

LATE MOVER STRATEGIES MATTER AND PERFORMANCE OF MICROFINANCE BANKS IN KENYA: THE MODERATING ROLE OF REGULATORY FRAMEWORK

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ABSTRACT

Purpose of Study: This study investigated the moderating role of regulatory framework in the nexus between late-mover strategies and the performance of microfinance banks (MFBs) in Kenya.

Statement of Problem: Despite the critical role played by MFBs in promoting financial inclusion and socioeconomic development, their sustainability has been threatened by fluctuating performance, declining profitability, negative returns on employee satisfaction, and rising non-performing loans.

Methodology: The study employed a descriptive and explanatory research design, targeting 389-unit managers across 13 licensed MFBs in Nairobi City County, with a sample size of 197 respondents. Data were collected using semi-structured questionnaires and analyzed using descriptive and inferential statistics. Baron and Kenny's (1986) moderation analysis technique was applied to test the moderating role of regulatory framework on the link between late-mover strategies and performance of MFBs.

Results: The findings revealed that late-mover strategies had a positive and significant effect on the performance of MFBs ($\beta=.198$, $p\text{-value}=.003<.05$). Similarly, regulatory framework showed a positive effect on performance ($\beta=.164$, $p\text{-value}=.005<.05$). The interaction term between late-mover strategies and regulatory framework was also statistically significant, confirming a moderating effect ($\beta=.065$, $p\text{-value}=.000<.05$). Specifically, regulatory framework weakened the association between late-mover strategies and performance without altering the direction of the relationship as explained by R square of 56.2% down from 73.4% before moderation.

Conclusion: The study concludes that regulatory frameworks moderate the relationship between late-mover strategies and performance of MFBs in Kenya. A robust regulatory environment enhances the effectiveness of late-mover strategies, reinforcing their contribution to financial performance and organizational sustainability.

Recommendation: The study recommends that MFBs should align late-mover strategies with regulatory requirements, invest in innovation and digital transformation, and differentiate products and services to boost competitiveness.

Key Words: *Late Mover Strategies, Performance of Microfinance Banks and Regulatory Framework County*

INTRODUCTION

Organizational performance is a key concept in academics, practice and policy making and has remained a debatable concept among researchers and industry practitioners. Some researchers, policy makers and industry practitioners view organizational performance as an engine in achieving organizational objectives and other endeavors (Taouab & Issor, 2019). On the other hand, other researchers argue that organizational performance is not the only end goal for the organization but other organization aspects such as sustainability and attaining competitiveness are the fundamental aims of the organisation (Kimiti *et al.* 2020; Qamar, & Asif, 2016). Moreover, scholars maintain that firm contingency factors for instance strategy, regulatory environment, technology, and structure shape the attainment of the firm's core objectives (Amara & Benelifa, 2017). Organizational performance primarily depicts an entity's business outcomes and financial state across certain time period and likely to impact its operational sustenance (Agarwal *et al.*, 2012; Tudose, Rusu & Avasilcai, 2022).

The fluctuating performance of some MFBs in Kenya has captured the attention of investors, MFB management, regulators, and policymakers. Many MFBs are registering low financial growth evidenced by negative Return on equity (ROE) and negative Return on assets (ROA) (CBK, 2022). Most MFBs in Kenya lack a clear baseline and guidelines for making board. The negative ROA returns for MFBs has been linked to a turbulent business environment characterized by competition from other financial service providers' particularly commercial banks (Maluki, 2021). In addition, the fluctuation in the financial health of MFBs has been linked to the failure of MFBs to undertake business processes and ideas that meet the needs of the ever-changing financial market.

Late mover is a concept where an organization or business enterprise joins the market after early adopters and other market pioneers join (Xie *et al.* 2021). Late movers have both advantages and disadvantages. For example, Jiang *et al.* (2017) noted that first-mover has a unique opportunity in form of a competitive advantage achieved via earlier market entry compared to late-mover and is more likely to reap more economic profits. However, the late mover can work on the challenges and weaknesses of the business model adopted by early mover and thus, come up with a more viable and competitive business model (Xie, *et al.*, 2021). As per Jiang, *et al.* (2017), late movers can imitate first movers and improve their strategy by capitalizing on market diversification strategy. Moreover, statistics indicate that only organizations with better product strategies can attain an advantage over peers irrespective of

whether it is first mover or late-mover in the market (Guo, Wang, Hao, & Saran, 2018). However, it is not clear through empirical research whether late-mover business strategies have any notable impact on the performance of organizations particularly with focus to MFBs (Kibugo, 2017; Ouma & Kilika, 2018).

Various kinds of late mover strategies exist as advanced by various scholars. Technological leapfrogging strategy that is a core tenet of late mover strategies was emphasized by Cho *et al.* (1998), Mathews (2002), and Yayboke (2020). In another scholarly discourse, the benchmarking strategy was identified by several scholars as a core item associated with late mover strategies (Cho, *et al.*, 1998; Groenendijk, 2016; Lankford, 2022). According to Carpenter and Nakamoto, (1990), Dolgui and Proth, (2010) and Neuvonen (2019) pricing strategy is what late movers capitalize on in the market to attain a competitive advantage. However, Jovanovic, and MacDonald (1994), Krishnamurthi (1998), and Alon (2010) narrowed to competitive diffusion strategy as a critical tenet of late mover strategy that firms deploy to attain both financial and non-financial progress. Other late-mover strategies include product positioning, differentiation, cost leadership, and mass production (Carpenter & Nakamoto, 1990; Shankar, *et al.*, 1998; Mathews, 2002). However, this study narrowed to technological leapfrogging strategy, benchmarking strategy, pricing strategy, and competitive diffusion.

Regulatory frameworks are the backbones of the administration of organizations, people, and governments. A strong and effective regulatory framework is critical in guiding an organization as it pursues its mandate and objectives. In this context, the basis for thriving effective operations and good performance of a firm are progressive and effective regulatory policies and guidelines (Larson, 2021). According to Karungani and Ochiri (2017), regulatory and policy frameworks stimulate firm performance through the promotion of professionalism, openness, and transparency, setting a code of conduct, code of ethics, and creation of a level playground for entities. In the context of microfinance banks, the regulatory framework defines the procedures for entry, exit, operations, and competitive conduct in the sector (Ali, 2015). In Kenya, the banks are obliged by the CBK Prudential Guideline that include a clause on banks' classification of assets and provisioning by commercial banks to categorize facilities they have issued to their customers based on performance (CBK, 2017).

Surprisingly, though the principles that underscore the existence of different regulations are already in place, the laws do not cover pertinent areas such as ownership, governance, and

accountability. As a consequence, they not only contributed to poor performance and but also the collapse of many MFBs because of lack of proper oversighting (Omino, 2005). The lack of oversight, nonetheless, has enabled them to innovate and develop different techniques of providing micro finance services. Thus, the key drivers to boost the industry development are legal rules, regulatory mechanisms, and transparent surveillance. In this study regulatory framework was operationalized using requirements, asset quality guidelines, and capital adequacy requirements.

Several authors have used regulatory framework as a moderator variable. Emeagwali and Ismael (2019) indicated that the legal framework moderates the nexus between inter-relationship learning and value creation for achieving sustainable firm performance. Focusing on non-governmental organizations (NGOs) in Kenya, Oluoch *et al.* (2021) used the regulatory framework as a moderator concept on the linkage between strategic leadership and NGOs' financial stability and revealed that regulatory framework has no moderating role. In the context of financial institutions, Lu (2021) indicated that firm governance moderates the association between firm sustainability performance and the corporate financial performance of banks.

Though the regulatory framework has been deployed by scholars as a moderator variable, some scholars found that the regulatory framework has a moderating effect (Emeagwali & Ismael 2019; Lu, 2021). However, other scholars documented that the regulatory framework has no moderating effect (Oluoch, *et al.*, 2021). In the context of microfinance institutions, the regulatory framework is critical in guiding the day-to-day operations of the MFBs (Cull, *et al.*, 2011; Ghose, *et al.*, 2018). Focusing on banks in Ghana, Ofei *et al.* (2020) indicated government policy moderates the association between the internal control structures and Ghanaian bank's financial performance.

Dikk (2020) found that corporate governance moderates the relationship between government intervention and bank performance, though it did not clarify whether regulatory frameworks strengthen or weaken this effect. Oluoch *et al.* (2021), using a descriptive correlational design, concluded that the regulatory framework does not significantly moderate the relationship between strategic leadership and financial sustainability of NGOs in Kenya. Conversely, Karungani and Ochiri (2017), using a quantitative survey, identified regulatory frameworks as predictors that enhance firm performance in procurement firms. In a different context, Hsu (2010) analyzed panel data from technology firms and found that regulatory frameworks

significantly moderate the positive effects of dynamic capabilities particularly in R&D and production on firm performance. These findings collectively underscore the varied roles of regulatory frameworks depending on context, sector, and conceptual placement within studies.

Statement of the Problem

Microfinance banks along with other supporting actors in the sector are instrumental in enhancing financial inclusion. MFBs bridge financial gap that exist among the people who do not have access to the mainstream banking system. However, microfinance banks in Kenya have been recording low performance as evidenced by declining profitability growth, market share growth, NPL, and employee satisfaction (Muithya, & Muathe, 2020). In 2019, MFBs recorded a loss of KES 0.7 billion, a loss of KES.2.2 billion in 2020, and a loss of KES. 877 million in 2021 (CBK, 2021). In 2022, the MFBs recorded an average loss of Ksh.917 million (CBK, 2022). In 2019, the gross non-performing loans was KES 9.817 billion rising to KES. 12.98 billion in 2020. The non-performing loans among the MFBs in 2021 were KES. 13.798 billion rising to KES 14.8 billion in 2022 (CBK, 2022) an indication of rising NPLs among microfinance banks. In terms of employee satisfaction, the employee satisfaction index among MFBs was 41 percent in 2007 (Alenga, 2015), 55.6 percent in 2019, 53.8 percent in 2020, 54.6 percent in 2021, and 52.8 percent in 2022 as per CBK reports.

Considering the lack of consensus among scholars on whether early movers or late movers reap the benefits associated with a new business concept, it is postulated that either early movers or late movers can strive to be competitive. However, this was dependent on how the organizations integrate other external factors which is the regulatory framework (Cull, *et al.*, 2020). However, this is yet to be determined via empirical literature in the context of MFBs. The study established the significance of late mover strategies in enhancing financial performance of MFBs in Kenya with regulatory framework as a moderator.

THEORETICAL REVIEW

This section presents the underpinning theory. The anchor theory was innovation diffusion theory. Institution Theory and Balanced Scorecard also supported it

Innovation Diffusion Theory

The study was anchored by innovation diffusion theory (IDT) and institutional theory. Rogers (1962) postulated the IDT and it is premised on the fundamental that innovation entails the spread of ideas that could be planned. The IDT describes the pattern and speed at which new

ideas, practices, or products spread through a population. The IDT states that innovation success is based on five attributes that include relative advantage, trialability, compatibility with other practices, values or systems, ease of use, simplicity, and visible/measurable outcomes (Kaminski, 2011).

The IDT is vital in comprehending the incorporations of new business innovations, business ideas and concepts, and innovative products and services by the MFBs. It elaborates on the key phases the microfinance bank goes through in the pursuit of a novel business concept that is perceived to have higher chances of bringing a competitive advantage to the microfinance banks. The innovation diffusion theory anchored the independent variable of late mover strategies that include technological leapfrogging strategy, competitive diffusion strategy, and pricing strategy.

Institution Theory

Meyer and Rowan (1977) postulated the Institutional theory. The theory attempts to explain the key roles of social, political and economic actors providing legitimacy to the organization operations and endeavors. As per theory, institutions lay the rules that govern behaviours or operations, encouraging or discouraging some behavioural patterns (Greve & Argote, 2015). The behavioural pattern outlined comprise the organisation's standards, norms, values and routines practiced over time legitimizing the actions of the organisation (Amenta & Ramsey, 2010).

Institutions are different across the globe, and first, there are global institutions, governments, organizations, and local, or interpersonal relationships. As a concept in the political discipline, institutional theory over time has achieved significant attention by industry practitioners, researchers and policymakers in recent years; however, it has encountered notable methodological and theoretical limitations (Puffer & McCarthy, 2015). Despite the expansion of instructional theory in terms of application scope, it has faced criticism for its skewness in only explaining persistence and homogeneity phenomenon. Goodstein and Scott (2002) believed that the approach did not help explore the full applicability of institutional theory. Another notable limitation associated with institutional theory is that it emphasises on policies, rules and structure to direct an organisation but fails to show the framework how they should be executed.

Institutional theory is employed in this study to help explain the rules and guidelines guiding any organization and its operations. The deployment of new business concept may follow a given procedures and is guided by rules and guidelines. The theory anchor objective five of establishing how regulatory framework moderates the nexus between late mover strategies and the performance of MFBs in Kenya.

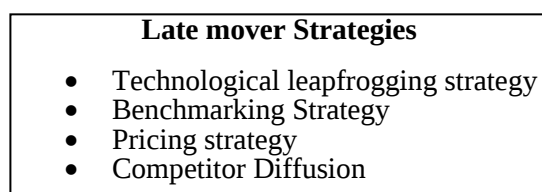
Balanced Scorecard

The Balanced Scorecard (BSC) translates an organization's strategy, vision, and mission into defined performance objectives, key metrics, targets, and actionable initiatives, simplifying the pursuit of continuous improvement. The framework is built on four interconnected perspectives: financial, customer, internal business processes, and learning and growth, all linked through a cause-and-effect relationship. Its strength lies in its adaptability and usefulness across various organizational settings, enabling managers to allocate resources efficiently and support growth (Butt, 2021). In today's rapidly evolving business landscape, relying solely on traditional financial indicators is inadequate due to the complexity and volume of financial data (Akbarzadeh, 2012). Therefore, organizations must evaluate both financial and non-financial dimensions to fully understand performance in line with strategic objectives (Wieczorek, 2008). The BSC thus functions as both a performance measurement tool and a strategic management system that shapes decision-making and execution (Szczipak & Stajniak, 2022). It enhances strategic clarity through a structured set of performance indicators in the areas of customer focus, finance, internal processes, and employee development. For Microfinance Banks (MFBs) in Kenya, the BSC is especially valuable, aligning financial, customer, innovation, and operational strategies with broader institutional goals. This alignment supports improved performance, competitiveness, and benchmarking against peers like commercial banks and SACCOs.

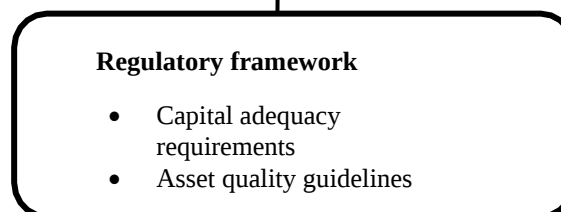
Conceptual Framework

The theoretical and empirical review conducted by this study yield how variables are related and this can be summarized in a conceptual framework. The late mover strategies as the predictor variables and organization performance as the dependent variables. Regulatory framework is operationalized as the intervening variables in the study.

Independent Variables



Dependent variable



Moderating Variable

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

This research deployed a descriptive and explanatory research design where cross-sectional data was collected. The target population was thirteen (13) MFBs in Nairobi City County, Kenya licensed and regulated by CBK of Kenya. There are 389-unit managers/assistants in the 13-microfinance constituting the study's target population. By including the various persons from the different functional units of MFBs, the study minimized population bias while at the same time enabling the gathering of crucial information about late mover strategies, regulatory framework, transformative capabilities, and performance of the MFBs in Kenya. A semi-structured questionnaire was used in collecting primary data. Secondary data was collected by reviewing financial statements from CBK on MFIs.

The technique by Kenny and Baron (1986) was employed to determine the moderating effect of regulatory framework on the effect of late mover strategies on performance of MFBs in Kenya. The technique entails undertaking two steps to test the moderating influence of regulatory framework on the nexus between late-mover strategies and the performance of MFBs. In step one, the moderator factor (regulatory framework) was treated as one of the predictor variables predicting the performance of MFBs (outcome variable) as indicated in equation 1.

$$Y = \beta_0 + \beta_1 X + \beta_2 Z + \varepsilon \dots\dots\dots 1$$

Step two, involved checking the level of significance of (calculated p-value) of the moderator (regulatory framework in this case). If the moderator is statistically significant, then the regulatory framework is another predictor variable in the model. However, if the effect of the regulatory framework is insignificant, further interaction of the moderator with the independent variables is done as shown in equation 2.

$$Y = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 X*Z + \varepsilon \dots\dots\dots 2$$

Where:

Y is the performance of MFBs in Kenya

β_0 is the constant of the empirical equation

$\beta_1, \beta_2, \beta_n$ denoted the beta coefficients of the model to be determined

X is the composite function of late-mover strategies

Z is the moderator variable (regulatory framework)

X*Z is the interaction terms and the error term of the model was depicted by ε

RESEARCH FINDINGS

This section presents the findings of the study. This includes the descriptive and inferential analysis. The findings are presented as per the laid down objectives.

Demographic Information of the Study Participants

The profile information of participants for investigated include gender, age of the respondent, highest level of education attained, position in the institution, and years of experience working in the microfinance bank and are shown in Table 1.

Table 1: Analysis of General Characteristics of the Sample

Characteristic	Category	Frequency	Percent
Gender of the Respondent	Male	98	59.8
	Female	66	40.2
	Total	164	100.0
Age Bracket	35 years and below	43	26.2
	36-45 years	61	37.2
	46-55 years	34	20.7
	56 years and above	26	15.9
	Total	164	100
Level of Education	Undergraduate degree	86	52.4
	Master's degree	76	46.3
	Doctoral level	2	1.2
	Total	164	100.0
Position in the Institution	IT administrator	13	7.9
	R&D officer	17	10.4
	Head finance officer	16	9.8
	Human resource officer	23	14.0

	Legal officer	11	6.7
	Strategy and innovation officer	26	15.9
	Marketing Officer	18	11.0
	Head of operations officer	15	9.1
	Head of sales	25	15.2
	Total	164	100.0
Number of Years Working in this Microfinance Bank	Less than 3 years	14	8.5
	4-7 years	31	18.9
	8-11 years	33	20.1
	12-15 years	52	31.7
	Over 15 years	34	20.7
	Total	154	100.0

The analysis of the participants' characteristics showed that 59.8% and 40.2% were male and female in that order. Likewise, the distribution of participants according to the age categories showed that 26.2% of the study participants were aged 35 years and below, 37.2% were participants between 36 and 45 years, 20.7% were participants aged between 46 and 55 years and participants who were 56 years and above were 15.9%. The results agree with Dishnica and Dojçe (2022) who noted that average age of bank managers was 35 and above. However, according to Arandara and Takahashi (2023), the average age of bank managers is 44 years and above.

The findings on the highest level of education attained revealed that 52.4% of the participants had undergraduate degrees, 46.3% had master's degrees and 1.2% had doctoral degrees. Based on the education of participants, the participants were considerably resourceful in terms of experience and knowledge in their respective functional areas for purposes of providing the information of interest in this research.

Respondents were drawn from IT, R&D officers, finance, human resource officers, legal department, strategy and innovation officer, marketing officer, operations officer and sales. From the study, the positions were well-distributed within the functional areas of interest. This was important to enable the study to acquire experience and knowledge across the functional areas that can be relied upon.

Finally, the findings on years of experience working in the microfinance bank established that most 31.7% had worked for 12-15% while 20.7% of participants for over 15 years. The results showed that most of the participants had work experience in their positions for three years and more, therefore, had sufficient experience and knowledge to give information about late mover strategies, transformative capabilities, regulatory framework and performance of MFBs.

Descriptive Statistics for Regulatory Framework

Regulatory framework was operationalized as are legal mechanisms, bindings, contractual obligations, laws, policies, or codes of conduct that guide the operations, behavior, and conduct of individuals or organizations like, capital adequacy requirement, requirements, and asset quality guidelines. Table 2 tabulates the means, standard deviations and CVs for the regulatory framework.

Table 2: Descriptive Statistics for Regulatory Framework

Regulatory Framework	N	Mean	Std. Dev	CV
The microfinance banks abide by the depositing regulations set by the Central Bank	164	3.81	1.32	0.35
This microfinance bank observes the lending requirements set by the regulatory authority	164	4.01	1.26	0.32
The microfinance bank has a well-established governance framework to oversight its operations	164	3.60	1.29	0.36
The microfinance bank has observed all the requirements set in the Microfinance Act of 2014	164	3.69	0.90	0.24
This microfinance bank has consistently maintained its core capital to total assets at 10%	164	4.62	1.30	0.28
The microfinance bank has consistently maintained its short-term liabilities in liquid assets and liquidity requirements at 15% of its core savings deposits to always remain afloat	164	3.69	1.27	0.34
The MFBs' core capital is within the fifteen percent acceptable level	164	3.65	1.29	0.35
The lending requirements set by the microfinance bank are meant to reduce cases of loan default rates	164	3.83	1.08	0.28
The microfinance bank diligently abides to market credit scoring system to reduce credit default rates	164	3.77	1.18	0.31
Microfinance undertakes due background checks of the borrowers to minimize the lending of funds to risky borrowers	164	3.76	1.28	0.34
Aggregate Scores		3.84	1.22	0.32

Calculating Overall Variability= CV*100%

Source: Author (2025)

The aggregate mean score and sample standard deviation for the regulatory framework were 3.84 and 1.22 respectively. It shows that the participants agreed that the aspects of the regulatory framework were important and thus practiced in microfinance banks that were studied. In the same measure, responses from participants were not widely dispersed across the rating scale as has been reflected by the overall sample standard deviation and supported by the low overall variability of 32% percent (0.32×100) implied by the aggregate score of coefficients of variation. The low variability of responses validates the suitability of the sample mean for estimating the population parameter for a regulatory framework.

A robust and effective regulatory framework is critical in guiding an organization as it pursues its mandate and objectives. The financial institutions are highly regulated entities for example in terms of capital requirements, deposits, and customer protection among other regulatory policies. Policy and regulatory frameworks may stimulate organizational performance through the promotion of professionalism, openness, and transparency, setting a code of conduct, code of ethics, and creation of a level playground for entities. According to Karungani and Ochiri (2017), regulatory policies and frameworks enhanced firm performance.

Descriptive Statistics for Performance of MFBS

The performance of microfinance banks was operationalized as outcomes that include non-performing Loans, market share, employee satisfaction, and profitability. The means, standard deviations and CVs for the performance of microfinance banks are tabulated in Table 3.

Table 3: Descriptive Statistics for Performance of Microfinance Banks

Performance of MFBs	N	Mean	Std. Dev	CV
Workers in this microfinance are satisfied with the way the institution is operated	164	2.63	0.47	0.18
The employees in this organization are satisfied with the sales growth being recorded in the institution	164	2.63	0.51	0.19
Employees in this organization are satisfied with the working conditions of this organization	164	2.68	0.7	0.26
Employees of this organization are satisfied with how the organization is managed	164	2.63	0.49	0.19
Employees of this microfinance are satisfied with how they are compensated	164	2.57	0.7	0.27
Firm's Market Share Growth 2019	164	1.51	0.32	0.21
Firm's Market Share Growth 2020	164	1.49	0.29	0.19
Firm's Market Share Growth 2021	164	1.50	0.3	0.20
Firm's Market Share Growth 2022	164	1.50	0.4	0.27
Firm's net profit margin growth 2019	164	2.07	0.6	0.29
Firm's Net Profit Margin Growth 2020	164	2.14	0.45	0.21
Firm's Net Profit Margin Growth 2021	164	2.07	0.37	0.18
Firm's Net Profit Margin Growth 2022	164	2.12	0.34	0.16
Firm's Nonperforming Loan 2019	164	2.59	0.56	0.22
Firm's Nonperforming Loan 2020	164	2.65	0.42	0.16
Firm's Nonperforming Loan 2021	164	2.63	0.48	0.18
Firm's Nonperforming Loan 2022	164	2.63	0.51	0.19
Aggregate Scores		2.24	0.47	0.21

Calculating Overall Variability= CV*100%

Table 3 presents the results indicating that the sample mean responses for different aspects of microfinance bank performance ranged from a low of 1.49 for market share growth in 2020 to

a high of 2.68 for employee satisfaction with working conditions. This narrow range suggests a general consensus among respondents: while internal indicators such as employee satisfaction were moderate, external performance measures particularly market share and profit margins remained relatively weak. The low mean scores for market share and net profit growth (around 2.00) imply that these outcomes were not strongly evident among the microfinance banks assessed.

The standard deviations for all indicators were relatively low, between 0.29 and 0.70, with the highest coefficient of variation at 29 percent. This indicates that responses were closely grouped around their means. The overall mean performance score across microfinance banks was 2.24, with a standard deviation of 0.47 and a coefficient of variation of 21 percent. These figures suggest that the sample mean is a dependable reflection of the broader population, demonstrating generally low but consistent performance levels among the institutions surveyed.

Hypotheses Testing

The hypothesis establishes how regulatory framework moderate the link between late mover strategies and performance of MFBs. Moderation analysis made use of the composite index generated for the four dimensions of late movers' strategies. The regression analysis with two steps as advised by Baron and Kenney (1986) and Frazier, *et al.* (2004) was used to do moderation analysis. The first step was used to confirm statistical confirmation of the existence of a relationship linking the predictor and outcome variables that could be moderated.

Step 1: Regression analysis of late movers' strategies and regulatory framework on performance of microfinance institutions

In step 1, late movers' strategies and regulatory framework were regressed on the performance of microfinance banks. The output of this regression is shown in Table 4.

Table 4: Regression Coefficients of Late Movers' Strategies, Regulatory Framework and Performance of Microfinance Banks

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.861 ^a	.741	.734	.34904		
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	129.833	2	64.917	53.448	.000 ^b
	Residual	195.549	161	1.215		
	Total	325.382	163			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.868	.806		2.319	.022
	Late movers' strategies	.789	.178	.539	4.432	.005
	Regulatory framework	.636	.084	.512	7.593	.000
a. Predictors: (Constant), late movers' strategies and regulatory framework						
b. Dependent Variable: Performance of MFBs						

The model summary results in Table 4 showed that the adjusted R-square was 0.734 showing that the late movers' strategies and regulatory framework explained 73.4 percent of the microfinance banks' financial performance. The output of ANOVA concerning the statistical significance of the estimated model showed an F statistic of 53.448 at a 0.000 level of significance. The ANOVA results showed that the effect of late movers' strategies and regulatory framework on performance of MFBs was statistically significant satisfying the Kenny and Baron (1986) technique. The statistical model fit estimated is shown in equation 3.

$$\text{Performance of Microfinance Banks} = 1.868 + 0.789 \text{ Late movers' strategies} + 0.636 \text{ Regulatory Framework} \dots\dots\dots 3$$

From equation 3, when the value of Late mover strategy and regulatory framework was at zero, the performance of MFBs was 1.868 and the p-value was 0.022 which is below the 0.05 threshold for corroborating the statistical significance of the variable under investigation, as a result, the calculated value of the beta coefficient for the intercept is statistically significant at

a 95 percent confidence level. These statistical results imply that late movers' strategies positively influence the performance of microfinance banks. Therefore, an increase of 1 unit in late movers' strategies will increase the performance of microfinance banks by 0.789. Similarly, the beta coefficient and p-value for regulatory framework were 0.636 and 0.000 respectively. These results implied that regulatory framework have a positive effect on the performance of microfinance banks. These deduces that there was a significant relationship which can be moderated by regulatory framework.

Step 2: Regression analysis of late movers' strategies, regulatory framework, and the interaction term on Performance of Microfinance Banks

Given that the beta coefficient for late movers' strategies was found to have statistical significance at 0.05 margin of error, the second step involved a multiple linear regression analysis where late movers' strategies, regulatory framework, and the interaction term (late movers' strategies*regulatory framework) were all regressed on microfinance banks' performance. Table 5 shows the result output.

Table 5: Regression Results for the Interaction Term

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.755 ^a	.570	.562	.38141		
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	30.870	3	10.290	70.734	.000 ^b
	Residual	23.276	160	.145		
	Total	54.146	163			
Rgression coefficients ^a						
Model		Unstandardized beta coefficients		Standardized beta coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.516	.229		6.623	.000
	Late movers' strategies	.198	.065	.210	3.027	.003
	Regulatory Framework	.164	.057	.197	2.861	.005
	Interaction term	.065	.012	.460	5.409	.000
a. Dependent variable: Performance of MFBs						
b. Predictors: (Constant), interaction term, regulatory framework, late movers' strategies						

a. Dependent variable: Performance of MFBs

b. Predictors: (Constant), interaction term, regulatory framework, late movers' strategies

The output of the model summary results in Table 5 indicates an adjusted R-square was 0.562 showing that late movers' strategies, regulatory framework, and the interaction term jointly explained 56.2 percent of variation in the performance of MFBs. The results of the F-test in

form of ANOVA showed an F statistic of 70.734 at 0.000 level of significance. Based on the f test results, and ANOVA, the estimated statistical model is statistically significant at 95 CI and 0.05 margin of error. The statistical model produced is shown in equation 4.

$$\text{Performance of Microfinance Banks} = 1.516 + 0.198\text{Late movers' strategies} + 0.164\text{Regulatory Framework} + 0.065 \text{ Late Movers' Strategies*Regulatory Framework} \dots\dots\dots 4$$

From equation 4 it is clear that when the independent variables are put at 0, the performance of the microfinance banks yield a value of 1.516. The respective p-value of 0.000 is below the 0.05 cutoff for establishing the statistical significance level of a variable under study. Therefore, the value of the beta coefficient computed for the intercept was statistically significant at a 95 percent confidence interval. Likewise, it was established that the coefficients for late movers' strategies and the interaction term were statistically significant at 0.05.

The interaction term level of statistical significance in equation 4.5 confirmed that regulatory framework is a moderating effect. Thus, the study rejected the null hypothesis that the regulatory framework has no significant moderating effect on the linkage between late movers' strategies and the performance of Microfinance Banks in Kenya. The interaction term's beta coefficient in the estimated model shows the strength and direction of the moderation. As such, a unit change in regulatory framework tend to strengthen the performance of microfinance banks by 0.065 units. Nonetheless, there is no change in the direction of the relationship.

This moderation behavior can be modeled graphically by re-arranging and re-expressing equation 4.6 in terms of a simple relationship that involve the performance of the microfinance banks and late movers' strategies to yield equation 5.

$$\text{Performance of Microfinance Banks} = (1.516 + 0.164\text{Regulatory Framework}) + (0.198 + 0.065 \text{ Late movers' Strategies}) \text{Regulatory Framework} \dots\dots\dots 5$$

Supposing;

Y= Performance of Microfinance Banks

M = Regulatory Framework

X = Late Movers' Strategies

Substitute the values and equation 4.4 becomes;

$$Y = (1.516 + 0.164M) + (0.198+ 0.065M) X \dots\dots\dots 6$$

In case M= 0;

it follows that;

$$Y = (1.516 + 0.164(0)) + (0.198 + 0.065(0)) X$$

$$Y = 1.516 + 0.198X \dots\dots\dots 7$$

Similarly, if M takes a definite value such as 1 across the selected rating scale;

Substitute M with 1, equation 4.6 becomes;

$$Y = (1.516 + 0.164(1)) + (0.198 + 0.065(1)) X$$

$$Y = (1.516 + 0.164) + (0.198 + 0.065) X$$

$$Y = 1.68 + 0.263 X \dots\dots\dots 8$$

The graphical depiction of the moderating effect of the regulatory framework as depicted in equations 7 and 8 are shown in Figure 2.

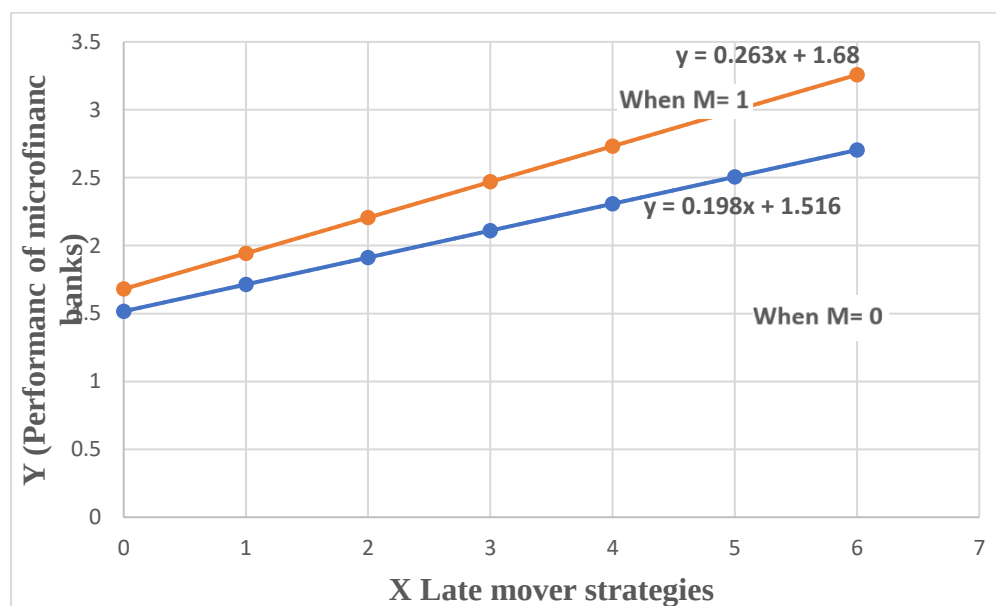


Figure 2: Moderating Effect of Regulatory Framework

An examination of the slopes of performance of the MFBs for the two values of the moderator (M = 0 and M=1) shows the existence of a difference of 0.065, highlighting the assertion that a unit change in the level of the moderator (regulatory framework) alters the value of the slope of performance of microfinance by 0.065. The moderation test, therefore, shows that the regulatory framework as a moderator alters the strength of the association between late movers' strategies and the performance of microfinance banks while at the same status maintaining the direction of the relationship.

CONCLUSION

The study concludes that late mover strategies significantly influence the performance of microfinance banks in Kenya, with the regulatory framework playing a critical moderating role in this relationship. These findings imply that while adopting late mover strategies can offer competitive advantages such as improved innovation and market responsiveness, the effectiveness of such strategies is highly contingent on the prevailing regulatory environment. Policymakers and industry regulators must therefore ensure that regulatory frameworks are supportive and adaptable to foster growth among late-moving financial institutions. This study lays a strong foundation for future research to further explore how specific regulatory components such as compliance costs, licensing requirements, and supervisory mechanisms interact with strategic decisions in the microfinance sector. Moreover, similar studies can be extended across different financial sectors or regions to provide a broader understanding of how timing strategies and regulatory environments collectively shape institutional performance.

RECOMMENDATION

The study revealed that while late mover strategies influence the performance of microfinance banks, other factors also contribute to performance variations. To enhance effectiveness, MFBs should align their strategies with internal characteristics such as firm size, age, and profitability. Investing in innovation and digital transformation can help them remain competitive despite being late entrants. Differentiating products and services to meet specific customer needs can further boost their market position. Additionally, responsiveness to regulatory changes and integrating moderating factors like leadership capacity and technological readiness can strengthen strategic outcomes. Embracing data-driven decision-making will also support continuous improvement. Overall, MFBs should adopt a holistic, adaptive approach to fully leverage late mover strategies for improved performance.

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