilities theory expounds further on firms importance of altering their capabilities to sustain their performance in a dynamic environment.

Studies by Torres, Sidorova and Jones (2018) used dynamic capabilities perspective in exploring the firm performance through business intelligence and analytics. Besides, Bastanchury-López, De-Pablos-Heredero, Montes-Botella, Martin-Romo-Romero and Garcia (2020) and Muithya and Muathe (2020) used dynamic capabilities theory in explaining the performance of dairy sheep farms in Spain.

**2.1. 4 Unified Theory of Acceptance and Use of Technology**

The study was anchored on the Unified Theory of Acceptance and Use of Technology (UTAUT) or Unified Theory of Consumer Acceptance of Technology (UTCAT) by Venkatesh, Morris, Davis and Davis in 2003. This is an integration of several models and theories like theory of reasoned action, the technology acceptance model, the motivational model, the theory of planned behaviour, the combined technology acceptance model and theory of planned behaviour the model of personal computer utilization the innovation diffusion theory and the social cognitive theory (Aliaño, Hueros, Franco & Aguaded, 2019)

It assumes that acceptance of technology is based on consumer attitude, determined by relative advantage, perceived usefulness, and ease of use. These are based on cognition and not affect. UTUAT has been used to explain technology's use (Muathe, 2010, Muathe, Wawire and Ofafa, 2013, Aliaño, *et al,* 2019; Anouze &Alamro, 2019). For example, Sarfaraz (2017) studied the adoption of mobile banking among Jordanian banks' used the Unified theory of acceptance and use of technology model. The theory was thus used to support the strategic innovation orientation variable of the study.

**2.1.3** **Theory of Innovation**

Joseph Schumpeter invented the theory in 1934 (Schumpeter, 1934). The theory upholds that the motivating force for the development of any institution is innovation. According to Vyas (2009), innovation involves the novel product development or improvement of existing goods and services, creative industrial practice, new market openings, diversification of raw material sources, and other innovative industrial inputs and systems. Organizational innovation includes improving workplace satisfaction; organizational restructure, and gaining access to non-tradable assets (Nakamori, 2020). Peter Drucker integrated marketing and innovation in furthering the theory of innovation to include both technology and economic fields (Nakamori, 2020).

Performance of institutions is improved when there is value addition in products. This further increases the market size of the institution or firm products. Schumpeter is mentioned as key in spreading effective innovation practices in the early 1800s (Schumpeter, 1939). Ouma and Kilika, (2018) in the application of the theory of innovation, argued that innovation strategies lead to first-mover advantage, which is based on the strategic choices that the institution makes. This theory was relevant in anchoring the strategic innovation orientation variable in the realm of MFI. Innovation is perceived as an enabler of economic progress in the current globalization times (Welfens, Addison, Audretsch, Gries, & Grupp, 2008).

Innovation should create a blue ocean strategy (Kim & Mauborgne, 2017; Nakamori, 2020) that firms need to leverage for competitive advantage. The study by Taques, López, Basso and Areal (2021) on the measures of service innovation and manufacturing innovation used the theory of innovation to advance its objectives. The strategic innovation orientation variable was anchored on this theory.

**2.2 Empirical Review**

Ibrahim (2016) on strategic innovation orientation effect on Safaricom Limited performance in Kenya found out that the company focused on the product, process, organization, and market innovations. The indicators for strategic innovation orientation were the design of goods and services, process structure using software to order products at specific times, process and capacity design, market need. However, the study was in the telecommunications sector, and thus the findings are not generalizable to other sectors. The current study addressed this gap by being conducted in the MFI sectors.

The study by Zhang, Qi, Wang, Pawar & Zhao (2018) on the effect of intellectual capital on product innovation performance found out that intellectual capital significantly affected product innovation performance among Chinese and Indian manufacturing firms. The study used institutional theory and knowledge-based view to anchor the main variables of the study. Research by Aliyu, Ahmad and Nordin (2019) on performance of women entrepreneurs in Nigeria found out that access to finance had a significant effect on performance. Innovation was used as a mediator in the study, while in the current study, innovation aspects will be used as independent variables. Further, the study was conducted in Nigeria among women entrepreneurs, thus a contextual gap.

Hussain, Mu, Mohiuddin, Danish, and Sair (2020) conducted a research on the effect of sustainable brand equity and marketing innovation on market performance in the hospitality industry using structural equation modelling found out that marketing innovation had a significant effect on the performance of hotels and restaurants in Pakistan. Besides, the sustainable competitive advantage had a significant mediating effect on the relationship. However, the study was conducted in the Pakistan hospitality industry and thus contextual gap. The current study will be in the context of MFIs.

Similarly a study by Chalabi (2020) on financial innovation among Lebanese banks found out that mobile banking had a significant impact on financial performance as it led to increased profits, loans and assets. The study used descriptive and inferential statistics for analysis. The study, however, looked at financial performance, return on assets and return on equity; only yet holistic analysis can be done on all aspects of performance. Moreover, the study was premised on a theory of innovation.

Research by Odhiambo and Ngaba (2019) on e-banking services and commercial banks' performance in Kenya found out that mobile banking, agency banking, internet banking, and automated cards significantly affected financial performance. The study used descriptive and inferential statistics for analysis. The research conducted a census of all 43 commercial banks in Kenya and was anchored on technology acceptance theory and diffusion innovation theory which the study also adopted. Contextually, the research was on established commercial banks. Besides, mobile banking, agency banking, internet banking, and automated cards formed part of the indicators for process innovation indicators of the financial innovation orientation. Muchangi, Muathe and Titus (2019) on Deposit-taking SACCOs’ in Kenya found out that financial innovation through automated cards had a significant effect on the Deposit-taking performance of SACCOs’ in Kenya. The study used descriptive and explanatory research designs for the research design while multiple linear regression was used in data analysis. The study used Return On Assets as the only measure of financial performance like this current study. Furthermore, the study was in the realm of Deposit –taking SACCOs’ while the study was in the realm of MFIs.

Kemboi (2018) researched the effects of automation on commercial banks' performances in Kenya using a descriptive research design found out that automation effect on banks' performance was significant. Automation included Automated Teller Machines (ATM) and deposit machines in the banks' operations. The study adopted and adapted some of these indicators in the context of financial innovation orientation. The study used automation as one of the indicators of financial innovation orientation in the realm of MFIs.

Research by Muigai and Gitau (2018) on the effect of innovation strategies on banks financial performance found out that product innovation and organisational innovation had a significant effect on financial performance. Financial performance was measured using the metrics of ROA, net profits and ROE. Product innovation was measured using new products, new services and improved products, while organisational innovation was measured using automated voice response, call centres and e-customer information database. These indicators of product innovation were adopted in the current study. However, the constructs of organisational innovation were different from those used in the current study. This brings about a conceptualisation gap. Besides, the study used only financial measures of performance.

Katula and Kiriinya (2018) noted that loan appraisal and Deposit-Taking SACCOs' financial performance found out that loan appraisal was significant in mitigating loan repayment. An efficient means of loan appraisal ensures that customers get their loan on time. The study was conducted in Embu County and among Deposit-Taking SACCOs. The use of efficient loan appraisal procedures through the use of technology accounts for financial innovation orientation. The study was in the realm of MFIs, with loan appraisal efficiency as one indicator for financial innovation orientation.

Research by Jahan, Ali and Al Asheq (2020) on key determinants of customer satisfaction on internet banking services found out internet banking services had a significant effect on customer satisfaction among Bangladesh banks. Raza, Umer, Qureshi and Dahri (2020) study on internet banking service quality, e-customer satisfaction and loyalty using the modified e-SERVQUAL model found out that financial innovation orientation through internet banking impacted the satisfaction of customers leading to their loyalty among banks in Pakistan. Ntwiga (2020) observed that mobile banking's effect on commercial banks’ financial performance in Kenya found out that mobile banking had a weak relationship with financial performance. This inconsistency in findings demands further research on the effects of financial innovation on the performance of MFIs. Further, there is a need to use financial and non-financial measures in addressing performance.

Namusonge, Muturi and Olaniran, (2016), Kiveu, Namusonge and Muathe (2018) argued that product innovation, process innovation and technological innovation did not have a positive effect on the Return on Equity and Return on Assets. Therefore, the study adopted a panel analysis. The current study addressed this gap by analysing the impact of strategic innovation orientation on the performance of MFIs in Kenya.

Research by Trinidad (2018) on the relationship between innovation and performance of small family businesses in Latin America established that innovation through product innovation, process innovation and management information system had a significant effect on the business performance of small family businesses. The study adopted a structural equation model of the second order for analysis. However, the study had only three variables of innovation, and the current study addressed this gap by using four variables of strategic innovation orientation in the context of MFIs in Kenya.

Mwai, Njeru and Memba (2019) conducted a research on the relationship between financial innovations adoption and financial deepening of listed commercial bank in Kenya used bank size as a moderating variable. Financial innovation was conceptualised as mobile phone banking, ATM banking, online and agency banking activities. These indicators were used in the current study. The study adopted the technology acceptance model that was adopted in the current study as well. The study found out that financial innovations had a significant effect on the financial deepening of listed commercial bank in Kenya. Commercial banks in Kenya are more established compared to MFIs, thus a contextual gap. The current study addresses this gap by being conducted among MFIs and by using financial and non-financial measures of performance.

Moreover, Mageto, Muturi and Abuga (2017) on their research on mobile banking effect on commercial banks' performance in Kisii Town, Kenya, found out that mobile banking had a significant effect on commercial banks' financial performance. However, the study did not use all the metrics of measuring performance; instead, it used only financial performance conceptualized as Return on Equity. The current study addresses this gap by using financial and non-financial measures of performance. Anwar, Zaman and Ali (2020) found out that process innovation and organization innovation had a significant positive effect on the performance of non-profit organisations, while product innovation and marketing innovation have insignificant influence on the performance of non-profit organisations. Hypotheses testing were by use of structural equation modelling (SEM) in AMOS.21. The study found differences in the effect of innovation aspects. The current study will use the same aspects of innovation for strategic innovation orientation amongst MFIs in Kenya.

Research by Herath (2020) on entrepreneurial orientation influence on SME Performance using the absorptive capacity *as a*moderator among firms found out that entrepreneurial orientation had a significant effect on the performance of SMEs. The performance of SMEs was used as the dependent variable while the findings on the study were in corroboration with the premise behind Resource-Based View. Abdullai and Micheni (2018) research on the effect of internet banking on commercial banks' operational performance in Nakuru County, Kenya, used internet banking as an indicator of financial innovation orientation. The studies were in the realm of established banks in Bangladesh. The current study used internet banking as one of the indicators for financial innovation orientation. The question remains whether strategic innovation orientation works for customers in Kenya. Consequently, the study hypothesized that;

**H01**: There is no significant effect between product innovation orientation and performance of MFIs in Kenya.

**H02**: There is no significant effect between organisational innovation orientation and performance of MFIs in Kenya.

**H03**: There is no effect between financial innovation orientation and performance of MFIs in Kenya.

**H04**: There is no significant effect between market innovation orientation and performance of MFIs in Kenya.

**3. Research Methodology**

The study used descriptive and explanatory research design. The target population comprised 13 MFIs and 352 respondents sampled using a proportionate stratified random sampling technique. Self-administered questionnaires were used to collect primary data while. Secondary data was collected from document review of Association for Micro-finance Institutions published reports, financial reports published by MFIs, Reports, and CBK reports on MFIs. The collected data was based on both financial and non-financial measures. Data was analysed using multiple linear regression.

**4. Empirical Findings**

This section presents research findings whose main objective was to investigate effect of strategic innovation orientation on performance of Microfinance Institutions in Kenya. Table 4.1 present results base on strategic Innovation Orientation and Performance categorised as financial performance and non-financial performance.

**Table 4.1 Regression Coefficients**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **B** | **Std. Error** | **Beta** | **T** | **Sig.** |
| Financial performance | (Constant) | 0.869 | 0.333 |  | 2.61 | 0.010 |
|  | Product Innovation Orientation | 0.157 | 0.074 | 0.152 | 2.134 | 0.034 |
|  | Organizational Innovation Orientation | 0.075 | 0.065 | 0.079 | 1.165 | 0.246 |
|  | Financial Innovation Orientation | 0.184 | 0.07 | 0.184 | 2.64 | 0.009 |
|  | Market Innovation Orientation | 0.348 | 0.066 | 0.353 | 5.235 | 0.000 |
|  |  | **B** | **Std. Error** | **Beta** | **T** | **Sig.** |
| Non-Financial Performance | (Constant) | 1.004 | 0.328 |  | 3.063 | 0.003 |
|  | Product Innovation Orientation | 0.222 | 0.073 | 0.222 | 3.059 | 0.003 |
|  | Organizational Innovation Orientation | 0.102 | 0.064 | 0.111 | 1.604 | 0.111 |
|  | Financial Innovation Orientation | 0.178 | 0.069 | 0.185 | 2.592 | 0.010 |
|  | Market Innovation Orientation | 0.225 | 0.065 | 0.237 | 3.44 | 0.001 |

**Source: Survey Data (2021)**

**H01**: There is no significant effect between product innovation orientation and performance of MFIs in Kenya.

The results in Table 4.1show that product innovation orientation had a coefficient of β=0.157, p-value=0.034<0.05 when regressed against financial performance and a coefficient of β=0.222, p-value=0.003<0.05 when regressed against non-financial performance. These findings implied that the effect of product innovation orientation on the financial and non-financial performance of MFI was statistically significant.

The results corroborate with the findings by Ibrahim (2016) and a study by Kimani and Kibugo (2016), who established that product innovations had a significant effect on the performance of Safaricom Limited in Kenya. Besides, the finding corroborates with the findings of the study by Kimani and Kibugo (2016), who found out that product innovation, had a significant influence on the performance of MFIs in Nakuru County. Similar studies were found by Kiveu, Namusonge and Muathe (2019). The study failed to corroborate with the study by Anwar *et al.* (2020) on the influence of innovation and performance among non-profit organisations in Pakistan, who found out that product innovation had an insignificant influence on the performance of non-profit organisations.

**H02**: There is no significant effect between organisational innovation orientation and performance of MFIs Kenya.

Organizational innovation orientation, which is a sub construct of strategic innovation orientation, had a coefficient of β=0.075, p-value=0.246>0.05 when regressed against financial performance and a coefficient of β=0.102, p-value=0.111>0.05 when regressed against non-financial performance. These findings implied that the effect of organizational innovation orientation, which is a sub construct of strategic innovation orientation, was not significant for both financial and non-financial since the p-values were greater than 0.05.

The current study failed to support the findings of Kiende *et al.* (2019) and on strategic innovation orientation influence on the performance of SMEs owned by women in Kenya who found out that organizational innovation influenced the performance of manufacturing SMEs positively. Besides, the current study failed to support the findings by Muigai and Gitau (2018) on the effect of innovation strategies on banks financial performance, that organisational innovation had a significant effect on financial performance.

These findings failed to support the findings of Anwar *et al.*(2020), Kiende *et al.* (2019), and Maldonado-Guzmán *et al.*(2019) that showed that organizational innovation orientation significantly influenced the performance of organisations. In addition, the study does not resonate well with research by Ibrahim (2016), who established that organisational innovations had a significant effect on the performance of Safaricom Limited in Kenya.

**H03**: There is no significant effect between financial innovation orientation and performance of MFIs in Kenya.

Financial innovation orientation had a coefficient of β=0.184, p-value=0.009<0.05 when regressed against financial performance and a coefficient of β=0.178, p-value=0.010<0.05 when regressed against non-financial performance. These findings implied that the effect of financial innovation orientation on the financial and non- financial performance of MFI was statistically significant.

The results corroborate with the findings by Ibrahim (2016) and a study by Kimani and Kibugo (2016), who established that financial innovations had a significant effect on the performance of Safaricom Limited in Kenya. Further, the findings don’t resonate with research by Ntwiga (2020) on mobile banking's effect on commercial banks’ financial performance in Kenya, who found out that mobile banking had a weak relationship with financial performance. Besides, the study corroborated with the study by Anwar, Zaman and Ali (2020) on the relationship between innovation and performance among non-profit organisations in Pakistan, who found out that process innovation had a significant positive influence on the performance of non-profit organisations. In addition, the study resonates well with the study by Muchangi *et al.* (2019), who found out that financial innovation through automated cards had a significant effect on the Deposit-taking performance of SACCOs’ in Kenya.

**H04**: There is no significant effect between market innovation orientation and performance of MFIs in Kenya.

 Market innovation orientation had a coefficient of β=0.348, p-value=0.000<0.05 when regressed against financial performance and a coefficient of β=0.225, p-value=0.001<0.05 when regressed against non-financial performance. These findings implied that the effect of market innovation orientation on the financial and non- financial performance of MFI was statistically significant.

The results corroborate with the findings by Ibrahim (2016) and a study by Kimani and Kibugo (2016), who established that market innovations had a significant effect on the performance of Safaricom Limited in Kenya. Besides, the study resonates well with research by Koech and Makori (2014), who established that market innovations significantly influenced the financial performance of Kenyan Commercial Banks. The study failed to corroborate with the study by Anwar *et al.* (2020) on the relationship between innovation and performance among non-profit organisations in Pakistan, who found out that marketing innovation had an insignificant influence on the performance of non-profit organisations.

**5. Conclusion and Policy Recommendations**

**5.1 Conclusion**

This study sought to establish the effect of strategic innovation orientation on the performance of MFIs in Kenya. Base on the findings of this study it was concluded that Micro finance institutions which focuses on strengthen their strategies on product innovation orientation, financial innovation orientation and market innovation orientation are likely like to improve their performance both financial and non-financial given the findings of these constructs were found to significantly affect performance of microfinance institutions in Kenya. On the other hand, organisational innovation orientation had an insignificant effect on the performance of MFIs in Kenya hence this construct was not a key construct in influencing performance of microfinance institutions in Kenya.

**5.2 Policy Recommendations**

Based on the study findings, several policy options are recommended for adoption by MFIs in Kenya. Product innovation orientation was found to influence performance and thus. MFI need to be open to innovations and producing new products, improved products, and quality products that will optimise customer needs and hence their satisfaction. On the other hand, financial innovation orientation positively and significantly influenced performance. Hence Financial managers in MFI need to drive advancement in financial innovation orientation. Moreover, with the current pandemic of COVID-19, should adopt innovation policies that will enable them remain resilient by leveraging on financial innovations.

In addition, market innovation orientation was found to be positively and significantly influencing performance and thus marketing managers of MFI should embrace innovative strategies like e- marketing and social media marketing to reach out to new customers and expand their client base which is critical in enhancing their sale volumes and thus improved performance.

**5.3 Limitations and future research**

The study was conducted in the realm of MFIs in Kenya, hence a limitation in scope. This affects the generalization of the findings to other sectors. However, future studies can be conducted and include all the financial institutions Besides, MFIs are profit-making organisations, and thus a test of the validity of the study amongst non-profit organisations like philanthropic institutions can be done in the future.

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