MODERATING ROLE OF COMPETITION ON INFLUENCE OF STRATEGIC PLANNING PRACTICE ON PERFORMANCE OF MICROFINANCE INSTITUTIONS: EMPIRICAL EVIDENCE FROM NIGERIA

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ABSTRACT
Regardless of the relevance and applicability of strategic planning practice to business organisation, the literature indicates very few studies have attempted to investigate the effect of strategic planning practice on the performance of Microfinance Institutions (MFIs) mainly the relationship between strategic planning practice and performance of entrepreneurs. The literature suggests that there is not only limited information on the strategic planning practice of MFIs but also little research in this important area of study. By using structural questionnaires, the data for the study were collected from 121 MFIs in Nigeria. By using regression technique, the findings of the study indicate that competition moderate the relationship between strategic planning practice and performance of MFIs. The result of the study seems to demonstrate that the performance of MFIs is influence by not only the practices of strategic planning but also considering the competitions in the industry.

Keywords: Strategic planning, Competition, MFIs, Performance.

1. INTRODUCTION
Previous studies have adopted different approaches, definitions and dimensions of environment to examine its effect on organizational performance. According to Drucker (1977), environmental influences such as economic forces can set limits to what management can do as well as create opportunities for management's action. Although these forces do not by themselves determine what a business is or what it does, a business enterprise need to identify, manage and adapt to the forces in the environment.

In one of the earliest study on environment, Duncan (1972) defined environment as the physical and social factors that occur outside an organization which are relevant in the decision-making process of the managers and are often characterized based on levels of dynamism, heterogeneity, and /or complexity.

However, the study by Lenz (1980) noted that there is no widely held consensus concerning how organizational environment should be assessed and which aspects of the environment affect performance. According to the author, past empirical studies generally adopt two methods. The first method, which is usually taken along two dimensions such as from stable to shifting and from homogeneous to heterogeneous which, uses perceptual measures to assess environmental complexity and uncertainty. The second method uses relatively objective measures to assess the relevant environmental factors such as demographic trends that can influence the goal attainment of an organization. In addition, from the perspective of the contingency framework, authors such as Venkatraman and Prescott (1990), Hitt, Ireland and Palia (1982), Prescott (1988), Hitt and Ireland (1985 and 1986) and Hofer (1975) considered environment as one of the important contingency factors that can influence organizational performance.

The dynamism and complexity of competition as one of the important external factors in the business environment can influence the activities of an organization as well as the way it chooses to structure its business activities. In view of this, organizations need to organize their activities by adopting more effective structures and forms as well as maintaining a balance between the influence of the external forces and the internal environment of the organizations (Gwasi & Ngambi, 2014; Moradi, Velashani, & Omidfar, 2017; Nkundabanyanga, Akankunda, Nalukenge, & Tusiime, 2017).

According to Hashim (2008), a business organization has to compete with each other for resources. The most common resources that business organizations compete for are customer dollar. However, competition is not only confined to business organization alone. Different organizations in different types of industries or markets also need to compete among themselves. For instance, public universities and colleges compete with others public universities and colleges, the police, the military, other government agencies, and the job market to attract bright and talented candidates.

The review of the literature shows previous studies on the factors that predicts the performance of MFIs have failed the acknowledge the influence competition on performance. Based on this information and research gaps, the paper is presented in five sections. The following Section Two is literature review. Section Three is research methodology. Section Four is the result. Finally, Section Five presents discussion and conclusion of the paper.

2. LITERATURE REVIEW

Evidence from the literature suggests that strategic planning practice can help organizations to achieve superior performance. For instance, findings of past studies have indicated that the adoption of strategic planning practices can result in better organizational performance (W. Hopkins & Hopkins, 1997; Pawliczek & Kozel, 2015; Rezamand, Zeinali, & Asadi, 2015). Strategic planning can be described as the process of using systematic criteria and thorough examination to formulate, implement, and control strategy, and properly document organization expectations (Mintzberg, 1994; Pearce & Robinson, 1994; Ridwan, 2015).

Previous study by Hopkins and Hopkins (1994) shows that banks that practice strategic planning with greater passion (whether the process was informal or formal) outperformed those banks that planned with less passion. The study by Hopkins and Hopkins (1997) further indicated that the relationship between strategic planning and performance is a reciprocal in nature the strategic planning causes superior performance and, in revolve, the superior performance causes better strategic planning intensity.

With regards to the organisational performance, in measuring the performance of an organization, it is necessary to identify as well as know its primary objectives. Organizations establish their primary objectives based on their business mission or the purpose they are created. Once the organizations have determined their specific objectives, they need to work on how best to achieve all of their objectives in a given period of time (Drucker, 1977).

Although the literature reveals that different organizations in different industries and countries tend to emphasize on different performance measurement, findings of past studies indicated that financial profitability and growth to be the most common measures of organizational performance (Boehe & Barin Cruz, 2013; Strøm, D'Espallier, & Mersland, 2014; Thrikawala, Locke, & Reddy, 2013). For instance, the earlier study by Nash (1993) claimed that profitability is the best indicator to measure whether an organization is performing. According to the author, profitability can be used as the primary measure of organizational success. Doyle (1994) further considered profitability not only as the most common measure of performance but also claimed that western companies primarily used profitability measures to determine the extent to which their companies are performing.

However, in the case of MFIs, practitioners and researchers agree that these firms need to adopt different measures of organizational performance. As social business, MFIs have both financial as well as social objectives. Given this, the performance of MFIs should be measured by using not only financial but also non-financial or social measures (Thomasa & Kumara, 2016).

MFI have different organizational objectives as compared to the commercial banks. Their organizational objectives are not only confined to financial profitability and sustainability but they also include social objectives such as social outreach as well as the impact of their loans on the lives of the poor people that borrowed from them. The need to measure the performance of MFIs by using both financial and social measures has also been supported by organizations such as the Consultative Group to Assist the Poor (CGAP), The Small Enterprise Education and Promotion Network (SEEP) and the impact network organization (Mustafa & Saat, 2013; Thomasa & Kumara, 2016).

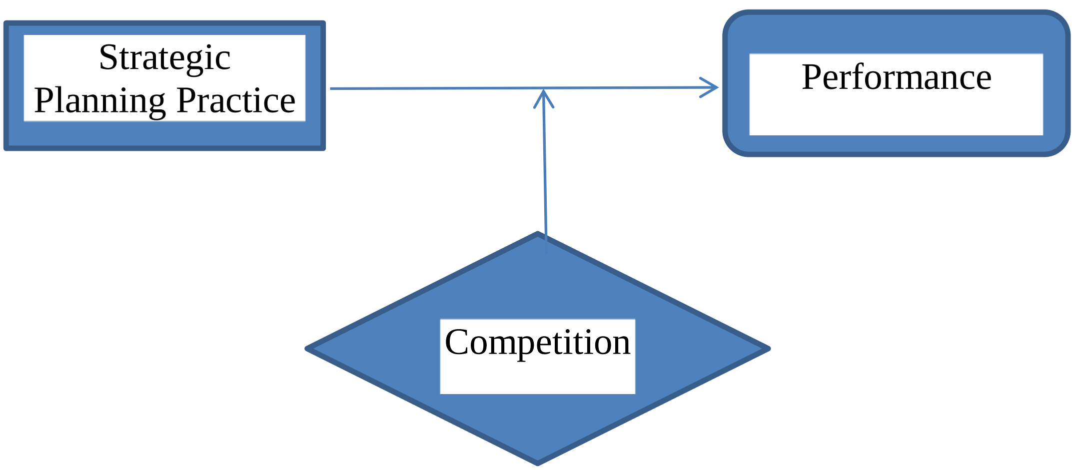

Figure 1: The research Model

3. RESEARCH METHODOLOGY

This study used all the MFIs that are license to operate the business of microcredit in Nigeria as its sample. According to the Central Bank of Nigeria (CBN) Directory, These MFIs are currently 872 in Nigeria. The 872 MFIs are located in 37 states of Nigeria. The MFIs ownership involved are; the Community Bank MFIs , the Private MFIs , the Government MFIs , the NGO MFIs , and the Foreign MFIs .

The data for this study was collected through structural questionnaires. The structured questionnaires were addressed to the Managing Director/CEO, General Managers and Senior Managers of the MFIs as the respondents. However, of the 872 MFIs, only 121 completed and returned the questionnaires.

The structured questionnaire used in this study comprised three sections. In the first section, nine items were used to generate information regarding the background of the respondent. The 35 items in section two attempted to collect information regarding the features of the MFIs. Section three has 113 items that focuses on the management practices of the MFIs.

In the section three, the seven items used to measure strategic planning practices. Four items were used to measure performance of the MFIs. Two of four items measure financial performance and the remaining two items measure social performance. The data for measuring the performance was collected for over a period of three years. The strategic planning practices were rated by using a five numerical scale ranging from "Strongly disagreed" (1) to "Strongly Agreed" (5).

This study used the Least Squares Structural Modeling (PLS-SEM) to analyze the data collected as well as to test the hypotheses of the study. The first part of the data analysis involved descriptive statistics. This involves determining the percentages, means, modes, standard deviations, minimum and maximum value of the items used in collecting the data for the study. In the second part, the partial least squares (PLS) regression modeling was used for testing the research hypotheses. The PLS analyses used in this study involves the assessment of measurement as well as the structural models. The following section briefly describes the statistical procedures used in this study.

In the PLS regression analysis, assessment of measurement model was required for testing hypotheses. The assessment of measurement model in this study involves examining the individual item reliability, ascertaining internal consistency reliability, ascertaining convergent validity as well as discriminant validity. More specifically, this method was employed for testing the reliability and validity of the items and the focal variables used in this study.

As shown in the results, the loading of all items is greater than 0.70 and the composite reliability value (CRV) of all constructs is greater than 0.70. The Average Variance Extracted (AVE) values of all constructs are also greater than 0.50, ranging from 0.520 to 0.665. The Composite Reliability (CR) values ranged from 0.759 to 0.959

Taken together, these results statistically fulfilled the convergent validity criteria recommended by Hair et al. (2011). In addition, **Error! Reference source not found.**shows that the Cronbach's Alpha scores of all the items are higher than 0.70. The scores ranged from 0.825 to 0.955. These results also suggest the reliability of the measures used in the study.

Having ascertained the measurement model, the study assessed the structural model. The assessment of the structural model involve the assessment of significance of path coefficients, the determinant of level of R^2 values, the assessment of the effect size, the assessment of predictive relevance as well as the assessment of the moderating effect. In the assessment of significance of the path coefficients, the study applied 5000 bootstrap samples and 121 cases as required by the standard bootstrapping technique (Hair, Hult, Ringle & Sarstedt, 2014).

4. THE RESULTS

The Influence of Strategic Planning Practice, Competition and Performance

Table below presents the regression results between the strategic planning, competition and the performance of the 121 MFIs that participated in the study. The results indicate that competition moderate the relationship between strategic planning practices and the performance. Specifically, the regression between strategic planning practice, competition and the performance of MFIs. The results is ($\beta = 0.81$, $t = 8.1$, $p < 0.000$).

Table 1: Regression between strategic Planning Practice and Performance

Hypothesis	Beta	Standard Error	T-Statistics	P-Value	Decision
H: SPP, Com -> P	0.81	0.076	8.1***	0.000	Supported

Note: ***P<0.01, **P<0.05, *P<0.1

The result of the regression analysis appears to provide some support for the hypothesis that competition moderate the relationship between strategic planning practices and the performance

The findings suggest that the MFIs that participated in the study were faced with intensity of competition regardless of the type of product and services they offer or lending policies they embrace. The finding is in line with the previous studies by Cull et al. (2011), Gwasi and Ngambi (2014), Moradi et al., (2017) and Nkundabanyanga et al. (2017). According to these studies, MFIs faced not only intense competition in the financial market but also the intensity of competition had affected their organizational performance.

5. CONCLUSION

This study attempted to examine the influence of competition on relationship between strategic planning practice and performance of MFIs. At general level, the results of the correlation analyses as presented in table 1 indicates the regression between strategic planning practice, competition and the performance of MFIs. The results is ($\beta = 0.81$, $t = 8.1$, $p < 0.000$). The result of this study provides some empirical evidence that suggest competition moderate the relationship exists between strategic planning practice and the performance of MFIs.

These findings add support to previous studies that suggests competition moderate the relationship between strategic planning practice and performance of MFIs (Guler, Guillen, & Macpherson, 2000; Gwasi & Ngambi, 2014; Martina & Javalgib, 2015; Moradi et al., 2017; Ocloo, Akaba, & Worwui-brown, 2014). This study offers implications for owners and managers of MFIs. The study is able to demonstrate that strategic planning practice and competition has influence on the performance of MFIs in Nigeria.

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