

MODERATING EFFECT OF REGULATORY ENVIRONMENT ON THE RELATIONSHIP BETWEEN STRATEGIC RISK MANAGEMENT PRACTICES AND FIRM PERFORMANCE IN THE CONTEXT OF VISIONFUND IN TANZANIA

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ABSTRACT

Microfinance Institutions (MFIs) in Tanzania face significant challenges largely related to risk management, which have contributed to higher loan default rates. Weak compliance with regulatory frameworks has often undermined the MFIs' financial stability and increased exposure to operational and reputational risks, which has highlighted the critical importance of strict adherence to these regulations. The purpose of the study was to test the moderating effect of the regulatory environment on the relationship between strategic risk management practices and firm performance at VisionFund, Tanzania. The study was anchored on the Enterprise Risk Management (ERM) Model, Balance Scorecard Model, and Institutional theory. Positivism philosophy guided this study, and adopted both descriptive and explanatory research designs. The target population included all 103 employees of VisionFund, Tanzania, drawn from senior management, functional management (regional and program managers), and operational levels (supervisors). The study adopted a census approach, and data collection was done via a structured questionnaire. The pretest was done on 10 employees from FINCA Microfinance Bank. Construct and content validity were tested,

while reliability was tested using Cronbach's Alpha Coefficient with a threshold of 0.7. Data were analyzed using SPSS 27.0, where descriptive statistics (means, standard deviations, and percentages) and inferential statistics (Pearson correlation and hierarchical regression analysis) were conducted. Hayes (2018) approach was utilized to determine the moderating effect of regulatory environment on the relationship between strategic risk management practices and the firm performance of MFIs in Tanzania. The findings revealed that the interaction term between strategic risk management practices and regulatory environment produces a significant Beta coefficient of 0.231 ($p=.002$), affirming that the regulatory environment has a positive and significant moderating effect on the relationship between strategic risk management practices and firm performance at VisionFund, Tanzania. The study recommends that VisionFund should enhance its compliance frameworks with the Bank of Tanzania to reinforce credibility and reduce risks.

Key words: Regulatory Environment, Strategic Management Practices, Firm Performance, Microfinance Institutions.

INTRODUCTION

Microfinance institutions (MFIs) have a central role in developing a more inclusive financial framework by providing finance to poor individuals and microenterprises that are beyond the reach of the conventional banking system (Ledgerwood et al., 2023). The microfinance sector in Tanzania has a long history of promoting economic empowerment and reducing poverty, especially for underprivileged groups in both rural and urban areas. Since the late 1980s and early 1990s, Tanzania's government has aggressively supported microfinance services. Microfinance institutions (MFIs) have developed to bridge the gap left by traditional banks by providing financial services to those who were previously shut out of the official financial system (Macha, 2018). MFIs play a crucial role in poverty alleviation by providing microloans, savings accounts, and insurance products tailored for underserved communities. Microfinance institutions (MFIs) in Tanzania are exposed to a number of hazards that could jeopardize their long-term viability, including financial, reputational, and operational concerns.

Background of the Study

Strategic Risk Management Practices

According to Muchiti (2021), strategic risk management practices are defined as the methods of identifying, assessing, and responding to risks that could threaten a firm's strategic objectives, focusing on long-term value creation. Across the globe, scholars have studied microfinance and its effectiveness in reducing poverty and economic growth, with implications for meaningful strategic risk management to facilitate the activities of microfinance institutions (MFIs) (Rehman & Anwar, 2019). In the global microfinance market, Goodman (2019) indicated that the number of MFIs stood at 1,478 by the end of December 2013, with 54 million members, 44 million savers, and approximately 23 million borrowers. According to Fadun and Oye (2020), Switzerland's microfinance institution investors included strategic risk management practices to reduce exposure to risks, which enhanced efficiency. In Bangladesh, Kassim and Rahman (2018) indicated that MFIs face institutional failure and regulatory weaknesses that have deterred them from adopting effective financial risks, operational risks, and reputational risks frameworks. The Strategy Institute (2024) categorized these strategic risk management practices into: business model risk, competition risk, operational risk, people and culture risk, reputational risk, technological risk, regulatory risk, macroeconomic risk, operational risk, and financial risk.

In the African context, Cheruyiot (2021) evaluated the influence of strategic risk management practices, government regulations, and performance among real-time clearance in Nairobi, Kenya. The study found that government regulations moderately influenced a strongly positive and significant correlation between strategic risk management practices and real-time cargo clearance performance. Njuguna et al (2017) noted that some of the strategic risk management practices involved reputational risk management, operational risk management, financial risk management, and regulatory risk management. In Uganda, Serwadda (2018) found that poor strategic risk

management practices undermined commercial banks' finances. Strategic risk management is fundamental to regulatory practice; hence, the IMF definition is best for this study.

In Tanzania, MFIs are faced with various risks that may compromise their long-term sustainability, for instance, financial, reputational, and operational risks. Operational risk is caused by inefficiencies in internal processes, outdated systems, and human errors, resulting in loss of funds and low productivity (Quijano 2020). Secondly, MFIs are unable to retain clients and gain new clients for the reason of reputational risk from governance failure and customer dissatisfaction, which can erode trust and decrease client retention (Ewool & Quartey, 2021). According to Danga and Mashala (2019), MFIs are often divided into three groups: micro-insurance, micro savings, and microcredit. One of the most well-known types of microcredits allows micro-entrepreneurs to invest in their companies, obtain small loans, and try to escape poverty. As a national initiative, MFIs are represented in Tanzania's Development Vision 2025. In this context, NGO-funded microfinance institutions are crucial to reaching small-scale farmers, women, and informal entrepreneurs. These institutions offer microloans, savings accounts, and financial literacy initiatives to promote financial inclusion and resilience. Therefore, the study adopted the following strategic risk management techniques according to Njuguna et al. (2017), namely financial risk management, reputational risk management, and operational risk management.

Regulatory Environment of MFIs

The regulatory environment for MFIs in Tanzania includes laws, regulations, norms, and policies that govern operations, aiming to stabilize, promote transparency, protect consumers, and enforce and guide practices. Conceptualizing this as a moderator highlights its role in strengthening or weakening the relationship between strategic risk management and MFIs' operations. Specifically, the regulatory environment can strengthen or weaken the effectiveness of strategic risk management and operational practices in VisionFund, based on how regulations shape incentives, enforce standards, and facilitate or constrain practical implementation (Mwambuli et al., 2023). Mollah and Zubair (2015) defined the regulatory environment as the set of laws, norms, and institutions that govern financial institutions' operations to act ethically. It serves to promote stability, openness, and consumer protection; enforcement and guiding practices are needed.

Therefore, Vij and Farrooq (2020) defined a moderating variable as a third variable that influences the strength and direction of the relationship between the two variables, the independent and dependent variables. Therefore, this study was moderated by the regulatory environment, which includes factors that may affect the results by determining the effects of predictors in relation to the results when other factors remain constant. Thus, factors such as Tanzania's Microfinance Act of 2018, the Ministry of Finance and Planning's 2017 National Microfinance Policy, and the Bank of Tanzania were considered as the moderators.

The regulatory environment consists of a comprehensive framework that includes regulations, treaties, decisions, directives, contracts, budgets, and other tools that define rules that manage transactions (European Court of Auditors, 2021). The IMF (2021) defines it as the legislative and institutional environment that affects financial institutions' risk management. Similarly, the World Bank (2020) reports that a good regulatory framework helps financial institutions function ethically and sustainably by combining laws, supervisory processes, and enforcement measures.

Over 40 NGO-funded MFIs in Tanzania advance the inclusive finance agenda as of 2023 (Bank of Tanzania, 2023). The Microfinance Act of 2018 regulates MFI licensing, supervision, and operations. The main regulator, the Bank of Tanzania (BoT), ensures institutions follow prudential and client protection criteria. International development firms govern many NGO-funded MFIs, aligning them with the best global poverty reduction and community development practices. Dual national and international control improves their ability to serve the most vulnerable and advance Tanzania's socioeconomic progress.

Tanzania's 2018 Microfinance Act increased the accountability, transparency, and client-centeredness of microfinance institutions (MFIs). The Bank of Tanzania (BoT) is empowered by this law to license, oversee, and regulate MFIs. The Act formalized the sector, which made it simpler for VisionFund MFB to safeguard clients and operate within defined guidelines. The government's goal of a robust, inclusive, and sustainable microfinance ecosystem is outlined in the Ministry of Finance and Planning's 2017 National Microfinance Policy. It emphasizes risk management, financial inclusion, and high-quality service.

The effect of two regulatory framework elements on VisionFund MFB strategic risk management was examined in this study: By registering and authorizing MFIs, licensing and registration standards, and compliance improve trust and legal responsibility. The Bank of Tanzania (BoT) monitors and assesses institutions as part of supervision and oversight in order to detect risk and ensure compliance. The performance and long-term effects of NGO-funded microfinance institutions like VisionFund MFB were investigated in this study, along with how Tanzania's regulatory environment either facilitates or impedes strategic risk management strategies.

Complying with regulations makes things more complicated. The 2018 Microfinance Act aimed to stabilize the industry, but its stricter regulations have left MFIs with limited funding from NGOs. Many firms still find it difficult to strategically adapt to these rules, which causes operational burdens like inefficiency and penalties. Operating costs are increasing, endangering the financial sustainability of these MFIs because they cater to rural and marginalized clientele. When donor priorities shift, they are more susceptible to financial instability due to heavy donor support, which can lead to cash flow problems that restrict the provision of services (Bank of Tanzania Financial Stability Report, 2022).

Firm Performance

Performance refers to the ability of a firm to efficiently use its resources- financial, human, and intangible to produce money or revenue (Acuna & Gonzalez, 2021). Similarly, Armendariz and Morduch (2020) found that performance can be assessed through several key indicators, such as loan repayment rates, resource mobilization, customer retention, financial sustainability, customer satisfaction, the number of children impacted, and community outreach. Therefore, this study focused on the non-financial indicators such as customer retention, customer satisfaction, and community outreach as indicators to measure performance in the NGO funded microfinance institutions.

VisionFund is one of the largest microfinance institutions regulated by the Central Bank of Tanzania. It officially started being a microfinance bank in 2014, although its origins date back to 1996 when it operated as SEDHA (Small Enterprise Development of Human Advancement), a microfinance initiative established by World Vision Tanzania to support small-scale entrepreneurs and low-income families. In 2014, SEDHA evolved into VisionFund Tanzania Microfinance Bank (VFT MFB), becoming a regulated microfinance bank under the supervision of the Bank of Tanzania. This transition enabled it to expand its services through the provision of savings, loan facilities, and financial literacy programs while maintaining its core mission of poverty alleviation and child well-being (Madenge, 2022). This growth of VisionFund Tanzania has also been supported by the adoption of strategic risk management practices.

According to Kaua and Mutune (2021), VisionFund has adopted strategic risk management practices, such as risk assessment, internal controls, credit appraisal, and loan monitoring, in order to identify and mitigate operational, financial, and compliance risks. These practices have assisted in reducing loan defaults, enhancing portfolio quality, improving operational efficiency, and strengthening financial performance. These authors further indicate that compliance with Bank of Tanzania regulations improves the effectiveness of these risk management practices by increasing stakeholder confidence, enhancing loan repayment rates, and customer satisfaction, thereby contributing to the firm's long-term sustainability and growth.

Statement of the Problem

Microfinance institutions (MFIs) in Tanzania continue to face significant challenges in achieving sustainable performance due to inadequate strategic risk management practices. Effective strategic risk management practices, including financial risk management, operational risk management, and reputational risk management, enable organizations to identify, assess, mitigate, and monitor risks that threaten the achievement of strategic objectives. However, many MFIs have not fully institutionalized these practices, resulting in high loan default rates, operational inefficiencies, reputational damage, and declining financial sustainability (Danga & Mashala, 2019). Operating largely as private institutions, many MFIs tend to prioritize profitability over prudent risk

management and client welfare, which further weakens their long-term performance and sustainability.

Despite increasing recognition of strategic risk management as a critical determinant of organizational performance, many MFIs continue to experience weaknesses in identifying, evaluating, and responding to strategic risks. Kassim and Rahman (2018) observed that institutional failures and weak internal risk management systems have hindered the adoption of effective financial, operational, and reputational risk management practices, exposing MFIs to increased financial losses and reduced organizational performance. Consequently, many institutions continue to experience portfolio deterioration, liquidity challenges, and reduced stakeholder confidence.

Furthermore, the effectiveness of strategic risk management practices depends largely on the prevailing regulatory environment. Weak adherence to regulatory frameworks often results in reduced financial stability and increased operational, financial, and reputational risks, while effective regulatory oversight enhances accountability, risk governance, and institutional resilience (Wang, 2020). Although previous studies have separately examined strategic risk management practices, regulatory compliance, and firm performance, limited empirical evidence exists on whether the regulatory environment moderates the relationship between strategic risk management practices and firm performance among MFIs in Tanzania, particularly at VisionFund Tanzania. This knowledge gap necessitated the present study to examine the moderating effect of the regulatory environment on the relationship between strategic risk management practices and firm performance of VisionFund Tanzania.

Chuol et al. (2021) evaluated the moderating effect of government regulations on the relationship between strategic risk management practices and financial performance among SMEs in Juba, South Sudan. The study established that government regulation did not have a significant moderating effect on the relationship. In contrast, Cheruyiot (2021) assessed the effect of strategic risk management practices, government regulations, and performance in real-time clearance in Nairobi, Kenya. The study found that government regulations had a significant moderating effect on the relationship ($\beta=0.426$, $p<0.05$). Similarly, Sinyangwe et al. (2024) examined how the regulatory environment affected the performance of Zambian Small-scale mining enterprises. The study established that the regulatory environment significantly affected and could effectively predict Zambian SSMEs' performance. However, there was a contextual gap in the first study, since the first study focused on SMEs in Juba; the second study concentrated on cargo and clearance firms in Kenya, while the third focused on SSMEs. These contexts differ significantly from the microfinance sector in Tanzania, specifically regarding the regulatory environment. Therefore, there was a need to carry out a local study to examine the moderating effect of the regulatory environment on the relationship between strategic risk management practices and firm performance among microfinance institutions, specifically VisionFund Tanzania.

Hypothesis of the Study

H01: Regulatory environment does not have a statistical significant moderating effect on the relationship between strategic risk management practices and firm performance of VisionFund, Tanzania.

Theoretical Review

The study was anchored on Institutional Theory, which supported the moderating effect, and the Enterprise Risk Management (ERM) Model and Balanced Scorecard Model, which provided the theoretical basis for independent and dependent variables.

Institutional Theory

Institutional Theory was originally developed by John Meyer, Paul DiMaggio, and Walter Powell in 1979. The theory explains how firms are affected by regulations, industry norms, and external pressures that shape their risk management practices. The theory argues that firms operate through established regulations, laws, beliefs, and societal expectations, which oblige them to comply and hence enhance performance. The theory highlights that the regulatory environment influences how firms handle operational, financial, and reputational risks in order to ensure better performance. The theory suggests that institutions must continuously adapt to evolving regulations, align their strategies with compliance requirements, and develop risk-based governance frameworks to remain effective. This theory is based on the primary assumption that firms/institutions are defined as established laws, practices, beliefs, and norms that play a transformational role in shaping the behaviours and structures of these firms and people within society (Chen & Eweje, 2025).

Scholars such as Van der Heijden (2021), Sager et al. (2022), and Hutter (2021) used this theory in their studies and showed that regulatory environments significantly affected risk management and firm performance. In the context of VisionFund Tanzania, operational risk management ensures smooth service delivery by adhering to regulatory standards, improving community reach and customer satisfaction; financial risk management strengthens financial stability under regulatory oversight, enabling sustainable funding for programs that support children and communities; and reputational risk management enhances credibility by maintaining compliance, fostering trust, and customer retention.

Enterprise Risk Management (ERM) Model

This model was developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2004). This model is based on the assumption that firms adopt an integrated and standardized risk management process by developing a single framework that aims to identify, assess, and track risks in each class, including financial, reputational, and operational risks (Prewett & Terry, 2018). This framework is relevant to this current research in that it contributes

to managing operational risk through its governance and culture elements. Through the inclusion of risk management in operations, companies can identify potential operational risks early enough, thus minimizing their impact on customer satisfaction and performance (Yumono & Ellitan, 2024). Moreover, reputation risk management is also one domain where the ERM framework is of significant assistance. Through the incorporation of risk management within VisionFund Tanzania's culture, it manages potential reputation risks proactively. Companies with a good ERM framework in their pocket can protect themselves against reputational threats by means of effective, consistent communication and interaction with stakeholders about the firm's programs, take proper care of them, and keep their reputation intact in a competitive marketplace (Iswajuni et al., 2018). The ERM framework provides a methodical approach to managing financial risk uncertainties.

Balance Scorecard Model

The Balance Scorecard Model was originally developed by Robert S. Kaplan and David P. Norton in 1992. This model emphasizes that the firm's performance should be measured using both financial and non-financial indicators. According to this model, firms that effectively meet customer needs and maintain stronger customer relationships are highly going to enhance performance. The BSC transforms organizational strategies into measurable objectives, which help firms to align customer-focused objectives with strategic risk management practices. This model was relevant to this study because it helped to explain how MFIs like VisionFund, Tanzania, can assess their overall performance beyond financial indicators, other than customer outreach, customer retention, and customer satisfaction.

Empirical Literature Review

In South Sudan, Chuol et al. (2021) evaluated the moderating effect of government regulations between strategic risk management practices and financial performance among SMEs in Juba. This study was underpinned by Porter's Competitive Advantage Theory, Strategic Fit Theory, and Institutional Theory. It adopted a cross-sectional survey, targeting a population of 4,951 of SMEs in Juba. It used questionnaires, and a pilot study was conducted in Tereka County outside Juba. It consisted of 41 respondents. Both descriptive and inferential statistics were used to analyze the data using SPSS. The study determined that government regulation had no significant moderating effect on the relationship between strategic risk management practices and financial performance in Juba ($r=0.186$, $p\text{-value}=0.120$). This study presented a context. Contextually, the study focused on SMEs in Juba, South Sudan, whose regulatory environment was different from that of Tanzania. The study was focusing on financial performance among SMEs, instead of firm performance in the MFI sector. There was therefore a need to carry out a local study with a focus on Tanzania.

Cheruyiot (2021) studied the influence of strategic risk management practices, government regulations, and performance among real-time clearance in Nairobi, Kenya. The study used descriptive and correlational survey research designs. The study targeted all the 838 government

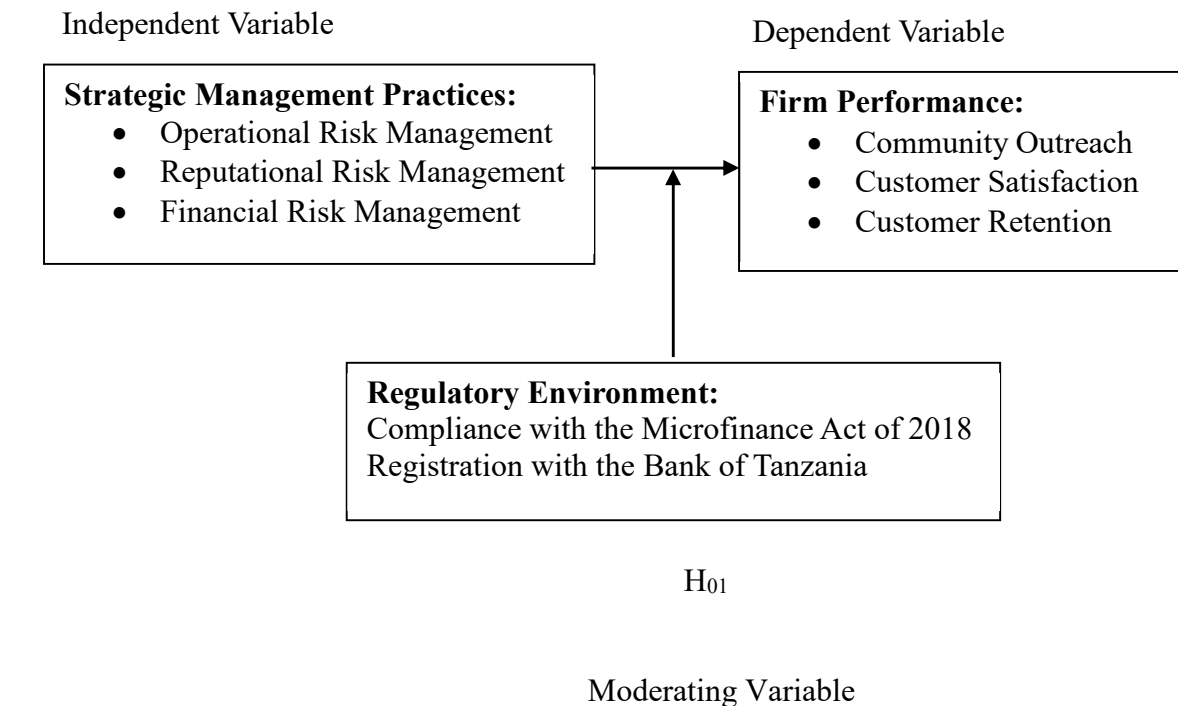
agency officials, Freight forwarders, exporters and importers, and shipping agents. The study used stratified random sampling to arrive at a sample size of 252. A questionnaire was used for data collection. Data were analyzed using descriptive statistics and inferential statistics using SPSS version 23.0. The study found that government regulations moderately influenced a strongly positive and significant correlation between strategic risk management practices and real-time cargo clearance performance ($r=0.769$, $p=0.000$). This study presents a geographical gap. The study was carried out in Nairobi, Kenya; it focused on real-time cargo clearance operations, which have a different regulatory environment than MFIs in Tanzania. There is a need to carry out a local study.

Githu and Waithaka (2025) investigated the effect of the regulatory environment on the performance of projects in state-owned manufacturing firms in Kenya. The study was guided by a pragmatic philosophy. The population included 20 state-owned manufacturing firms in Kenya. It employed an exploratory cross-sectional research design and stratified random sampling. Primary data were collected using semi-structured questionnaires, distributed online. Descriptive statistics used means and standard deviations. Inferential analysis employed correlation and multiple regression analysis. Pilot testing was used for validity and reliability. Multicollinearity and Cronbach's alpha coefficient were used. The findings established that legal compliance requirements were the strongest positive predictor of project performance among these firms. However, this study had adopted a cross-sectional design to collect data; the current study filled this gap by adopting both descriptive and explanatory research designs to better capture the relationship between these two variables.

Conceptual Framework

The conceptual framework depicts the relationship between the variables. Figure 1 outlines the moderating effect of the regulatory environment on the relationship between strategic management practices and firm performance among MFIs, with a focus on VisionFund, Tanzania.

Figure 1: Conceptual Framework



Source: Researcher (2026)

RESEARCH METHODOLOGY

The study was guided by positivism research philosophy, which emphasizes the significance of observable data and facts, focusing strictly on what is presented without being influenced by human interpretation or bias (Saunders & Bristow, 2023). In line with this philosophy, the study applied both descriptive and explanatory research designs. This design involved carrying out a quantitative component. Descriptive components were applied systematically to describe the variables under study without any manipulation of these variables, and the visualization and presentation of data in tabular form for easy understanding. While the explanatory research design assisted in establishing the effect of the independent variable on the dependent variable (Herwanis et al., 2025). The population consisted of 503 employees of VisionFund, Tanzania. A leading microfinance institution in Tanzania. The target population comprised the Senior Leadership Team (SLT), Regional Managers, Middle Managers, and supervisors of VisionFund, Tanzania. The unit of analysis included Senior Leadership Team (SLT) members, Regional Managers, Middle Managers, and Supervisors of VisionFund Tanzania (VFT Human Resource Data, May 2025), who were selected since they are involved in strategic direction decisions. The study targeted 103 employees of VisionFund Tanzania. The study adopted a census approach to analyze all the targeted respondents since the population was manageable. The study collected primary data using a structured questionnaire containing closed ended/Likert scale questions. The study was pretested on 10 employees from FINCA Microfinance Bank in Tanzania to determine the validity and

reliability of the research tool. Content and construct validity were assessed via expert reviews, while reliability was tested using Cronbach's Alpha Coefficient, with a threshold of 0.7 considered reliable. For data analysis, quantitative data were first entered using Microsoft Excel 2016 and later transferred to SPSS 27.0 for analysis. Descriptive statistics were analyzed using means and standard deviations. Inferential statistics included Pearson correlation and regression analysis with a regression model of:

Where:

$$Y = \beta_0 + \beta_1 \text{SRMP} + \beta_2 \text{RE} + \beta_3 \text{SRMP} * \text{RE} + \varepsilon$$

Y= Firm Performance

α = Constant

β_1 -3= beta coefficients

ε = error term

SRMP= Composite index of strategic risk management practices

RE1= Regulatory Environment

SRMP*RE=interaction term between strategic risk management practices and Regulatory Environment. Finally, ethical clearance from Daystar University Institutional Scientific and Ethics Review Committee (DU-ISERC) and COSTECH in Tanzania, and informed consent were sought before actual data collection.

RESEARCH FINDINGS

Response Rate

According to Clardie (2025), response rate involves the number of valid answers received from a given survey, generally expressed as a percentage. Table 1 illustrates the response rate findings.

Table 1: Response Rate

Response Rate	Employees	Percentages
Questionnaires Distributed	103	100
Returned	96	93.2
Not Returned	7	6.8

Source: Researcher (2026)

Table 4 reveals that the study distributed 103 questionnaires to the respondents, of which 96 were filled out and returned, while only 7 did not respond. Thus, the 96 filled out and returned questionnaires represented 93.2%, which, as Holtom et al. (2022) argued, is a response rate above 70%, which is termed excellent; hence, further analysis can be carried out.

Descriptive Statistics

Table 2: Strategic Risk Management Practices

Strategic Risk Management Practices Constructs	Average Mean	Standard Deviation
Operational Risk Management	3.82	0.561
Reputational Risk Management	3.83	0.559
Financial Risk Management	3.75	0.654
Overall Average for SRMP	3.8	0.591

Source: Researcher (2026)

The findings in Table 2 reveal that the overall overage mean score for strategic risk management practices (SRMP) at VisionFund was 3.80 with a standard deviation of 0.591. This implies that the respondents generally strongly agreed that VisionFund had effectively implemented strategic risk management practices; and operational, reputation and financial risk management practices were efficiently and adequately incorporated within this firm and were positively contributing to the performance of this firm. These findings are in line with Huber et al. (2025), who indicated that Balance Scorecard and Enterprise Risk Model suggest that effective risk management practices significantly contributed to both financial and non-financial firm performance results. An indication that firms that tighten their operational, reputation, and financial risk management practices are more likely to enhance customer loyalty, customer satisfaction, reputation, and hence overall firm performance.

Regulatory Environment

This section sought to establish the moderating effect of the regulatory environment on the relationship between strategic risk management practices and firm performance at VisionFund, and the descriptive statistics are shown in Table 3.

Table 3: Regulatory Environment

Statements	Mean	Standard Deviation
Being licensed by the Bank of Tanzania enhances the credibility of VisionFund MFI.	4.36	0.809
VisionFund has complied with the 2018 Microfinance Act, which has positively reduced the operational risks.	4.08	0.79
VisionFund has effectively implemented strategic risk management policies that mitigate financial risks and losses.	3.98	0.696
regulatory framework has ensured better protection for customers.	4.06	0.693
oversight by the Bank of Tanzania effectively monitors and reduces reputational risks in VisionFund.	4.15	0.615

Staff training on regulatory compliance positively enhances risk management at VisionFund.	3.96	0.78
Policies on strategic risk management practices have effectively reduced loan default rates at VisionFund.	3.74	0.874
Average Mean	4.04	0.591

Source: Researcher (2026)

The results above show that the majority of the respondents agreed that being licensed by the Bank of Tanzania enhances the credibility of Vision Fund MFI, as supported by a mean=4.36 and standard deviation=0.809. Also, the findings indicated that the majority of the respondents strongly agreed that VisionFund had complied with the 2018 Microfinance Act, which had positively reduced the operational risks, as supported by a mean=4.08 and standard deviation=0.79. Another portion of the respondents agreed that VisionFund has effectively implemented strategic risk management policies that mitigate financial risks and losses, as supported by a mean=3.98, and standard deviation=0.696. Further findings indicate that participants strongly agreed that the regulatory framework has ensured better protection for customers of VisionFund, as shown by a mean=4.06, and standard deviation=0.693.

Also, the findings established that the majority of the respondents agreed that oversight by the Bank of Tanzania effectively monitors and reduces reputational risks in VisionFund, as supported by a mean=4.15 and standard deviation=0.615. Moreover, the study found that the majority of the respondents strongly agreed that staff training on regulatory compliance positively enhances risk management at VisionFund, as indicated by a mean=3.96, and standard deviation=0.78. Further findings reveal that the majority of the respondents agreed that Policies on strategic risk management practices have effectively reduced loan default rates at VisionFund, as supported by a mean=3.74 and standard deviation=0.874.

These results suggest that the regulatory environment on strategic risk management practices is vital and effective in ensuring that microfinance institutions' performance remains enhanced. The above findings are in accordance with those of Mollah and Zubair (2015), who indicated that the regulatory framework comprises a set of laws, norms, and institutions that govern the financial institutions' operations to act ethically. In addition, this agrees with Tanzania's 2018 Microfinance Act, which increases accountability, transparency, and client-centeredness of these firms. The act formalized the sector and defined its guidelines.

Firm Performance

The study sought to find out the firm performance factors at VisionFund and provide a summary of the findings in Table 4.

Table 4: Firm Performance

Statements	Mean	Standard Deviation
Outreach initiatives of MFIs positively impact local entrepreneurial.	4.01	0.733
MFIs contribute positively to community development beyond just offering loans.	3.89	1.035
Customer service provided by MFIs is responsive and effective.	3.83	0.777
services provided by my MFI consistently meet customer expectations.	3.65	0.74
I often recommend my MFI to friends and family.	3.94	0.856
My MFI keeps customers informed about new products and services that meet their needs.	3.89	0.939
Services and products provided by my MFI offer customers significant value, to ensure ongoing commitment to them.	3.91	0.847
Average Mean	3.87	0.689

Source: Researcher (2026)

Findings in Table 4 show that the participants strongly agreed that outreach initiatives of MFIs positively impact local entrepreneurial activities, with a mean=4.01, and a low standard deviation=0.733, pointing out that VisionFund engaged in strategies that stimulated entrepreneurship in the community. This agrees with Dhungana et al. (2023) that MFIs facilitated accessibility to financial services for marginalized groups, particularly those ignored by conventional banking systems.

The study found that the respondents strongly agreed that MFIs contribute positively to community development beyond lending activities, as indicated by a mean=3.89, revealing that participants strongly agreed with that, and a higher standard deviation=1.035, suggesting higher variance in the responses. The study recommended that clear communication on community-oriented activities may boost the firm's performance. This agrees with Dhungana et al. (2023) that this outreach extends beyond the provision of loans, incorporating a holistic strategy that includes education, training, and support aimed at empowering these communities.

When asked if customer service provided by MFIs was responsive and effective, participants strongly agreed, as indicated by a mean=3.83, and a low standard deviation=0.777. Also, the participants agreed that services provided by my MFI consistently meet customer expectations, as shown by a mean=3.65, reflecting a strong agreement and a low standard deviation=0.74. Additionally, the participants agreed that VisionFund was often recommended by friends and family as a reliable service provider, as supported by a mean=3.94 and standard deviation=0.856.

Furthermore, the participants agreed that VisionFund kept customers informed about new products and services that meet their needs, as shown by a mean=3.89, standard deviation=0.939. Moreover, the participants strongly agreed that services and products provided by my MFI offer customers significant value, to ensure ongoing commitment to them, as supported by a mean=3.91, and standard deviation=0.847, suggesting that products and services offered substantial value. These findings support that the firm performance of VisionFund in Tanzania is enhanced by the strategic risk management practices adopted by this study.

In terms of the firm's performance factors, the study recommended that, concerning keeping customers updated on products and services, VisionFund should improve and develop communication strategies, such as daily newsletters, community engagement events, and the use of social media platforms. The firm should conduct regular surveys as well as feedback mechanisms for better understanding changes in customer expectations. Regarding the contributions of VisionFund to community activities, the firm should continue highlighting and promoting these activities in order to strengthen the community-centric brand. These findings agree with Dhungana et al. (2023) that this outreach extends beyond the provision of loans, incorporating a holistic strategy that includes education, training, and support aimed at empowering these communities.

Inferential Statistics

Pearson Correlation Analysis

The purpose of the study was to determine the moderating effect of the regulatory environment on strategic risk management practices and the firm performance of microfinance institutions, a case of VisionFund, Tanzania. Findings are shown in Table 5.

Table 5: Correlation Matrix (N=96)

Constructs			Correlations	1	2	3	4	5
Operational Management	Risk	Pearson						
		Correlation		1				
		Sig. (2-tailed)						
Reputational Management	Risk	Pearson						
		Correlation		.842*	1			
		Sig. (2-tailed)		0				
Financial Management	Risk	Pearson						
		Correlation		.795*	.863*	1		
		Sig. (2-tailed)		0	0			

Regulatory Environment	Pearson					
	Correlation	.728*	.765*	.713*	1	
	Sig. (2-tailed)	0	0	0		
Firm Performance	Pearson					
	Correlation	.764*	.819*	.790*	.808*	1
	Sig. (2-tailed)	0	0	0	0	

* Correlation is significant at the 0.05 level (2-tailed).

Key: 1=Operational Risk Management, 2=Reputational Risk Management, 3=Financial Risk Management, 4=Regulatory Environment, 5=Firm Performance

Findings from Table 5 established that operational risk management and firm performance were positive and statistically significant, as $r=.764$ and $p=.000$. Followed by reputational risk management and firm performance had also a strongly positive and statistically significant relationship as $r=.842$, $p=.000$. Then, financial risk management and firm performance showed a strong positive and statistically significant relationship as $r=.795$ and $p=.000$ and finally the regulatory environment and firm performance established a strong positive and statistically significant relationship as $r=.728$ and $p=.000$. The findings revealed that all the four constructs have positive and statistically significant relationship with firm performance. This implies that an increase in the use of strategic risk management practices would lead to an increase in the performance of microfinance institutions in Tanzania. The findings above are in agreement with Musyoka (2021), who posited that strategic risk management practices promote focus and clarity, which are important elements in influencing the firm's performance.

Regression Analysis for the Moderating Effect

Hayes (2018) approach was utilized to determine the moderating effect of the regulatory environment on the relationship between strategic risk management practices and the firm performance of MFIs in Tanzania.

$$FP = \beta_0 + \beta_1(SRMP) + \beta_2(RE) + \beta_3(SRMP \times RE) + \varepsilon$$

Where:

Y= Firm Performance

α = Constant

β_1 -3= beta coefficients

ε = error term

SRMP= Composite Index of Strategic Risk Management Practices

RE1= Regulatory Environment

SRMP $\times$ RE = Interaction term

Table 6: Model Summary on Firm Performance and Composite Strategic Risk Management Practices

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.842a	0.708	0.699	0.37835

a Predictors: (Constant), Strategic Risk Management Practices

Source: Researcher (2026)

From the findings, the R2 value was 0.708. This reveals that independent variables (operational risk management, financial risk management, reputational risk management) and the moderator (regulatory environment) jointly explained 70.8% of the variance in firm performance. This model is statistically significant, suggesting that these predictors contributed to the firm performance at VisionFund, while 29.2% can be explained by other variables not considered in the current study.

Table 7: ANOVA on Firm Performance and Composite Strategic Risk Management Practices

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.952	3	10.651	74.404	.000b
	Residual	13.17	92	0.143		
	Total	45.122	95			

a Dependent Variable: Firm Performance

b Predictors: (Constant), Strategic Risk Management Practices

Source: Researcher (2026)

From the findings, the F value of 74.404, $p=.000$, indicates that the regression model statistically predicts the outcome variable and is a good fit for the data, making the study statistically significant. The P-value for the F-test statistic is less than 0.005, hence providing strong evidence of the goodness of fit of the model. Therefore, the study rejects the null hypothesis and concludes that all three constructs significantly affect firm performance.

Table 8: Coefficients on Firm Performance and Composite SRMP

Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.
1	(Constant)	-0.471	0.264	-1.786	0.077
	Strategic Risk Management Practices	0.416	0.15	0.256	2.109
					.000

a Dependent Variable: Firm Performance

Source: Researcher (2026)

From the findings, the unstandardized beta coefficient was 0.416, which means that for every unit increase in the strategic risk management practices, firm performance improves by 0.416 units.

$$y = -0.471 + 0.416SRMP$$

Regression of Firm Performance on Composite Strategic Risk Management Practices, Regulatory Environment, and Interaction Term

The dependent variable was regressed against the composite strategic risk management practices, regulatory environment, and the interaction term. The findings of the regression model are shown below.

Table 9: Model Summary on SRMP*FM, Strategic Risk Management Practices, Regulatory Environment

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.876a	0.767	0.757	0.33993

a. Predictors: (Constant), STMP*FM, Strategic Risk Management Practices, Regulatory Environment

The findings showed that the independent variables and the moderator jointly explained 76.7% of the variance. A confirmation that the regulatory environment significantly moderates the relationship between strategic risk management practices and firm performance, while 23.3% can be illustrated by other variables not considered in the current study. These findings agree with Chuol et al. (2021), who evaluated the moderating effect of government regulations between strategic risk management practices and financial performance among SMEs in Juba. The study determined that government regulation had no significant moderating effect on the relationship between strategic risk management practices and financial performance in Juba ($r=0.186$, $p\text{-value}=0.120$).

Table 10: ANOVA on SRMP*FM, Strategic Risk Management Practices, Regulatory Environment

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.607	4	8.652	74.873	.000b
	Residual	10.515	91	0.116		
	Total	45.122	95			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), SRMP*FM, Strategic Risk Management Practices, Regulatory Environment

From the findings, the F value of 74.873, $p=.000$, reveals that the regression model statistically predicts the outcome variable and is a good fit for the data, making the study statistically

significant. Hence, the study rejects the null hypothesis and concludes that all three constructs significantly influence firm performance. These findings agree with Chuol et al. (2021) evaluated the moderating effect of government regulations between strategic risk management practices and financial performance among SMEs in Juba. The study determined that government regulation had no significant moderating effect on the relationship between strategic risk management practices and financial performance in Juba ($r=0.186$, $p\text{-value}=0.120$).

Table 11: Coefficients on SRMP*FM, Strategic Risk Management Practices, Regulatory Environment

		Unstandardized			
Model	Variables	Coefficients (B)	Std. Error	t	Sig.
1	(Constant)	-2.367	1.088	2.175	.032
	Strategic Risk Management Practices (SRMP)	0.121	0.32	3.748	.000
	Regulatory Environment (RE)	0.822	0.727	3.325	.001
	SRMP* × RE	.231	0.074	1.774	.002

a. Dependent Variable: Firm Performance

Source: Research Data (2026)

From the findings, the regression model reveals that strategic risk management practices on its own have a statistically significant positive effect on firm performance, with an unstandardized beta coefficient of 0.121 ($p=.000$). This suggests that firms that effectively implement strategic risk management practices, such as operational risk management, reputational risk management, and financial risk management, can expect an increase in performance.

In addition, the regulatory environment has an even stronger direct effect on firm performance, as revealed by the unstandardized beta of 0.822($p=.000$). This indicates that compliance with the Microfinance Act of 2018 and registration by the Bank of Tanzania play significant role in improving firm performance. Most importantly, the interaction term between strategic risk management practices and the regulatory environment produces a significant coefficient 0.231 ($p=.002$). Thus the null hypothesis is rejected and the study concludes that regulatory environment has a positive and significant moderating effect on the relationship between strategic risk management practices on firm performance. This means that the benefits of strategic risk management practices on firm performance are significantly increased when accompanied by an effective regulatory environment. Thus the fitted model is as follows:

$$Y = -2.367 + 0.121(\text{SRMP}) + 0.822(\text{RE}) - 0.231(\text{SRMP} * \text{RE}) + e$$

DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

Discussions

Effect of Moderating Effect on the Relationship between Strategic Risk Management Practices and Firm Performance

The results on the regulatory environment (Table 2) were that licensing by the Bank of Tanzania highly increases VisionFund's credibility ($M=4.36$) and adherence to the legal framework decreases operational risk ($M=4.08$). The results indicate a constant upon which VisionFund can establish its operating strategies, an investigation of which investigates the implications of the regulatory environment on risk management frameworks.

In terms of the regulatory environment, it is statistically and positively related to firm performance, $r = 0.728$, $p < .005$. The finding reveals strong interdependencies among constructs that indicate that improvements in each of these dimensions of strategic risk management can result in improvements in overall firm performance. The findings validate Musyoka (2021), who argues that the use of strategic risk management practices improves operating clarity and concentration, which are key to improved performance outcomes.

H01 tested the moderating effect of the regulatory environment on the relationship between strategic risk management practices and firm performance. Model 1 indicated that the joint variables (operational risk management, financial risk management, reputational risk management) accounted for 70.8% of the variance in firm performance. Model 2, which includes the regulatory environment, showed a substantial increase in explanatory power to 76.7%, demonstrating that the regulatory environment plays a critical role in enhancing relationships between risk management practices and firm performance.

The difference between the two models suggests that although the regulatory context enters the picture, its impact seems to surpass raw statistical significance; it amplifies the inherent power of strategic risk management practices to drive results in performance.

Conclusions

The study concludes that, ultimately, the regulatory environment proved to be statistically significantly positively related to firm performance and strategic risk management practices. From the findings it was concluded that the regulatory environment not only assists but also makes strategic risk management practices more effective, pointing towards the necessity to comply with legal frameworks for increasing organizational credibility and operational resilience.

Recommendations

Based on the findings and conclusions, this study recommends that VisionFund management should improve its compliance frameworks with the Bank of Tanzania by reinforcing credibility and reducing operational risks. The management should institutionalize regulatory audits, policy reviews, and compliance training regularly. To strengthen the effectiveness of strategic risk management practices and enhance firm performance. The management of VisionFund should also integrate regulatory considerations into its operational, financial, and reputation risk management frameworks since they will improve the effectiveness of mitigation of various risks and finally enhance firm performance.

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