

Original Research Article

COMPETITIVE INTELLIGENCE AND PERFORMANCE OF MICROFINANCE BANKS (MFBs) IN NIGERIA

Abstract: the sustainability issues faced by microfinance banks (MFBs) in Nigeria necessitated this study to examine the effect of competitive intelligence on performance of MFBs in Nigeria. The study adopted the use of survey research design. The study population was made up of 112 employees of 28 MFBs. Primary source of data collection was deployed (questionnaire) and reliability was done using Crombach Alpha with a reliability statistic of .899. Descriptive statistics (mean) and inferential statistics (regression analysis) at 5% level of significance was adopted for data analysis and test of the hypothesis respectively. The result revealed that strategic intelligence indeed has a statistically significant relationship with the performance of MFBs in Nigeria ($r = .863$; R-Square = .746; $F = 284$. p -value < 0.05). It was, therefore, concluded that the environment of business is increasingly becoming more dynamic by the day, hence, the need to keep an eye on it to stay relevant in business.

Keywords: Competitive Intelligence, Strategic Intelligence, Performance, Sustainability, Microfinance Banks (MFBs) & Nigeria

INTRODUCTION

The business environment is fraught with a lot of dynamism, competition and discontinuity. So, in an attempt to stay ahead in business and improve performance, captains of industry, management at different cadres and proprietors of business sometimes equip themselves with the dictates of Competitive Intelligence (CI). This is why Drucker (1997) opines that a manager is expected to clearly pass on and communicate to subordinates and employees the vision and intelligence to perform better. This is because, a business can stay ahead of competitions and create sustainability if the dictates of CI are adhered to. □

Brody (2008) posit that CI is the process by which a business or organization gathers accurate information about competitors and its environment and, perfectly apply it to their planning process and decision making in order to improve their performance. It is the conscious gathering of valuable information from business opponents and the

environment. It has been called other names, such as business intelligence, environmental scanning, and market intelligence (Mehmet et al, 2005).

The competitive and unpredictable nature of the contemporary business environment presupposes that organizations need to apply early detection of environmental changes to make appropriate adjustments. This makes a case for robust competitive analysis and frequent scanning of the business environment through a painstaking CI. Buttressing the above statement, Weiss and Naylor (2010) state that in a rigorously competitive business environment, a business must be conscious and mindful of whatever their competitors are doing in business. Organizations with high CI programmes and initiative have sound knowledge of their business environment, and better understanding between their business units, and equally the ability to provide proactive competitive strategies. Marin and Poulter (2004) as cited in Mmbele and Gichuhi (2018) suggest that, because of the volatility of the business environment, the ability to predict and anticipate change is paramount for business growth and sustainability.

This study is an attempt to explore how microfinance banks (MFBs) in Nigeria, with particular reference to the southeast region, could sustain relevance and achieve sustainable growth through competitive intelligence. It is worrisome that, MFBs in the region seem to have derailed in the areas of data, information and knowledge gathering through formal or informal means that would have aided in strategic decision making and bring about competitive advantage for business survival and sustainability. The environment at which MFBs operate is sophisticatedly competitive and flaky because, the nature of their business is usually affected by economic and financial policy dynamics (Tucker & Mules, 2014).

Competitive intelligence offers information in areas like risk management and deduction and provision of useful knowledge concerning the business environment and competitors. Therefore, managers of MFBs are required to pay attention to what is happening in their business environment such as continuous change in customers' needs and satisfaction, advancement in technologies and also to keep abreast with competitive global awareness. This is sadly not to be the case in some of the MFBs studied and therefore appears to constitute a challenge of sustainability to them, a situation which might get worse if not

handled well. It is against this backdrop that this study was necessitated to examine the nexus between CI and performance. Specifically, the study seeks to:

1. Determine the effects of strategic intelligence on the performance of microfinance banks in Nigeria.

REVIEW OF RELATED LITERATURE

Competitive intelligence

Competitive intelligence (CI) is the ability of a firm, business, organization or individuals to embark on a painstaking process of gathering useful information, data, inquisitive, quest about their competitors and its environment to use them to gain a competitive edge. It is a strategic tool that allows top management to improve its competitive advantage, through knowing their strength and weakness and use it to predicting the future (Kahaner, 1996). It is nothing but alerting businesses or organizations continuously of changes happening in the competitive environment which will help them in making decisions (Miller, 2005). One thing that is clear in carrying out a successful CI task is the knowledge and undiluted support from the management, tradition and culture that supports CI activities in organizations (Nasri, 2011). To this end, management must not be in the dark, and must give their support whenever CI activities are being carried out in any organization. The knowledge gathered through the activities of CI could be tailored to particular areas like customers (customer intelligence), competitors (competitors intelligence) and strategies (strategic intelligence)

Customer Intelligence: This involves getting information about the anticipated future needs of customers and making sure their ever-changing present needs are met by the organization (Mahmound, 2004). In this type of intelligence preferences and aspirations are key; it involves the collection and analyzing of customers data to understand customers test and behaviour which will help in making strategic decisions towards attracting, retaining and satisfying them. □

Competitors Intelligence: Because of increasing awareness created by information technologies, businesses now operate in an atmosphere that offers information and business data to readily available persons. Competitors intelligence is an activity an organizations uses to understand the rivals strategies, strength and weaknesses which will be of help in making strategic decisions and gain a competitive edge over their competitors (Cavalcanti, 2005).

Strategic Intelligence: strategic intelligence is a process of collecting, analyzing the environmental data and applying the intelligence (information) gathered in long term planning or decision making of the organization. It does so by analyzing the financial affairs, political and economic environment of the organization, the competitors and the trend of government policies. Gabbar, (2007) posits that strategic intelligence is examined by putting the following factors into consideration: strategic vision, human and social resources, economic and political issues of the organization.

Business Performance

This is a yardstick used to determine the efficiency and effectiveness of business activities. Microfinance banks in recent times deploy strategies aimed at increasing the performance of their organization in an attempt to gain wider market shares and dominate the industry. These strategies are in the areas of customer patronage, customer service, and customer reach.

- i. **Customer Patronage:** This is the support given by a customer to a particular brand of product or services. According to Simons (2016), customers with distinct product/service taste likes to patronize a particular business or services. Microfinance banks need to determine and find out a suitable marketing strategy that can make their customers stick to their bank or branch. In trying to achieve strong and robust customer patronage, customers must be treated like kings and quality of services offered not compromised. Any complaint from any customer; whether the rich or the poor needs be treated with utmost sincerity. This is because of the intense competition among the MFBs. There is also a need for them to channel their strategic intelligence towards increasing their customers' patronage, because any customer that slips away, is a gain to your competitor.

- ii. **Customer Service:** This is a treatment/attitude a business gives to its customers. Customers patronage is dependent on the treatment/attitude (service) given to a customer (Dei-Tumi, 2005). Any business that treats its customers fairly is bound to retain a greater number, without losing any to a competitor. Customer service includes – offering listening ears to your customers, providing quality and quick responses to customers complaints and need. MFBs must marshal out strategies that will aim at improving customer services because it is one of the tools that help in kicking a business to a stellar performance. □
- iii. **Improved Customer Reach:** The MFB industry is a very competitive one in Nigeria. This is because they offer homogenous services. Improved customer reach would offer a link to achieving a desired goal. The bank needs to improve in their means of reaching out to their potential/loyal customers. This could be done through the expansion of their marketing channel or campaign strategies. Having knowledge of your market and how to research your customers is an important strategy for any business that needs sustainability and expansion. If a business knows how to access and interact consistently with their devoted and potential customers, then their competitive edge and business sustainability is feasible.

Sustainability

Sustainability is derived from the word "sustain" which means to provide enough of what somebody/something needs to live or exist. In the words of Nnabuife and Okoli (2017), as cited in Osita et al (2020), sustainability is synonymous with the business concept of a going concern. That a business must be preserved and sustained for it to be termed a going concern.

Sustainability in a business context can thus be seen as the ability of a business or an enterprise to exist beyond and in all cost do not compromise the tenets of founding members. Therefore it is not a one-man affair to see to the sustainability of any enterprise, rather it is a holistic/synergistic efforts of those who care. In the word of business, sustainability means being relevant and competitive in the ever-changing business environment. This means that when businesses can withstand the turbulence present in a

business environment, that business is said to be sustainable. This is why Nidumolu, Pralahad and Rangaswami (2009) say that sustainability can become a part and parcel or essential plan of action of a business that surmounts different challenges observed in any business environment.

Microfinance Bank

This is a financial institution that provides financial services to micro-entrepreneurs, small businesses and to the poor clients who cannot provide collateral exigencies of the conventional banks. Microfinance banks/institutions are a very important tool for rural dwellers and low-income earners who might find it difficult to access commercial banks services. Obasi (2009) explicates that microfinance banking is a credit support services that are meant to offer limited financing and collection, for socio-economic growth and poverty alleviation on poor masses. A well planned and implemented microfinance banking services reduces poverty in the society and provides a conducive environment for socio-economic and political stability (Dandana & Nulele, 2011). It is becoming a household name because of its acceptance as a means to bridge the gap between those that cannot have access to conventional bank and those that can (Oluyombo, 2007). Summarily, there are three categories of microfinance banks in Nigeria:

1. **Unit Microfinance Bank:** This category of MFB is licensed to operate and carry out business transactions only in one location. The mandated capital requirement of ₦200,000,000 (Two Hundred Million Naira) is needed. MFB under this category is prohibited from having cash transactions outlets or branches.
2. **State Microfinance Bank:** This category of MFB is authorized to carry out business transactions only in one state or in the Federal Capital Territory (FCT) of Nigeria. The mandated requirement is ₦1,000,000,000 (One Billion Naira). This type of MFB is permitted to have branches or cash centres across the same state of operation or Abuja. □
3. **National Microfinance Bank:** MFB under this category is permitted to carry out business transactions in more than one state in Nigeria including Abuja. The

capital requirement is ₦5,000,000,000 (Five Billion Naira). This category of MFB is authorized to open its branches or cash centres in all states in Nigeria including FCT.

Theoretical Framework

This study is anchored on the Knowledge-Based View Theory (KBV). The theory considers knowledge as the most important resources of an organization. The advocates of the theory are of the view that since knowledge is usually difficult to copy unlike resource, that knowledge could be a major tool for sustainable competitive advantage and foundation for strategy formulation. Hamel and Prahalad (1994) posit that knowledge, expertise, intellectual ability and competencies are the main ingredients of quality performance in this information technology age.

The knowledge-based view is an offshoot of the Resource-Based View (RBV) of an organization and provides strong theoretical support for organizational learning and intellectual capital base (Curado & Bontis, 2014). Knowledge is assumed to be a critical resource of an organization that does not depreciate with time as other productive factors do. Because organizational intelligence gathering plays an important role in the growth and survival of a business, this marks the link between this study and the theory. An organization sustainably achieves development through the intelligence of what their competitors are doing and inculcate them in their strategic decision for superior performance and sustainability.

Empirical Review

Oladimeji, Eze and Akanni (2017) evaluated the effect of CI on the competitive advantage of micro small and medium enterprises in Nigeria. The study made use of survey research design. The population of the study consisted of 37,065,416 MSMEs in Lagos, Kano and Anambra States of Nigeria. Taro Yamane formula was used to arrive at a sample size of 400. The findings of the study revealed among others that CI has a significant positive effect on cost reduction and marked expansion of MSMEs in Nigeria and that it enhances MSMEs' competitive advantage in Nigeria.

In a study carried out by Ali et al (2015) in Minot, North Dakota United States to investigate CI practices in hotels. The degree of CI efforts in the hotel industry in the city was examined. The researcher conducted in-depth semi-structured interviews in the hotel managers representing twenty-seven hotels. It was observed that the participating hotel managers demonstrated a low level of knowledge and awareness of CI. They engaged in CI activities only for tactical, rather than strategic reasons. It was also found that many of the hotel managers do not have a formal educational requirement in academic business that would have been of help for more strategic level CI activities.

Egberi and Okpako-Uyeh (2011) evaluated CI and marketing effectiveness of corporate organizations in Nigeria. Descriptive survey design was employed in the collection of data. Descriptive statistical method was used in the analysis of data gathered in the course of the study and it was found out that there was a significant positive relationship between CI and organizational profitability.

Methodology

The study adopted a survey research design because data were collected through questionnaire and from sampled respondents. The numbers of MFBs under study were 139 registered MFBs from the three selected states (Anambra, Enugu and Imo). The three states were chosen because, they have twenty and above numbers of microfinance banks each in the region (Anambra 78, Enugu 24, Imo 37) while the remaining two states (Abia and Ebonyi States) have less than twenty microfinance banks each. 20 per cent of the total number of registered MFBs (139) from the three selected states were studied which is 28 MFBs. The researcher targeted three section heads and a general manager (each from selected MFBs) making it four employees from each of the MFBs under study. Therefore, 112 employees of 28 MFBs made up the population of the study. Section heads and managers were targeted because they are key decision and policymakers in the various MFBs studied. Questionnaire was used in the collection of data from the sampled respondents for the analysis. It was structured in a five-point Likert scaled format to aid in transforming the qualitative response into qualitative data. The questionnaire was subjected to validity test to ensure it measured what it was meant to measure while the reliability was ascertained using Crombach Alpha ($\alpha = .899$) to test

the level of internal consistency of the questionnaire. A total of 112 copies of questionnaire were distributed to the focused employees of the MFBs and 99 copies were retrieved and used for the analysis. The analysis was carried out using descriptive statistics (mean) and regression analysis and a 5% level of significance was adopted for the hypothesis testing.

Table 1: Distribution of responses of respondents for the relationship between Competitive Intelligence and Performance of selected MFBs.

Questionnaire Items		Response Key					Mean
S/N	Competitive Intelligence (CI) items	SA (5)	A (4)	U (3)	D (2)	SD (1)	
1.	My microfinance bank (MFB) regularly collects information about what is happening in the wider economy.	13	10	9	40	27	2.41
2.	Information gathering is very important to us in my organization.	5	19	2	39	34	2.21
3.	Data about our business environment is rarely used in decision making in my bank.	9	21	3	28	38	2.34
4.	Our MFB has competitors that will encourage us to take data collection serious. □	11	16	27	28	17	2.76
5.	Our MFB does not have the resources to promote information gathering. □	34	29	3	24	9	3.56
Sustainability Items							
6.	Our market share can be improved with the help of data gathering about our business environment.	17	55	3	20	4	3.62
7.	Being alert to changes in the political space will place us ahead of others.	40	17	12	11	19	3.48
8.	Our strengths and weaknesses can be identified through the help of data gathering.	32	35	9	19	4	4.90
9.	Intelligence gathering has the potential of ensuring our continuous existence.	34	30	22	6	7	5.00
10.	Through data obtained from the environment, we will know our customers better for improved services to them.	60	22	-	17	-	4.72

Source: Field Survey, 2020

Key: CI =Competitive Intelligence

MFBs = Microfinance Bank

Table 1 shows the descriptive statistics (mean) for the questionnaire responses. The decision criterion is to accept all questionnaire items with a mean of 3 and above as being true or that the organization is practising while any questionnaire item with a mean of less than 3 signifying that the statement is not true or in practice in the organization. From the data in Table, it shows that questionnaire items 1-4 with a mean of less than 3 are rejected as not being true while questionnaire items 4-10 are accepted as being observed in the banks studied. □

Test of Hypothesis

H_{a1} : Strategic intelligence has a significant relationship with the performance of microfinance banks in Nigeria.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 ^a	.746	.743	1.623

a. Predictors: (Constant), CI

Source: Field Survey, 2020

Key:

CI =Competitive Intelligence

Table 2 shows the model summary for the regression analysis carried out for strategic intelligence and the performance of microfinance banks in Nigeria. From the result, the correlation as depicted by r is .863 showing a positive relationship. The coefficient of determination as shown by R-Square is .746 indicating that a 74% change in the dependent variable (performance as measured by sustainability) is accounted for by changes in the independent variable (CI as measured by strategic intelligence).

Table 3: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	748.652	1	748.652	284.303	.000 ^b
Residual	255.429	97	2.633		
Total	1004.081	98			

a. Dependent Variable: SUS

b. Predictors: (Constant), CI

Source: Field Survey, 2020

Keys:

CI =Competitive Intelligence

SUS = Sustainability

Table 3 reveals the ANOVA for strategic intelligence and the performance of microfinance banks in Nigeria. Here, the hypothesis is tested using the p-value (sig) as shown in Table 3. From the Table, the $F = 284.303$ and the sig is $.000$. Going by this, the sig is less than 0.05 (p-value < level of significance), therefore, the alternate hypothesis is accepted and it is stated that strategic intelligence indeed has a significant relationship with the performance of microfinance banks in Nigeria.

Conclusion

The environment of business is increasingly becoming more dynamic by the day, hence, organizations that want to stay afloat needs to have an eye on what is happening in the environment. This position is strengthened by the result of the study which shows that a strong and positive relationship exists between strategic intelligence used in measuring CI and sustainability used to operationalize performance. □

Recommendations

The study drawing from the strength of the analysis makes the following recommendations:

- a) The management of the studied MFBs needs to always be abreast with what is happening in the wider environment to stay ahead of competition. □
- b) Data and information retrieved from the environment need to be inculcated into the strategic decision making a promise by the banks studied to sustain performance and adjust to changes as quickly as possible.

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