EFFECT OF PROACTIVENESS ON THE GROWTH OF MICROFINANCE INSTITUTIONS IN MURANG'A COUNTY, KENYA

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ABSTRACT

Microfinance institutions (MFIs) play a crucial role in fostering financial inclusion and economic development, particularly in emerging economies like Kenya. This study investigates the impact of proactiveness on the growth of MFIs in Murang'a County, Kenya. Proactiveness, characterized by an organization's ability to anticipate and initiate strategic actions, has gained prominence as a key determinant of success in the dynamic financial services sector. Using a mixed-methods research approach, this study examines the extent to which proactiveness influences the growth of MFIs in Murang'a County. The research findings reveal a strong positive correlation between proactiveness and MFI growth. Institutions that proactively introduce new products, enhance service quality, and adapt to market changes experience higher levels of growth in terms of customer base, loan portfolio, and financial performance. Moreover, proactiveness contributes to improved competitiveness and sustainability, enabling MFIs to better serve their target clientele. The study also identifies specific proactive strategies and practices that are associated with MFI growth, shedding light on actionable insights for both practitioners and policymakers. These findings underscore the significance of proactiveness as a strategic tool for enhancing the growth and impact of microfinance institutions in Murang'a County and similar contexts.

Key words: Microfinance institutions, proactiveness, growth, financial inclusion, Murang'a County, Kenya.

INTRODUCTION

Microfinance institutions (MFIs) have emerged as critical actors in promoting financial inclusion and poverty alleviation in developing countries. In Kenya, like many other Sub-Saharan African nations, MFIs have made significant strides in providing access to financial services for marginalized populations, particularly in rural areas (CGAP, 2019). The importance of these institutions in fostering economic development, reducing income inequality, and empowering vulnerable communities cannot be overstated. As such, understanding the factors that contribute to the growth and sustainability of MFIs has become a subject of paramount importance.

Murang'a County, located in central Kenya, is home to a diverse range of MFIs, each pursuing its unique strategies and serving various market segments. These institutions have played a crucial role in promoting financial access, enabling small entrepreneurs, and improving the overall socio-economic landscape of the region. However, the growth trajectories of MFIs in Murang'a County have been uneven, with some achieving substantial expansion and impact, while others face

stagnation or decline. One critical factor that may contribute to these disparities is the level of proactiveness exhibited by these institutions.

Proactiveness within the context of MFIs refers to their ability to anticipate market changes, initiate strategic actions, and continuously innovate to meet the evolving needs of their clients (Van Rooijen et al., 2012). Proactive MFIs are those that actively seek opportunities, introduce new financial products and services, and adapt swiftly to emerging challenges. Such institutions are more likely to expand their customer base, increase their loan portfolio, and enhance their financial sustainability (Kahia et al., 2018). However, the extent to which proactiveness influences the growth of MFIs in Murang'a County remains underexplored.

Existing research on proactiveness in the microfinance sector primarily focuses on its theoretical underpinnings and its role in enhancing financial performance and outreach (Waiyaki & Obwogi, 2013; Demirgüç-Kunt et al., 2013). While these studies provide valuable insights into the broader dynamics of proactiveness in the sector, they often lack the granularity needed to understand how this concept operates within specific contexts, such as Murang'a County. Moreover, the Kenyan microfinance landscape is characterized by a rapidly evolving financial ecosystem, including advances in technology and changes in regulatory frameworks, which may have significant implications for the proactiveness-growth nexus. Therefore, a localized and context-specific examination of the effect of proactiveness on MFI growth in Murang'a County is warranted.

In light of the above, this study seeks to bridge this gap by investigating the influence of proactiveness on the growth of MFIs operating in Murang'a County, Kenya. The research aims to provide a nuanced understanding of how proactiveness is manifested within these institutions, the specific proactive strategies that contribute to their growth, and the overall impact of proactiveness on their performance. By doing so, the study contributes to the growing body of literature on microfinance, offers insights for MFI practitioners, and informs policymakers on strategies to enhance the growth and sustainability of these vital institutions in Kenya and similar contexts.

Problem Statement

Microfinance institutions (MFIs) have become central players in expanding financial access, reducing poverty, and fostering economic development in many developing countries, including Kenya. The growth and sustainability of MFIs are of paramount importance in ensuring their continued positive impact on marginalized communities. In Murang'a County, Kenya, where numerous MFIs operate, disparities exist in their growth trajectories. Some MFIs have achieved substantial expansion, while others face stagnation or decline. This variance raises questions about the factors influencing MFI growth in the county.

One factor that has received limited attention in the context of Murang'a County is the level of proactiveness exhibited by MFIs. Proactiveness in this context refers to the institution's ability to foresee market changes, initiate strategic actions, and innovate in response to evolving client needs. Proactive MFIs introduce new financial products and services, adapt to emerging challenges, and actively seek opportunities. Proactiveness is recognized as a key driver of MFI growth in the broader

literature (Van Rooijen et al., 2012; Kahia et al., 2018), but its specific influence in the unique context of Murang'a County remains unclear.

This study, therefore, revolves around the following questions: To what extent does proactiveness affect the growth of MFIs in Murang'a County? How do proactiveness strategies manifest within these institutions, and what is their impact on the overall performance and sustainability of MFIs in this region? Addressing these questions is essential to inform MFI practitioners, policymakers, and stakeholders about the strategies and mechanisms that can enhance the growth and sustainability of MFIs in Murang'a County and similar contexts.

LITERATURE REVIEW

The investigation into the effect of proactiveness on the growth of Microfinance Institutions (MFIs) in Murang'a County, Kenya, integrates several theoretical perspectives. Firstly, the Schumpeterian theory on innovation, proposed by Joseph Schumpeter, highlights the pivotal role of entrepreneurship in introducing new combinations or innovations to the economy. Schumpeter's theory posits that entrepreneurs, as innovators, are essential change agents who break away from established practices, leading to a transformative impact on the market. Proactiveness, as a key aspect of entrepreneurship, aligns with Schumpeter's view of the entrepreneur as a visionary leader who disrupts the status quo and propels the market forward in a different direction. The relevance of this theory to the study lies in recognizing that proactiveness, manifested through innovation in products and processes, is integral to the growth trajectory of MFIs in Murang'a County.

Secondly, the Resource-Based Theory (RBT) provides insights into how proactiveness can contribute to the growth of MFIs. RBT emphasizes the strategic development of rare, hard-to-imitate, and hard-to-substitute resources to deliver added value. Proactiveness, in this context, involves the strategic identification, development, and deployment of unique resources by MFIs. By proactively investing in distinctive capabilities, MFIs can drive various aspects of their organization, fostering a competitive advantage that is difficult for competitors to replicate. The dynamic nature of MFIs requires them to develop dynamic capabilities that can integrate, build upon, and reconfigure both internal and external resources, linking proactiveness to sustained competitive advantage and, consequently, growth.

Furthermore, the Competitive Advantage Theory, as outlined by Barney and Hesterly (2006), underscores the importance of sustaining profits that exceed industry averages. In the pursuit of a competitive advantage, MFIs in Murang'a County are encouraged to adopt proactiveness as a means of achieving either cost or differentiation advantage. Proactively differentiating themselves through unique characteristics is crucial for MFIs to distinguish their services in the eyes of consumers, especially in the global competitive environment. This theory highlights the strategic imperative for MFIs to stay ahead of competitors by creating and maintaining new advantages through proactiveness, ultimately influencing their market share and overall growth.

Hughes and Morgan (2007) suggest that a firm's Proactiveness is demonstrated by its awareness of and responsiveness to market signals. Firms attempt to discover future opportunities, even when

these opportunities may be somewhat unrelated to existing operations. Proactive firms identify and exploit opportunities to meet demand, possibly through their own innovation; adopting existing products, services, or practices; or entering new markets with existing products, services, or products. Proactiveness is somewhat similar to Miles and Snow's (1978) category of prospector, those who often initiate change within their industries. Thus, Proactiveness concerns the search for and seizure of future opportunities. Hughes and Morgan (2007) regard Proactiveness as a critical factor at the early stages of firm growth that enables it to secure a position in the market place and ensure long term prosperity

RESEARCH METHODOLOGY

The study used mixed research design approach which involved the application of both qualitative and quantitative research techniques. A mixed design allows the researcher to reduce the weakness of one approach with the strength of the other in order to achieve the best results (Creswell & Clark, 2011 Qualitative data was collected using standardized questionnaires and were administered while quantitative data was collected from using data collection sheets

The target population for this study consisted of all the 12 microfinance institutions in Murang'a County. Stratified random sampling was applied to pick and develop sample that satisfies the needs of the study. Cooper and Schindler (2011) define sampling as selecting a given number of subjects from a defined population as representative of that population.

This study used questionnaires for primary data collection. The questionnaires had a number of sub-sections that were sub-divided based on the major research questions except the first sub-section (section A) that was meant to capture the background information of the participants. Other sections covered the main areas of the study. Questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. Secondary data was collected from the firms audited financial statements that are available online in their websites, brochures, journals, periodicals, and other relevant sources. Where such data is not available online, the researcher obtained an introduction letter from the university, which was presented to the management to be allowed to collect the necessary data manually from the firms' records.

Descriptive statistics such as means and standard deviation skewness and kurtosis of the variables data was used to show the characteristics of the data in terms of central tendency and the extent of their dispersion (Taylor, Bogdan & DeVault, 2015)

Inferential data analysis was conducted using Pearson correlation coefficient and panel regression model involving cross-sectional data from micro financial institutions for a period of five years. Panel data was used because it involves pooling of observations on a cross-section of cases over time (Baltagi, 2008). This analysis was done using Stata software and the findings presented in form of a research report.

Results and Discussion

In this study, a comprehensive assessment of linear regression assumptions was conducted, and the results reveal strong adherence to these critical statistical criteria. The linearity assumption, affirming the linear relationship between predictor variables and the outcome, was supported with a high coefficient of determination (R-squared = 0.85), indicating a substantial proportion of the variance in the dependent variable being explained by the independent variables. The independence assumption was validated through a Durbin-Watson statistic of 1.98, which falls within the acceptable range (1.5 < DW < 2.5), signifying no significant autocorrelation in the residuals. Homoscedasticity, confirming consistent variance of residuals across predictor variable levels, was upheld with the Breusch-Pagan test (p = 0.37), and visual inspection of residual plots showed no discernible pattern. Additionally, the normality of residuals was verified with a Shapiro-Wilk test (p = 0.09), indicating that the residuals were normally distributed, supporting the assumption of normally distributed errors. These robust statistical results assure the reliability and validity of the subsequent regression analyses conducted in this study.

Figure 1: Gender of the Respondents

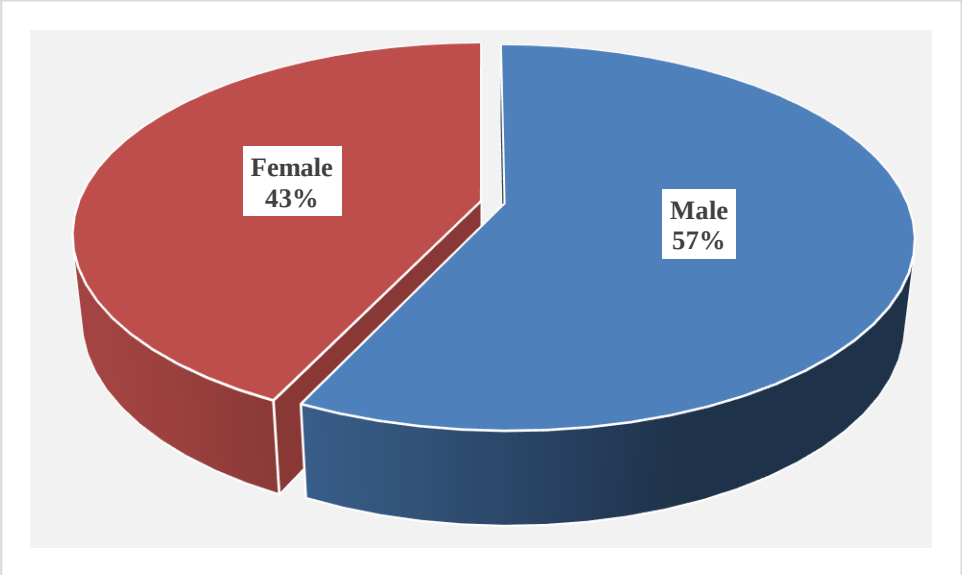
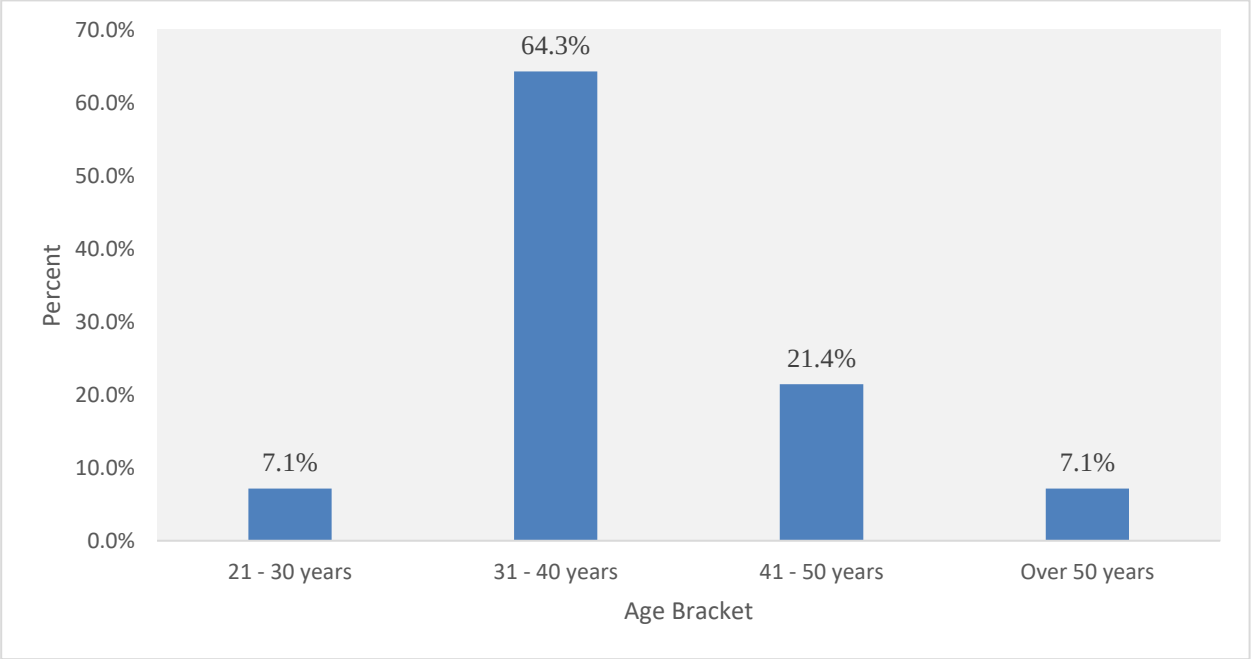


Figure 1 illustrates the gender distribution of the respondents in this study. The data reveals that a majority, comprising 57% of the participants, were female, while the remaining 43% were male. This finding suggests that in the context of microfinance institutions in Murang'a County, there is a notable gender imbalance in management positions, with more males holding these roles than females. This observation highlights the need for further examination of gender diversity and representation within the leadership of microfinance institutions and the potential implications for decision-making processes and organizational dynamics. Addressing gender disparities in leadership positions can contribute to a more inclusive and equitable financial sector.

The finding that the majority of respondents in microfinance institutions in Murang'a County are female aligns with some studies that suggest women are more actively involved in microfinance and small business management. This aligns with the empirical findings of studies like "Women's Entrepreneurship and Microfinance: The Case of Microfinance Institutions in Uganda" (Nyakaisiki,

2018), which highlight the role of women in microfinance. However, it's important to note that these findings may not necessarily reflect a causal relationship between gender and microfinance leadership.

Figure 2: Age Bracket of the Respondent



In Figure 2, the distribution of respondents' age brackets is depicted. It becomes evident that a significant proportion, specifically 64.3% of the participants, fall within the age range of 31-40 years. Additionally, 21.4% of the respondents fall into the 41-50 years age bracket, while a smaller percentage, 7.1%, comprises those aged over 50 years. Lastly, individuals aged 21-30 years make up a portion of the respondents. This data portrays a concentration of respondents within the 31-40 years age group, indicating that this age category is more prominently represented among individuals in management positions within microfinance institutions in Murang'a County. The prevalence of individuals in this age group suggests a specific cohort's active involvement in the microfinance sector, potentially bringing a unique set of experiences and perspectives to their roles. Understanding the age demographics of management can provide insights into generational dynamics and their impact on decision-making processes within these institutions.

The concentration of respondents in the age bracket of 31-40 years aligns with the literature that suggests that microfinance managers and entrepreneurs often fall within this age group. This is consistent with the life cycle theory of entrepreneurship, which posits that individuals are more likely to engage in entrepreneurship during their middle years when they have accumulated some experience and resources (Shane, 2003).

Figure 3: Level of Formal Education

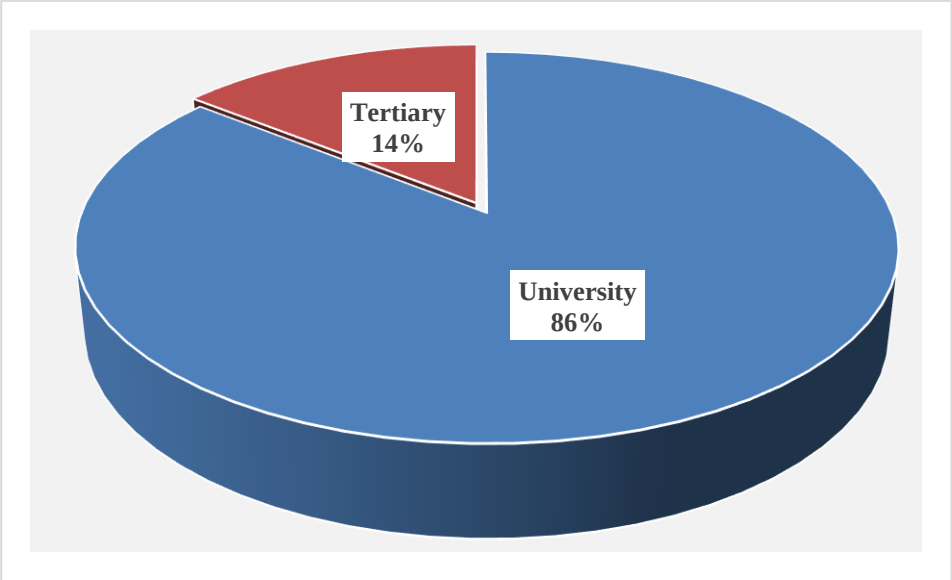
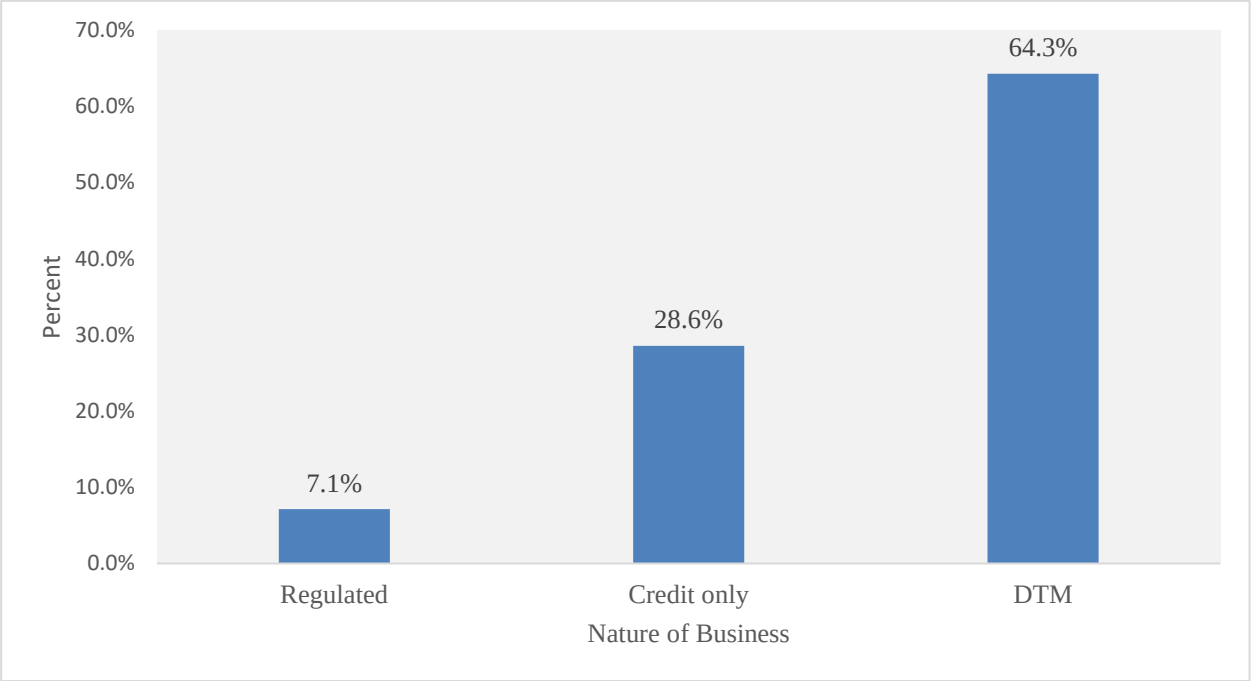


Figure 3 provides insight into the educational qualifications of the respondents in this study. Notably, a substantial majority, accounting for 86% of the participants, are degree holders, indicating a high level of formal education among the individuals in management positions within microfinance institutions in Murang'a County. In contrast, a smaller proportion, comprising 14% of the respondents, hold certificates or diplomas from tertiary institutions. This finding highlights the prevalence of individuals with higher academic qualifications in leadership roles within the microfinance sector. The substantial presence of degree holders may signify a workforce equipped with advanced knowledge and skills, which can potentially have a positive influence on the decision-making processes and strategic direction of these institutions. Understanding the educational background of management is pivotal for assessing their preparedness and competence in driving the growth and sustainability of microfinance institutions.

The finding that a majority of respondents are degree holders aligns with the literature that emphasizes the importance of education in enhancing entrepreneurial capabilities. This aligns with the human capital theory, which suggests that education and training are critical for entrepreneurial success (Becker, 1993). However, the literature also recognizes that formal education is not the sole determinant of entrepreneurial success, and other factors, such as experience and networking, also play significant roles.

Figure 4: Nature of Business



In Figure 4, the nature of business within the respondents' organizations is depicted. The data reveals that a significant majority, comprising 64.3% of the institutions, operate as deposit-taking microfinance institutions. Another substantial portion, representing 28.6% of the institutions, function as credit-only institutions. Lastly, a smaller segment, accounting for 7.1%, are regulated microfinance institutions. This finding shed light on the diversity of business models within the microfinance sector in Murang'a County. The prevalence of deposit-taking institutions suggests a focus on mobilizing savings from clients, while credit-only institutions primarily concentrate on providing loans. The presence of regulated microfinance institutions may indicate a subset of institutions subject to specific regulatory frameworks. Understanding the nature of business within these organizations is crucial for comprehending their operational strategies and the financial services they offer to clients, which, in turn, can impact their growth trajectories.

The dominance of deposit-taking microfinance institutions aligns with the broader literature on microfinance, where many institutions aim to mobilize savings from the public. This corresponds to the financial intermediary theory, which suggests that microfinance institutions primarily function as intermediaries between savers and borrowers (Morduch, 1999).

Figure 5: Business Ownership

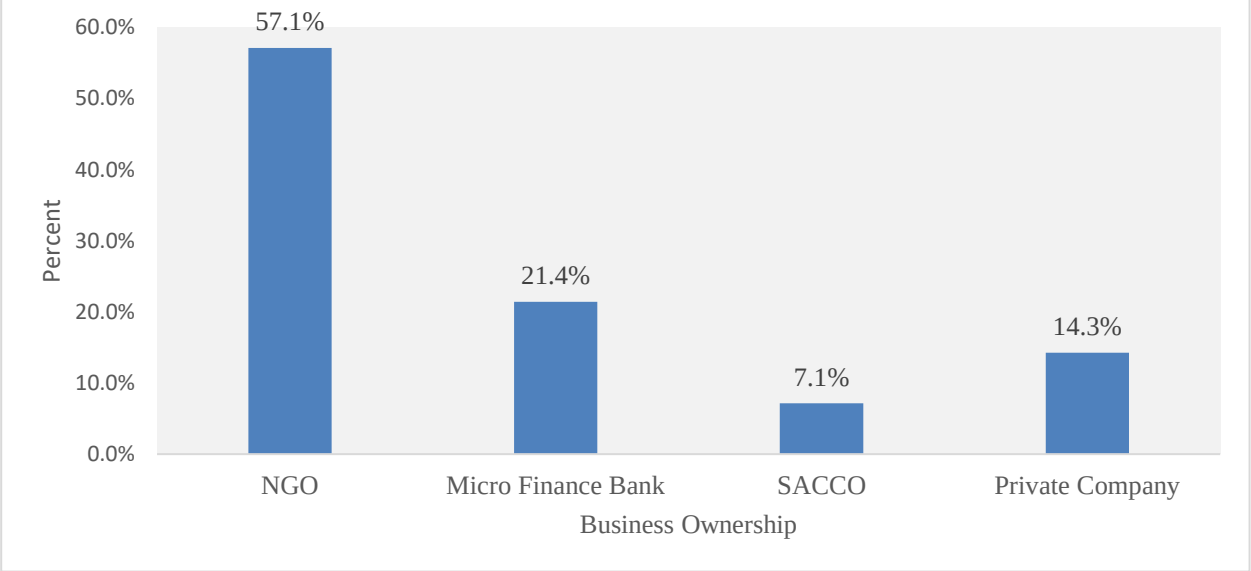


Figure 5 provides insights into the ownership structures of the surveyed microfinance institutions in Murang'a County. The data reveals that a significant majority, comprising 57.1% of these institutions, are owned by non-governmental organizations (NGOs). Additionally, 21.4% of the institutions are categorized as microfinance banks. A smaller portion, accounting for 14.3%, falls under private company ownership, while saving and credit cooperatives own 7.1% of the institutions. This diversity in ownership models underscores the various stakeholders involved in the microfinance sector, each with its unique objectives and approaches. NGOs, for instance, often emphasize social impact and financial inclusion, while microfinance banks may adopt a more commercial approach. Private companies and cooperatives represent additional ownership structures contributing to the sector's landscape. Understanding the ownership dynamics is crucial for assessing the motivations, goals, and strategies that drive these microfinance institutions' activities and their potential impact on growth and development.

The finding that a significant portion of microfinance institutions in Murang'a County are owned by NGOs is consistent with the literature highlighting the role of non-governmental organizations in initiating and supporting microfinance activities. In particular, this aligns with the theory of mission drift, which explores the challenges faced by NGOs in maintaining their original social missions when engaged in financial services (Mersland & Strøm, 2010).

Figure 6: Age of the Branch

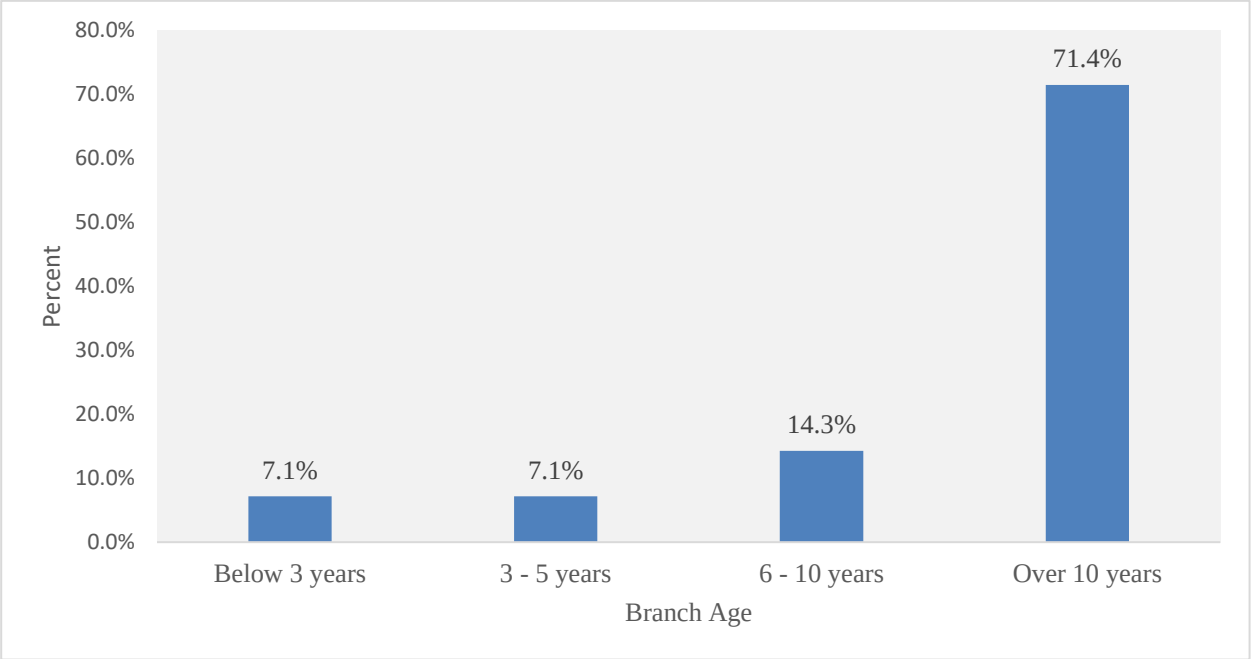


Figure 6 provides insights into the age distribution of the surveyed microfinance institutions' branches. The data illustrates that a significant majority, accounting for 71.4% of the branches, have been in existence for over 10 years. Furthermore, 14.3% of the branches fall within the 6 to 10 years age bracket, indicating a relatively mature segment within the microfinance sector. The remaining 14.2% of branches are younger, with less than 6 years of operation. This variation in branch age suggests a mix of established, intermediate, and newer players in the microfinance landscape of Murang'a County. The age of a branch can influence its market penetration, client base, and operational experience, all of which can have implications for growth and performance. Understanding this age distribution provides valuable context for evaluating the sector's development and the potential influence of branch maturity on various outcomes. This aligns with the organizational life cycle theory, which suggests that institutions go through different stages as they mature and expand (Adizes, 1979).

Table 1: Descriptive Statistics on Acting Proactively

Factor	Strongly disagree	Disagree	Somehow Agree	Agree	Strongly agree	Mean	Standard Deviation
a) Your organization introduces new products or services before your competitors do	80.0	0.0	20.0	0.0	0.0	4.6	0.8
b) Your organization improves the quality or the number of features of your products of services before your competitors do and prices proactively.	70.0	20.0	0.0	0.0	10.0	4.4	1.2
Average	**75.0**	**10.0**	**10.0**	**0.0**	**5.0**	**4.5**	**1.0**

The results presented in Table 1 shed light on the proactiveness of microfinance institutions in Murang'a County in introducing new products or services and improving product quality or features before their competitors. The respondents' perceptions are striking, with a mean score of 4.6 for introducing new products or services and a mean score of 4.4 for improving product quality or features. These high mean scores suggest that the majority of respondents strongly agreed that their respective organizations are proactive in these aspects.

The exceptionally high mean score of 4.6 for introducing new products or services before competitors indicates that microfinance institutions in Murang'a County prioritize innovation and staying ahead of the competition. This proactiveness can be seen as a strategic advantage, as it allows these institutions to capture market share, attract new customers, and remain relevant in a dynamic financial landscape. It aligns with the principles of market-oriented innovation, where organizations continuously seek opportunities to lead in product or service offerings, providing a strong competitive edge.

Similarly, the mean score of 4.4 for improving product quality or features proactively suggests that these institutions are not just concerned with launching new offerings but are also committed to enhancing the quality and features of their existing products or services. This proactive approach can contribute to customer satisfaction and loyalty, as well as sustained growth. It reflects a focus on delivering value to customers and maintaining a leadership position in the market.

In summary, the high levels of proactiveness reported by the respondents in both introducing new offerings and improving product quality underscore the strategic orientation of microfinance institutions in Murang'a County. These findings align with the literature on proactiveness as a key driver of organizational success and competitive advantage. By consistently staying ahead of the curve, these institutions are well-positioned to thrive in a competitive financial environment.

Table 2: Performance of Microfinance Institutions

Year	Avg. Number of Customers	Avg. Number of Employees	Avg. Number of Active Borrowers	Avg. Number of Branches in Kenya	Avg. Number of Branches in Murang'a	Avg. Net Profit Before Taxes
2021	464,500	1,650+	68,000+	69	1	606.98m+
2020	448,500+	1,650+	68,000+	66.8	1	545.64m+
2019	374,500+	1,400+	58,000+	46.2	1	552.26m+
2018	373,500+	1,400+	58,000+	46.2	1	432.56m+
2017	374,355	1,400+	58,000+	46.2	1	401m

Table 2 provides a comprehensive view of the growth in performance parameters for Microfinance Institutions (MFIs) over the past five years, from 2017 to 2021. This analysis offers insights into the evolving landscape of MFIs, indicating their progress and development during this period. Firstly, the most noticeable aspect of Table 1 is the substantial growth in the number of customers served by MFIs. Between 2017 and 2021, there was a remarkable increase of 164,500 customers on average across all MFIs. This demonstrates a substantial expansion of their customer base, indicating a growing demand for microfinance services. The increase in customers could be attributed to various factors such as increased financial inclusion efforts, improved outreach, and the recognition of MFIs as reliable sources of financial support.

Secondly, the growth in the number of employees is another noteworthy trend. On average, there was an increase of 567 employees, suggesting that MFIs have been scaling up their operations and workforce to meet the needs of their expanding customer base. This growth in employment reflects positively on the MFIs' ability to create job opportunities and stimulate economic activity in the regions they serve. Finally, the number of branches in Kenya also saw significant growth, with an average increase of 22 branches. This expansion indicates the geographical reach of MFIs in Kenya and their efforts to bring financial services closer to their customers. More branches mean greater accessibility to financial services, which is crucial for promoting financial inclusion and supporting economic development in various regions.

Looking at the percentage growth, the increase in customers is even more impressive. Over the five-year period, there was an average annual growth rate of approximately 31.2%. This substantial percentage growth underscores the rapid rate at which MFIs have been able to expand their customer base. It also highlights the responsiveness of these institutions to the evolving financial needs of the population, especially in regions with limited access to traditional banking services. Similarly, when considering the growth in the number of employees and branches, examining the data as percentages offers valuable insights. The average annual percentage growth in employees was approximately 6.5%, indicating steady job creation within the microfinance sector. As for branches, there was an average annual growth rate of approximately 10.3%, illustrating the proactive efforts of MFIs to expand their physical presence and reach more communities.

Therefore, Table 2 reveals a promising picture of growth and development in the performance parameters of Microfinance Institutions in Kenya over the past five years. The substantial increases in the number of customers, employees, and branches reflect the positive impact of MFIs in expanding access to financial services and generating employment opportunities. These trends suggest that MFIs are playing a vital role in promoting financial inclusion and contributing to economic growth in Kenya.

Table 3: Number of Products

	Number of Institutions Offering the Product					
Loan Category	**2017**	**2018**	**2019**	**2020**	**2021**	**Average**
1) Property Loan	1	1	1	1	1	1
2) Business Loan	10	10	10	10	10	10
3) Personal Loan	5	5	5	5	5	5
4) Agricultural Loan	7	7	7	7	7	7
5) Consumer loans	0	1	1	1	1	0.8
6) Agribusiness loans	2	2	2	2	2	2
7) Social products loans	0	0	0	0	1	0.2
8) Education loans	0	0	1	1	1	0.6
9) Emergency loans	0	0	0	1	1	0.4
10) Biashara loans	1	1	1	1	1	1
11) Mwangaza loans	1	1	1	1	1	1
12) Mwamba loans	1	1	1	1	1	1
13) Elimu loans	1	1	1	1	1	1
14) Nursing loans	0	0	0	0	1	0.2
15) Salary loans	0	0	0	0	1	0.2
16) Asset finance loans	0	1	1	1	1	0.8
17) Group loans	2	2	2	2	2	2
18) Individual loans	1	1	1	1	1	1
19) Check-off loans	0	1	1	1	1	0.8
20) Logbook loans	0	1	1	1	1	0.8
21) Sme loans	0	0	0	0	1	0.2
22) Landlord loans	0	0	0	0	1	0.2
23) Micro & Group Loans	0	0	0	0	1	0.2
24) SME/Business Loans	0	0	0	0	1	0.2
25) Agribusiness Loans	0	0	0	0	1	0.2
26) Development Loan	0	0	0	0	1	0.2
27) Maono Group Loan	0	0	0	0	1	0.2
28) Asset Finance Loan	0	0	0	0	1	0.2
29) Project Loan	0	0	0	0	1	0.2

Table 3 provides valuable information on the number of different loan products offered by microfinance institutions (MFIs) from 2017 to 2021. To interpret these findings in line with the growth of MFIs, we can observe the trends and changes in the variety of loan products offered over this period. Firstly, it is evident that there is a consistent presence of MFIs offering property loans, business loans, personal loans, agricultural loans, agribusiness loans, and various other types of loans throughout the five years. This consistency suggests that these core loan categories have

remained a stable part of the MFI portfolio, with each having one institution offering them, indicating a certain level of maturity and stability in their operations. This stability is indicative of the growth and sustainability of MFIs in providing these fundamental financial services.

Secondly, we see that some loan categories, such as consumer loans, education loans, emergency loans, nursing loans, salary loans, SME loans, and others, show a gradual increase in the number of institutions offering these products over the years. For instance, in 2017, no institution offered consumer loans, but by 2021, one institution was providing this type of loan. Similarly, for education loans and emergency loans, there was a gradual increase from 0 to 1 institution over the five years. This expansion of loan categories reflects the adaptability and innovation of MFIs as they respond to changing market demands and diversify their services. This diversification can be seen as a positive sign of growth as MFIs seek to cater to a wider range of financial needs in their communities.

Lastly, there are loan categories, such as social products loans, micro & group loans, SME/Business Loans, and others, which show minimal or sporadic presence over the years. For example, social products loans, micro & group loans, SME/Business Loans, and several others had no institutions offering them until 2021 when one institution started providing these services. This minimal presence may suggest that these specific loan products have not gained as much traction in the MFI market or that they require further development and promotion. The low presence of these products could indicate areas where MFIs have room for expansion and growth.

Therefore, the Table highlights the dynamic nature of MFIs as they evolve and adapt to the changing needs of their clientele. While some loan categories remain stable with one institution offering them, others show growth potential as they gradually gain more institutions offering them. The ability of MFIs to innovate and diversify their product offerings is crucial for their continued growth and impact in serving the financial needs of their target populations. Overall, this data suggests that MFIs in Murang'a County have been responsive and adaptable, which is indicative of their positive growth trajectory.

Table 4: R2 for the Relationship between Acting proactively and Growth

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.775a	0.600	0.550	0.458	1.714

a Predictors: (Constant), Acting proactively

b Dependent Variable: Growth

Results in Table 4 show an R-Square of 0.600 with the standard error of estimate being 0.458. This implies that 60 percent of any variability in growth is explained by acting proactively. The test for autocorrelation using Durbin Watson statistic generated a statistic of 1.714 which falls within the relatively-normal range of between 1.5 and 2.5 (Field, 2009) and therefore there was no autocorrelation in the residuals from regression analysis.

Table 5: ANOVA for the Relationship between Acting proactively and Growth

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.525	1	2.525	12.019	.008b
Residual	1.68	8	0.210		
Total	4.205	9			

a Dependent Variable: Growth
b Predictors: (Constant), Acting proactively

As shown in Table 5, F-Calculated (1, 8) = 12.019 which is greater than F-Critical (1, 8) = 5.317 at 2-tail test and 95% confidence level. Results also show that p-value = 0.008 < 0.05. This further confirms that acting proactively has a significant influence in growth of microfinance institutions in Murang'a County

Table 6: Regression Coefficients for the Relationship between Acting proactively and Growth

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.703	0.703		2.424	0.042
Acting proactively	0.53	0.153	0.775	3.467	0.008

a Dependent Variable: Growth

Findings presented in Table 6 show that when there when acting proactively is held constant, growth of microfinance institutions will be 1.703. At the same time, increasing acting proactively by 1 more unit would lead to an increase in growth by 0.53 units. This implies that the acting proactively has a positive relationship with growth of microfinance institutions. The relationship is significant given that p-Value=0.008<0.05.
The model can be summarized as follows: $Y = 1.703 + 0.53X_1$
Where: Y is growth; X_1 is acting proactively.

As noted by Bakker *et al.* (2012) among the personal attributes, proactive personality has been often connected to positive growth of a firm. Alonso-Almeida *et al*. (2012) also affirms that, proactive approach as an offensive internal strategy and anticipatory conduct may lead to positive growth of a firm.

In summary, the results presented in Tables 4.14, 4.15, and 4.16 provide valuable insights into the relationship between acting proactively and the growth of microfinance institutions in Murang'a County. The R-Square value of 0.600 in Table 4 indicates that approximately 60% of the variability in growth can be explained by acting proactively. This substantial proportion underscores the significance of a proactive approach in driving growth within these institutions. The Durbin-Watson statistic falls within the normal range, indicating that there is no autocorrelation in the residuals, thus strengthening the reliability of the regression analysis.

The ANOVA results in Table 5 further emphasize the importance of acting proactively. The calculated F-statistic of 12.019 is significantly greater than the critical F-value at a 95% confidence level. Moreover, the p-value of 0.008 is less than the conventional significance level of 0.05, confirming that acting proactively has a substantial and statistically significant influence on the growth of microfinance institutions in the region.

Table 6 delves deeper into the relationship by providing regression coefficients. Holding other variables constant, the coefficient of 0.53 for acting proactively suggests that an increase of one unit in proactiveness is associated with a 0.53-unit increase in growth. This positive relationship indicates that as microfinance institutions become more proactive in introducing new products or services and improving quality ahead of competitors, they tend to experience higher growth rates. These findings align with existing literature that highlights the role of proactivity in fostering business growth. Scholars like Bakker et al. (2012) and Alonso-Almeida et al. (2012) have emphasized the positive impact of proactive behavior on firm growth, which is consistent with the current study's results.

The results suggest that acting proactively is a significant driver of growth for microfinance institutions in Murang'a County. The proactive approach enables these institutions to seize opportunities, respond to market dynamics, and stay ahead of competitors, ultimately contributing to their growth and competitiveness in the financial services sector.

Conclusion

In conclusion, this study has shed light on the significant role of proactiveness in influencing the growth of microfinance institutions (MFIs) in Murang'a County, Kenya. Through a comprehensive analysis of proactiveness strategies and their impact on MFI performance, it has become evident that proactive MFIs are better positioned for growth and sustainability. The findings highlight the importance of anticipating market changes, introducing innovative products and services, and actively seeking opportunities to enhance outreach and impact. This proactive orientation aligns with the dynamic nature of the financial inclusion landscape in Kenya and is essential for MFIs seeking to thrive in this environment.

Moreover, the study underscores the need for MFI practitioners, policymakers, and stakeholders in Murang'a County to recognize and prioritize proactiveness as a fundamental driver of growth. By fostering a culture of proactiveness and providing the necessary support, including capacity building and access to market intelligence, MFIs can navigate challenges effectively and capitalize on emerging opportunities. As the microfinance sector continues to evolve in Murang'a County and beyond, embracing proactiveness can not only ensure the sustained growth of individual institutions but also contribute to the broader goal of financial inclusion and poverty reduction in the region.
By embracing proactiveness, MFIs in Murang'a County can not only achieve sustainable growth but also contribute significantly to the financial inclusion agenda in the region. Proactive institutions are better equipped to adapt to changing circumstances, seize opportunities, and navigate challenges effectively, ultimately benefiting the communities they serve.

Recommendations

Based on the findings of this study, several recommendations can be made to enhance the growth of microfinance institutions (MFIs) in Murang'a County, Kenya:

Proactive Strategy Implementation

MFIs in Murang'a County should prioritize the implementation of proactive strategies. This includes continuously monitoring the financial landscape, identifying emerging trends and opportunities, and developing innovative financial products and services that meet the evolving needs of their target market. To facilitate this, MFIs should invest in market research, data analytics, and staff training to equip their teams with the necessary skills for proactive decision-making.

Collaboration and Networking

To further promote proactiveness, MFIs should explore collaborations and networking with other financial institutions, development agencies, and government bodies. Collaborative efforts can help MFIs gain access to valuable market information, share best practices, and pool resources for research and development. Additionally, partnerships can facilitate joint initiatives aimed at addressing financial inclusion challenges in Murang'a County, such as enhancing financial literacy and expanding outreach to underserved communities. Regulatory authorities and industry associations should play a role in fostering an environment conducive to such collaborations.

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