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Competitive Strategy and Performance of Microfinance Banks in Cross River State, Nigeria

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Abstract

The purpose of the study was to examine the effect of competitive strategy on the performance of microfinance banks in Cross River State. The specific objectives were to: examine the effect of differentiation strategy, market focus strategy, cost leadership on performance of microfinance banks in Cross River State. Data for this study were gathered from primary sources through the use of structured questionnaire. Multiple regression technique was employed to analyze the effect of independent variables on dependent variable. The major findings of the study include: Differentiation strategy had a positive significant effect on performance of microfinance banks in Cross River State; market focus strategy has a positive significant effect on performance of microfinance banks in Cross River State; and **c**ost leadership strategy has a positive significant effect on performance of microfinance banks in Cross River State. The study recommended that management of banks should develop effective strategies that will provide customers with something unique, different and distinct from items their competitors may offer in the marketplace. Also, management of banks should effectively be involved in targeting their audience as well as having a method of developing, marketing and selling products to a niche market. Finally, management of banks should provide products or services at the lowest possible price in the industry.

Keywords: competitive strategy, differentiation strategy, market focus strategy, cost leadership, performance

1. Introduction

The business environment around the world has caused organizations to develop effective strategies to sustain competitive advantage, overcome competitive pressure and improve their overall performance. However, the advent of globalization has increased the competition experienced by firms in the same industry. As a result of the increased competition, firms are struggling to control their industry, recording loss of patronage, reducing market share, loss of profitability and declining sales amongst many other problems. These challenges have made most firms to continuously explore fast response competitive strategies. The environment in which firms operate is faced with so much volatility that firms need to strategize and re-strategize to gain competitive advantage over other organizations that operate in the same industry with them. This is so due to the rapid increase in the number of firms that do business, and other factors to be considered such as changing consumer demands (Ayinde, 2016; Obado, 2015; Rukia, 2015; Githumbi, 2017).

The focus strategy attempts to attend to the needs of a particular market segment (Odunayo, 2018). Managers make necessary decisions, while adapting to the resources that they have and the environmental factors of a firm (Hwa et al, 2019). They also increase the likelihood of long-term growth by optimally allocating their resources (Cant et al, 2015). Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. This involves identifying sources of competition in the ever-changing environment then developing strategies that match organizational capabilities in the environment (Arasa & Githinji, 2014). Before investing in a new product, the company has to find out whether the sales, costs and profits of the future product fit with the company's objectives (Acikgöz, 2018; Markovitch et al, 2015). The banking industry has grown tremendously the last few years; technology and the increasing needs of customers has forced industry players to come up with strategies in order to meet their customer needs in an efficient and costs effective manner. This is important in enhancing organizational performance especially in a competitive market environment (Johnson & Scholes, 2008).

Competitive strategy enables banks to adapt under conditions of external pressure caused by changes in the environment. Banks can and often do create their environment besides reacting to it. The banking business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yesteryears strategies irrelevant. Top management and decision makers of banking firms must constantly think strategically about the future of their organizations. Environmental turbulence necessitates an equal need for rapid recognition of appropriate strengths, opportunities to be exploited, threats to be countered and weakness to be overcome (Tidd et al, 2010; Kibicho, 2015).

2. Theoretical Framework

1) Resource-Based Theory

This study is anchored on Resource-based theory. The theory was propounded by Wernerfelt in 2011. The theory states that firm is a bundle of assets or resources which are tied semi-permanently to the firm. Peng (2013) established the notion of core competencies, which focus attention on a critical category of resource which is part of the firm's capabilities. Early researchers simply classified firms' resources into three categories: physical, monetary, and human. These resources can be tangible or intangible. Barney and Wright (2008) drew attention to all assets, capabilities, organizational processes, firm attributes and information, knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. The assumption of the resource-based view is that firms possess unique resources and capabilities that can lead to sustained competitive advantage.

Powell (2010) suggested that business strategy can be viewed as a tool to manipulate such resources to create competitive advantage. Wang et al (2013) outline an approach to firm-level analysis that requires stocktaking of a firm's internal assets and capabilities. Maier and Remus (2012) use the term 'resource strategy' and define three steps in a firm's resource strategy. These steps are competence creation, competence realization and competence transaction. To realize competitive advantage, banks should make maximum use of its resource strategy like corporate reputation to enhance its market share. This is because according to Barney and Wright (2008), an intangible resource is a source of sustained competitive advantage unlike tangible resources. In line with this theory, an organization endowed with immense resources may achieve competitive advantage by producing its products or offering its services at the lowest cost in the market and thus being the cost leader.

2) Knowledge-Based Theory

This study is anchored on knowledge-based theory. The theory was propounded by Murray in 2000. The theory posited that knowledge has special characteristics that make it the most important and valuable resource. Hamel and Prahalad (2011) argue that knowledge, intellectual assets and competencies are the main drivers of superior performance in the information age. Tiwana (2012) also suggest that knowledge is the most important resource of a firm. Evans (2013) posited that material resources decrease when used in the firm, while knowledge assets increase with use. Tiwana (2012) argued that technology, capital, market share or product sources are easier to copy by other firms while knowledge is the only resource that is difficult to imitate. Grant (2010) argued that there are two types of knowledge: information and know-how. Evans (2013) proposed a five-level knowledge hierarchy comprising data, information, knowledge, expertise and capabilities. Ogbonna and Harris (2013) viewed organizational knowledge into three categories: core knowledge, advanced knowledge, and innovative knowledge.

Competitive Strategies

A strategy is a combined and coordinated set of commitments, functions and actions designed to exploit core competencies and gain competitive advantage over rivals in the industry (Ireland, et al., 2014). Competitive strategies entail all those actions, activities and approaches that a firm has and is taking to attract more buyers, survive competitive pressure from the industry and improve its market share (Sifuna, 2014). Sifuna (2014) identified competitive strategies as an instrument employed by firms within a particular Industry. According to Grant (2002), long term strategy should derive from a firm's attempt to seek and sustain a competitive advantage based on one of the three generic strategies which are cost leadership, differentiation and focus strategies.

Competitive strategies are the search for a favourable competitive position in an industry, the fundamental arena in which competition occurs (Porter, 1985). Competitive strategies aim to establish a profitable and sustainable position against the forces that determine industry competition. This involves identifying sources of competition in the ever-changing environment then developing strategies that match organizational capabilities to the in the environment (Arasa & Githinji, 2014).

In the context of Porter's typology, for example, Hambrick (2001) found all three generic strategies of low-cost leadership, differentiation and focus among higher performing firm producing capital goods. His study found the presence of single strategies and absence of mixed strategies (where a single firm used more than one of generic strategies). On the other hand, literature also has studies in support of combining strategies to achieve higher business performance. Recall that firms who adopt particular generic strategies are said to be members of that strategic group (Kireru, 2016; Lidasan, 2016; Kasman, 2012).

Hill (2018) states that within emergent industries or mature industries undergoing technological change, differentiation may be a means to overall low-cost leadership. Other studies in support of hybrid, mixed, integrated or combination strategies include Kim et al (2014), Spano et al (2014), Gopalakrishna and Subramanian (2021), and Proff (2020), arguing that the pursuit of a single generic strategy may lead to lower performance. Other authors who have shown that combination of low cost and differentiation strategies can be effective in tackling competitive forces, resulting in superior performance. In addition, Spano, Zaralis and Lioukas (2014), found that firms that combined cost leadership with other dimensions from Porter's typology performed better than those that did not. Other researchers have developed Porter-based typologies of their own and shown that firm adoption of the generic strategies contained therein leads to better performance.

Claver-Cortes (2019) carried out an empirical study of large firms in Spain and concluded that firms that engage in more generic strategies defined within the typology perform better. Their study was based on a three-dimensional typology of innovation differentiation, marketing differentiation and low cost. Porter (1985) viewed competitive strategies as a phenomenon that includes the supply and demand side scope of strategy. Later, he streamlined the phenomenon into three basic strategies that include 'overall cost leadership', 'differentiation' and 'focus strategy'. According to Johnson, (2018), competitive strategies are perceived from a business angle. They took the view that it is the attainment of competitive edge by a business unit in the specific market that it participates in.

Porter (1950) proposed a logical framework to assess the attraction of an industry as the source of competitiveness. Porter recognizes five forces of competitiveness seen to negatively impact the firm profits. These included entry threat, substitution threat, bargaining power of buyers and suppliers and rivalry among current competitors. Competitive strategies consist of the tactics that an organization has and takes to attract buyers, withstand competitive forces and advance its market standing. Porter (1985), states that organizations that have a precise strategy outdo the ones without a strategy. Kay (2020) argues that strategy is no longer about planning or 'visioning' because we are deluded if we think we can predict or, worse, control the future. It is about using careful analysis to understand and influence a company's position in the market place (Richter, 2014; Fagan, 2015; Gorondutsea, 2016). Organizations should prioritize efforts such as product and service differentiation, cost leadership, diversification, market and product expansion, and channel and process optimization (World Bank, 2017).

As a result, these firms will thrive in a competitive climate because they will match the wants of their consumers, resulting in a huge client base and improved market placement. According to Kotler (2017), it is critical to build competitive strategies that differentiate organization from rivals within the industry, but the first step is to understand one's market position, objectives, capabilities, and resources. Kotler differentiates four distinct points of view: According to Haubrich (2014), CEOs must collaborate with subordinate staff to identify an organization's internal and external stakeholders. Businesses should focus on market concerns, adapting current products via research and development, addressing internal constraints, and satisfying consumer wants (Haubrich, 2014). According to Cristobal (2018), organizations have a mission to investigate genuine consumer wants and satisfaction levels in order to design appropriate winning strategies to compete in their sector. Customer satisfaction indicates that the firm is competitive and has a sizable market share in the industry, implying that the business is lucrative (Barbara, 2016; Zimuto, 2015; Alice, 2017).

Differentiation Strategy

Sifuna (2014) established that differentiation strategy is a technique under which a firm aims to develop market unique services and products for different customer segments. Product differentiation strategy can also be seen as a positioning of brand in order to differentiate the product or service from the competition and establish an image that is unique (Davison, 2011). A product differentiation strategy is an integrated set of actions taken to produce goods or services that customers perceive as being different in items that are important to them. Davison (2011) defines product differentiation strategy as placing a brand in a way that the brand will be different from its competitors and establish an image that is unique. Differentiation in business refers to the art of marketing a particular product or service in a way that makes it stand out against other products or services. This involves differentiating it from competitors' products as well as a firm's own product/service offerings (Pehrsson, 2016).

Colgan (2021) assert that when a business pursues a differentiation strategy, it focuses on its capacity to provide a distinctive outcome. A distinctive product or service fosters strong client loyalty, establishing the firm as the market leader in its whole industry. According to Kay (2020), businesses that employ a differentiation strategy might charge a premium for their products depending on its qualities, delivery method, service quality, or distribution networks. Differentiation strategies target an educated or aware consumer who is prepared to pay a premium for a distinctive or high-quality product. According to Johnson (2018), the uniqueness of a product or service enables the business to demand a premium price for it. The unique characteristics of the product enable firms to boost their prices, which are then passed on to customers, as it is not easy to get alternative items in the market owing to the uniqueness (Scholes, 2018). Businesses that successfully implement a differentiation strategy typically have internal advantages such as access to cutting-edge scientific knowledge and a highly experienced and creative product development team (Peng, 2013; Eldoret, 2015).

Focus Strategy

A niche market has been used as one of the differentiation strategies as well as focus strategy. Small firms wishing to obtain a competitive advantage would apply a low-cost focus strategy in their identified market niche or segment. Cost focus companies can be said to be the least cost producers in a market segment that they occupy. Firms have to think through the process before applying this strategy since cost focus is not achievable for industry relying on the economies of scale. Ndungu (2012) adds that the biggest advantage of a focus strategy is that the firm is able to carve a market niche against larger, broader-line competitors (Ndungu, 2012). Another advantage of using a focus strategy is that firms often develop tremendous expertise about the goods and services that they offer. However, Peng (2013) notes that the biggest disadvantage facing the focus/specialization strategy is the risk that the underlying market niche may gradually shift more toward characteristics of the broader market. In this strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy.

Cost Leadership Strategy

Cost Leadership Strategy's objective is to provide products or services at the lowest possible price in the industry. The issue with this approach is to produce a profit that is acceptable for the business, rather than running at a loss and sucking profits from all market participants. This approach entails the corporation capturing market share by appealing to price-conscious or cost-conscious clients. This is accomplished by offering the most competitive prices in the target market sector, or at the very least the best price to value ratio (price compared to what customers receive). To compete on price while maintaining profitability and a good rate of return on investment, the business must be able to operate at a lower cost than its competitors. There are three primary methods for accomplishing this (Rosenbloom, 2022).

Competitive Strategies and Performance

The issue on organizational performance and competitive strategies is a complex unresolved issue. The framework of the competitive strategies and performance of an organization can be linked to Bain (2016) in their research on behavior of an industry, where the profitability of a firm is as a result of the structure of the industry. Industry characteristics and not the organization are the critical determinants of performance of an organization. In accordance with Johnson (2018), core competencies of a firm are extra robust and hard to imitate as they are related to the way linkages in the value chain of a firm are managed.

Peng (2013) argued that the survival of the firm is the definitive measure of organizational performance. Porter (1985) argues that a business can make best use of performance either by endeavoring to be the low-cost manufacturer or by differentiation. Existing literature on strategy performance is based on the notion that a strategy custom-made to a firm's internal and external environment is more than likely to result in superior performance. Each organization selects a strategy that determines the means by which the organization intends to successfully meet and outmaneuver competitive challenges. Better certainty and information about the environment tend to improve performance. In most cases managers devote a lot of time in planning but the most important part of a strategy is the implementation part.

Organizational Performance

According to Gill (2020), organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets and return on investment), product market performance (sales, market share), and shareholder return (total shareholder return and economic value added). Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development (Gill, 2020). Evans (2014) indicates that performance provides a link between organizational strategies and results. According to Colgan (2021), performance of an organization can be measured in reduction of environmental footprint, improved occupational health and safety performance, increased customer satisfaction.

Profitability

Profitability is the business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time (Tiwana, 2012). The ability of a firm to continue to exist as a going concern depends on its ability to generate profit or attract equity capital and additional investors. According to Falope (2019), profitability is the ability of a given investment to earn a return from its use. Profitability means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently the banks management can make profit by using all the resources available in the market.

Market Share

According to Ndungu (2012), the market share consists of capability of a company for operating or using a brand image that can enjoy significant importance in every category of products or services. The consumer's image of a brand can both assist the product sale and block it. Sometimes, a brand image includes the schematic memory of that brand. Such a concept contains the target market understanding of ideas about the features, benefits and the use opportunities of the users of a product. The main advantage of using market share as a measure of business performance is that it is less dependent upon macro environmental variables such as the state of the economy or changes in its policies.

Product Quality

Product quality refers to how well a product satisfies customer needs, serves its purpose and meets industry standards (Sun, 2017). When evaluating product quality, businesses consider several factors including whether a product solves a problem, works efficiently or suits customer purposes. Product quality is concerned with cost and prices. According to Tiwana (2014), a quality product is one that provides performance at an acceptable price or conformance at an acceptable cost. It is the extent to which a good service or combination thereof solves a problem or meets a need.

3. Empirical Review

Most studies were conducted on this topic in developed and developing economies. Pimtong (2012) investigated the influence of competitive strategies and organizational structure on hotel performance and to explore whether organizational structure has a moderating effect on the relationship between competitive strategies and hotel performance. This study employed a causal and descriptive research design. A 28-question self-administered questionnaire comprising three sections was employed. A census survey was carried out and e-mails were sent to all of the hoteliers listed in the database. The results showed that competitive strategies have a direct impact on a hotel's behavioral performance, and a competitive IT strategy to have a direct impact on a hotel's financial performance. Organizational structure is found to have a moderating effect on the relationship between both of these strategies and behavioral performance. However, the current study predicts a positive relationship between competitive strategies and organizational performance.

Gloria (2019) investigated the mediating effects of a firm's competitive strategy in the market orientation-performance relationship. Based on a sample of 371 operations firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation has the strongest association with competitive strategy and market performance. This lends credence to a component wise approach on the study of the relationship between market orientation and performance. Data were primary sourced using questionnaire instrument. The study employed structural equation model to analyze the effect of independent variable on dependent variables. The results of structural equation analyses indicate that the mediating effect of competitive strategy is mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market. The study recommended that management should adopt effective strategies that will improve market orientation performance.

Carletti (2013) examined the effect of competition on financial stability in 231 MFIs in London. The objective of the study was to examine the effect of focus strategy on financial stability. The study employed primary sources of data. Questionnaire instrument was used in the study. The study adopted regression analysis in examining the effect of independent variables on dependent variables. Based on the analysis of the results, it was found that the degree of competition in the financial sector can matter for the access of firms and households to financial services and external financing, in turn affecting overall economic growth. The study recommended that management should implement strategies that will improve financial stability.

Ferdinard (2012) carried out a study on the competitive strategies applied by Tesco Company in the UK. This study was carried out on 230 employees in the various departments of the company. He noted that the company was positioned to capitalize on a value proposition which emerged from their low-cost emphasis. Primary sources of data was employed in the study using questionnaire. Pearson product moment correlation was used in the study. Based on the analysis of the results, it was found that the company typically focused their efforts on value-oriented customers in the market. The results found that value products are focused on providing value-oriented customers with products that are indeed value-for-money, relative to competitive offerings. The study recommended that companies should apply workable strategies in different departments that will lead the company to high performance.

Gobbi (2010) carried out a study on the effect of competition on commercial banks in Italy. The population of the study covered all banks in Italy. Purposive sampling was used in the study. The study sampled 15 commercial banks in Rome. Pearson product moment correlation was used to establish the relationship between dependent variables and independent variables. From their study, they found that competition leads to higher growth rates and greater access to credit by new firms and other SMEs. However, they found that competition has unfavorable effects including less new firm creation, expansion, and employment, less economic growth and slower exit of mature firms. The study recommended that management should effectively be involved in targeting their audience as well as having a method of developing, marketing and selling products to a niche market.

Murage (2011) analyzed the competitive strategies in the petroleum industry. The objectives of the study were to examine the effect of cost leadership on performance of petroleum industry, and to ascertain the effect of differentiation strategy on performance of the petroleum industry. Multiple regression was used in the study. Based on the results, it was found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. In addition, it was shown that all the explanatory variables have a positive significant effect on performance of the banks. The study recommended that management of should provide products or services at the lowest possible price in the industry.

Gathoga (2011) focused on competitive strategies by commercial banks in Kenya. The objectives of the study were to examine the effect of differentiation strategy, focus strategy and cost leadership on banks performance. The population of the study was two hundred and fifty (250). Taro Yamane formula was used to determine the sample size of one hundred and fifty-three (153). The study adopted primary source of data using questionnaire instrument. Based on the results of the findings, the findings revealed that banks in Kenya used various means in order to remain competitive, he also concluded that expansion into other areas by opening new branches has also, been used as a strategy. The study revealed that all the variables: differentiation strategy, focus strategy and cost leadership have a positive effect on banks performance. The study recommended that management should develop effective strategies that will provide customers with something unique, different and distinct from items their competitors may offer in the marketplace.

Kimotho (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. The specific objectives were to examine the effect of differentiation strategy and cost leadership strategy on the financial performance of the bank, using ROA as an indicator. The study used a descriptive research design. Data was collected using a semi-structured questionnaire and data analysis was done using descriptive statistics. Data analysis was done using a regression model and the study found that competitive strategies influenced financial performance of commercial banks. The results revealed that differentiation strategy has a positive effect on financial performance of the banks. Also, cost leadership positively affected the performance of the banks. The study recommended that banks should manage to build competitive advantages that can be exploited to sustain and further its growth.

Abishua (2010) analyzed the strategies used by Equity Bank to compete in the Kenyan banking industry. The study employed primary source of data using questionnaire instruments. Multiple regression was used in the study. Based on the analysis of the results, the study found that Equity Bank uses the following strategies to respond to competition in the banking industry; product offering diversification, branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies. The study found Equity Bank to be a very adaptive bank with a versatile reactionary mechanism to exploit any emerging gaps in the banking industry. The bank has been able to create new markets in uncontested areas like hair salons, millet growing (for brewing) and dairy industry, so its competition strategies are heavily bent on using "blue ocean strategies". The study therefore recommended that management of the banks should implement types of strategies that will lead to growth.

Ndede (2010) carried out a study that explored the challenges faced by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. The objective of the study was to examine the effect of differentiation strategy on competitive advantage. Primary source of data was adopted, and questionnaire instrument was administered to the respondents. The study employed PPMC to analyse the relationship between dependent and independent variables. The finding of the study was that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price or enhancing margins by charging a premium price, often to reflect the higher production costs and extra value-added features provided to the customers. The study recommended that management should adopt an effective competitive strategy that will aid improve the growth of the organization.

Owiye (2013) studied competitive strategies on competitive advantage (low price, differentiation, niche). The objective of the study was to examine differentiation strategy on profit margins. The study adopted primary source of data using questionnaire instruments. Pearson product moment correlation was used to establish the relationship between dependent and independent variables. Based on the results, it was revealed that differentiation strategy has a strong positive relationship with profit margins. The study recommended that firms should adopt generic strategies that will aid the growth of the organization.

An empirical study Odunayo (2018) on 64 American companies to ascertain the impact of a strategy in following a laid down structure. The study indicated that firms which had applied a differentiation strategy had better performance compared to those that were operating normally without inclusion of differentiation. It was notably critical for the researcher to understand that there are various ways in which a company can make use of differentiation. Differentiation can be achieved through a differentiated product, superior quality, and customer service etc. A key area of concern is whether the customers of the company perceive the product or service differentiated as one that is worth a price premium.

4. Research Methodology

The study adopted survey research design which typically enables effective gathering of data for the study. This research focused on competitive strategy and performance of Microfinance banks in Cross River State. The population of this study includes all microfinance banks in Cross River State. There are a total of eleven (11) registered microfinance banks. The study adopted purposive sampling techniques. Data for this study were gathered from primary sources through the use of structured questionnaire from respondents of the microfinance banks in Cross River State. The study adopted multiple regression techniques to analyze the effect of independent variables on dependent variable. Based on the formulated hypotheses, the following model was stated thus to show the effect of competitive strategy on performance of microfinance banks.

$$Y = f(x)$$

Where;

Y =Dependent variable

x = Independent variable

PERF = f (DS, FS, CL)

Independent variable = Differentiation strategy, focus strategy, cost leadership,

Dependent variable = Performance (Profitability, market share, product quality)

$$PERF = b_0 + b_1DS + b_2FS + b_1CL + e \text{ --(1)}$$

Where

Independent variables = DS, FS, CL

Regression constant = b_0

Regression parameters = b_3

Stochastic error = e

5. Results

Test of Hypotheses

H_01: There is no significant effect of differentiation strategy on performance of microfinance banks in Cross River State.

H_02: There is no significant effect of focus strategy on performance of microfinance banks in Cross River State.

H_03: There is no significant effect of cost leadership on performance of microfinance banks in Cross River State.

Table 1. Model Summary showing the effect differentiation strategy, focus strategy, cost leadership on performance of microfinance banks in Cross River State

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.587[a]	.344	.322	1.41535	.344	15.231	5	145	.000	1.862

a. Predictors: (Constant), DiffStrategy, MrkStrategy, CLeadership.

b. Dependent Variable: Performance.

Table 2. ANOVA[a] showing the effect differentiation strategy, focus strategy, cost leadership on performance of microfinance banks in Cross River State

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	152.555	5	30.511	15.231	.000[b]
	Residual	290.465	145	2.003		
	Total	443.020	150			

a. Dependent Variable: Performance.

b. Predictors: (Constant), DiffStrategy, MrkStrategy, CLeadership.

Table 3. Coefficients[a] showing the effect differentiation strategy, focus strategy, cost leadership on performance of microfinance banks in Cross River State

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1(Constant)	-4.297	2.578		-1.667	.098					
DiffStrategy	.213	.055	.265	3.865	.000	.318	.306	.260	.963	1.038
MrkStrategy	.127	.068	.128	1.868	.064	.214	.153	.126	.968	1.033
CLeadership	.246	.068	.253	3.611	.000	.365	.287	.243	.918	1.090
Performance	.267	.074	.245	3.616	.000	.297	.288	.243	.984	1.016

a. Dependent Variable: Performance.

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	DiffStrategy	MrkStrategy	CLeadership	Performance
	1	5.970	1.000	.00	.00	.00	.00	.00
	2	.010	24.139	.00	.84	.00	.03	.05
	3	.007	28.927	.00	.03	.42	.44	.02
	4	.002	60.335	1.00	.08	.15	.06	.20

a. Dependent Variable: Performance.

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	14.4950	19.7364	17.4305	1.00848	151
Residual	-3.99756	3.00689	.00000	1.39156	151
Std. Predicted Value	-2.911	2.287	.000	1.000	151
Std. Residual	-2.824	2.124	.000	.983	151

a. Dependent Variable: Performance.

The multiple regression analysis conducted above was to examine the effect of competitive strategy on performance of microfinance banks in Cross River State. The findings show that competitive strategies such as differentiation, market focus and cost leadership have a positive significant effect on performance of microfinance banks in Cross River State and these remain evident as the overall model summary which produced an R of .527[a], and an R-square = .344. This implies that independent variables have influence on the dependent variable. The above influence is further explained as follows: differentiation, (B =.213, P = .098 < 0.05), market focus, (B=.127, P = .000 < 0.05) and cost leadership (B =.246, P = .064 < 0.05), proves to have significant influence on performance of Microfinance banks in Cross River State. Based on the above, it is concluded that competitive strategy has a positive significant effect on performance of microfinance banks in Cross River State.

6. Summary of Findings

The major findings of the study include:

1) Differentiation strategy has a positive significant effect on performance of microfinance banks in Cross River State.
2) Market focus strategy has a positive significant effect on performance of microfinance banks in Cross River State.
3) Cost leadership strategy has a positive significant effect on performance of microfinance banks in Cross River State.

7. Conclusion

The study portrays the effect of competitive strategy on the performance of microfinance banks in Cross River State. The study revealed that differentiation strategy has a positive significant effect on performance of microfinance banks in Cross River State. Market focus strategy has a positive significant effect on performance of microfinance banks in Cross River State. Cost leadership strategy has a positive significant effect on performance of microfinance banks in Cross River State. Competitive strategies aim to establish a profitable and sustainable position against the forces that determine industry competition. This involves identifying sources of competition in the ever-changing environment then developing strategies that match organizational capabilities to the environment.

8. Recommendations

The following recommendations were proffered:

1) Management of banks should develop strategies that will provide customers with something unique, different and distinct from items their competitors may offer in the marketplace.
2) Management of banks should effectively be involved in targeting their audience as well as having a method of developing, marketing and selling products to a niche market.
3) Management of banks should provide products or services at the lowest possible price in the industry.

Contribution to Knowledge

This study has shown that competitive strategy is important for the success of microfinance Banks in Cross River State. This study particularly has contributed to knowledge using differentiation strategy, market focus and cost leadership as independent variables and using profitability, market share and product quality as performance indicators. This is the first study to examine the relationship between competitive strategy and Micro Finance Banks performance in Cross River State. Finally, this study shows that to survive the intense competition in the market place, Micro Finance Banks must develop strategies that will enable them to effectively align the organisational resources to their strategic goals, thus highlighting the primacy of the resource-based theory.

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