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1

Entrepreneurial Orientation and Performance of Microfinance Cooperatives: Evidence from Tanzania

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Abstract

Microfinance cooperatives (MFCs) play a key role in socio-economic development, predominantly in developing countries. However, studies focusing on the relationship between entrepreneurial orientation (EO) and the performance of MFCs are limited, particularly in Tanzania. This study was informed by the resource-based view to examine the influence of EO dimensions on the performance of MFCs in Tanzania. Specifically, the study focused on four dimensions of EO namely; innovativeness, proactiveness, risk taking, and competitive aggressiveness behaviours. Data were obtained from 299 stratified sampled managers of MFCs through the administration of a structured questionnaire. In testing this relationship, Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed and revealed that only proactiveness, innovativeness, and competitive aggressiveness behaviours positively and significantly influenced the performance of MFCs. However, risk taking behaviour was insignificant on the performance of MFCs. The study shows that EO is a crucial managerial resource and capability that helps MFCs to reallocate core competencies to achieve desired goals. Thus, MFCs need to strengthen their ability to implement entrepreneurial strategies effectively. Also, regulators and other key stakeholders need to participate in strengthening these capabilities through different interventions including trainings to address the performance challenges encountered by MFCs.

Keywords: Microfinance Cooperatives, Performance, Entrepreneurial Orientation, Tanzania

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Introduction

Microfinance Cooperatives (MFCs) are crucial to the socio-economic development of both developed and developing countries. They are member-based financial institutions (Mmari, 2019; Towo et al., 2022) that promote financial inclusion by extending convenient and affordable financial services to population that are underserved by mainstream financial institutions (Lwesya & Mwakalobo, 2023; Mutunga et al., 2025). Their services, including savings, credit, and insurance, are key to the poor households and small businesses, to create sustainable livelihoods. That way, MFCs presents a strong commitment to the Sustainable Development Goals (Segovia-Vargas et al., 2023; ICA, 2023). MFCs also have significant potential in private capital mobilization and in financial sector development, given their extensive geographic coverage and the provision of essential financial services to key sectors of agriculture and small businesses (Almehdawe et al., 2021). Acting as vital socio-economic enterprises MFCs have demonstrated continuous growth , and represent the most widespread form of MFIs in Tanzania (Ndiege et al., 2016; N. Towo et al., 2019). TCDC (2024) reported that MFCs served 1.82 million members, created 12,031 jobs, and generated government revenue of about TZS 12.52 billion through taxes and related payments in 2023. Collectively, these achievements underline their importance as engines of inclusive growth and community development.

To sustain and increase an accrual of above mentioned benefits of MFCs, their performance is key. However, FinScope (2023) reported a decrease in the uptake of financial services through MFCs from 2% in 2017 to 1% in the 2023 report. This challenge is attributed to limited tailored products that fail to adequately cater to the clients' specific needs and preferences, which might limit their attractiveness, leading to lower membership rates. According to the WOCCU (2022) report, the penetration rate of members in MFCs globally reached 13.9%, Africa reported a penetration rate of 14.7% while Tanzania had only 6%. Although the number of members and beneficiaries increased from 1,805,424 in 2022 to 1,814,803 in 2023, the growth rate of 0.52% is minimal considering the sector's potential (TCDC, 2024). Similarly, the MFCs' annual performance report for 2023 showed 36.9% decrease in the number of MFCs compared to the December 2022 report.

This was the decrease from 2,034 to 1,283 MFCs due to deregistration of dormant and untraceable MFCs, showing significant decrease of a large number of MFCs in a span of a year. This implies that although the sector has considerable potential and is reported to be growing, its performance focusing on outreach is still below average.

The operational environment of MFCs is dynamic and intensely competitive, necessitating organizational flexibility and the formulation of strategies for survival and growth. This highlights the importance of entrepreneurial orientation (EO) to organisations (Löffel & Gmür, 2024; Riwu et al., 2024; Sofoluwe, 2020; Wales et al., 2020; Yewoh & Tangwa, 2021). EO has been regarded as an important resource for the performance of organization through its different dimensions, namely; innovativeness, proactiveness, risk taking, autonomy, and competitive aggressiveness. The Resource-Based View (RBV) emphasizes that organization's internal resources and capabilities are essential in creating competitive advantage (CA) leading to superior performance (Barney, 1991). Studies that examine the relationship between EO and organizational performance are numerous, covering various sectors and firms including SMEs (Adam et al., 2024; Islam et al., 2024; Kiyabo & Isaga, 2020), and different types of cooperatives (Guzmán et al., 2020; Löffel & Gmür, 2024; Musa et al., 2020; Sofoluwe, 2020). Also, there are studies linking EO and performance, but are focused on microfinance sector in general (Homaid et al., 2018; Riwu et al., 2024; Wainaina, 2017; Yewoh & Tangwa, 2021). Studies specifically linking EO and MFCs' performance are limited, with the empirical evidence from Bourlès and Cozarenco (2018) and Lwesya and Mwakalobo (2023) expressing concern about the insufficient research focus on entrepreneurial practices within MFCs in developing countries.

Despite the limited number of studies testing the relationship between EO and the performance of MFCs, the literature also yields inconclusive findings, ranging from the adoption of different EO dimensions to the impact of each dimension on organizational performance. Sofoluwe (2020) used five dimensions of EO and presented that risk taking and competitive aggressiveness may not always be significant in cooperatives, including MFCs. However, Wainaina (2017) highlights that all the five dimensions positively and significantly influenced the performance of MFCs and other MFIs. Meanwhile, other researchers including Homaid et al. (2018) and Riwu et al. (2024), focused solely on three dimensions proposed by Miller (1983), yielding mixed outcomes as well. Additionally, specific studies focusing on MFCs are scarce, where Magali and Jacob (2022) assessed EO of the members of MFCs on the loan repayment performance. Consequently, this study focuses on analysing the influence of Entrepreneurial Orientation (EO) on the performance of Microfinance Cooperatives (MFCs) in Tanzania, which possess distinct features and importance from other Microfinance Institutions (MFIs).

Literature Review

Theoretical perspectives

The Resource Based View (RBV) of the firm by Barney (1991) is the theoretical lens used by this study to understand the entrepreneurial orientation and MFCs' performance nexus. It examines the performance of an organization by considering the resources and capabilities it controls (Barney, 1991). The theory focuses on organizational resources that are valuable, rare, inimitable, and non-substitutable (VRIN) in order to achieve sustainable competitive advantage (SCA), leading to organizational superior performance. The RBV was employed here focusing on how these resources are utilized, as it provides a robust framework for understanding the relationship between organizational capabilities and performance outcomes. As noted by Penrose (1959), internal resources, particularly managerial capabilities, are essential to firm growth.

It has been pointed out by Barney (1991) that a firm must have an appropriate strategy to take advantage of these valuable, rare, inimitable, and non-substitutable resources. The EO dimensions are regarded as intangible organizational capabilities that provide an organization with competitive advantage (CA) contributing to superior performance (Anwar & Shah, 2020; Homaid et al., 2018; Otache et al., 2022; Sahut et al., 2025). These resources strengthen an organization's ability to properly implement its strategies to achieve its desired goals. The empirical evidence shows that most studies focused on SMEs and MFIs generally, limiting application of RBV specifically to MFCs, which are member owned MFIs. Since, Barney (1991) demonstrated that the VRIN attributes create performance differences across firms, this study is essential since the influence of these capabilities on performance varies differently across organization structures and contexts. Moreover, the dimensions of EO differently affect the performance outcomes of a firm (Huang et al., 2023; Rezaei & Ortt, 2018).

Empirical Review and Hypotheses Development

A detailed overview of previous research on the relationship between EO and performance reveals mixed and inconclusive findings. This study conceptualized EO using four dimensions, namely; innovativeness, proactiveness, risk taking and competitive aggressiveness behaviours. Excluding autonomy in this study is based on its practical relevance in the context of MFCs. The fact is, not all EO dimensions affect performance across all organizational contexts the same way but each individual dimension of EO can have diverse influences on performance (Eijdenberg, 2016; Wiklund & Shepherd, 2005). Autonomy refers to the degree to which individuals or teams within an organization are free to make independent decisions and pursue entrepreneurial initiatives without centralized approval (Hughes & Morgan, 2007). MFCs as one of the types of cooperatives operate under highly participatory governance structures with collective decision-making processes that emphasize accountability to members (Löffel & Gmür, 2024). This governance model where several hierarchies from within and outside the organization should be followed, somehow places constraints on individual or team level autonomy in microfinance cooperatives (Iliopoulos & Valentinov, 2022; Pönkä, 2018). Also, EO is a firm level construct, the measurement of which in surveys involves a firm as the unit of analysis (Covin & Wales, 2019). In such surveys, managers are well suited to respond on behalf of the organization, following their high conversancy of the firm under study. This study therefore, conceptualized EO as the ability of MFCs to demonstrate innovativeness, proactiveness, risk taking, and competitive aggressiveness behaviour to maximize opportunities and attain superior performance.

Innovativeness Behaviour and the Performance of MFCs

In today's dynamic and competitive business world, innovativeness has become a key driver of success for organizations across industries. This behaviour is crucial as it is evidenced to lead to superior organizational performance (Adam et al., 2024; Garrido-Moreno et al., 2024; Löffel & Gmür, 2024; Riwu et al., 2024). It involves finding creative solutions and developing new products and services for their clients (Wainaina, 2017). Yewoh and Tangwa (2021) explained that innovativeness focuses on an organization's ability to be creative by using new solutions for emerging problems. Several studies have highlighted innovativeness as an important factor though with mixed findings. For example, Riwu et al. (2024) in Indonesia reported that innovativeness improved social performance by creating new financing ideas and services tailored to the wants and needs of clients, including fintech and peer lending. Otache et al. (2022) and Mbegu et al. (2023) found that innovativeness significantly and positively influenced MFCs' performance through enhancing service quality and delivery. Similarly, Odero et al. (2022) in Kenya and Dwumah et al. (2024) in Ghana confirmed innovativeness as a strong determinant of MFCs' and SMEs' performance. On the contrary, Anwar and Shah (2020) found insignificant relationship between innovativeness and nonfinancial performance of a firm in Pakistan. Thus, evidence shows that innovativeness can enhance performance in only certain contexts, but its impact is not uniform. Based on this review, the following hypothesis was developed and tested by the study:

H1: Innovativeness behaviour positively influences the performance of MFCs.

Proactiveness Behaviour and the Performance of MFCs

Proactiveness is considered a vital behaviour in driving organizational performance through anticipating challenges, identifying opportunities and acting accordingly. Findings on proactiveness have also varied across contexts. Dwumah et al. (2024) in Ghana reported that proactiveness positively influenced organizational performance by actively pursuing new market opportunities and pioneering the introduction of new products and services. Similarly, Yewoh and Tangwa (2021) in Cameroon, recommended for managers to strengthen their employees' proactive behaviour as vital to increasing MFIs' performance. Also, Riwu et al. (2024) revealed that MFIs that take proactive actions create new innovative services and products tailored specifically to the needs of their clients. Additionally, Wainaina (2017) contends that proactive organizations are beneficial as they pioneer market developments, operational techniques and production processes ahead of their competitors. In contrast, Adam et al. (2024) in Indonesia reported that proactiveness has no effect on business performance. This suggests that proactiveness can be beneficial but may have adverse effects depending on the business environment and sectoral dynamics. Based on this review, the following hypothesis was developed and tested by the study:

H2: Proactiveness behaviour positively influences the performance of MFCs.

Risk taking Behaviour and the Performance of MFCs

Risk taking behaviour is widely acknowledged as an important EO dimension. It motivates MFIs' management to think differently, promote new ideas, diversify products, learn from mistakes, and increase market share (Homaid et al., 2018; Nugroho & Pusparini, 2022). Similarly, Löffel and Gmür (2024) found a positive effect of risk taking on the performance of cooperatives. Also, Yewoh and Tangwa (2021) found that entrepreneurial MFIs that exhibit moderate risk-taking levels outperform those lacking or exhibiting very high risk-taking levels. The owners and managers who are able to take risks, achieve higher performance outcomes. Conversely, Sofoluwe (2020) revealed that risk-taking is not related to cooperative performance as they found insignificant relationship between risk taking behaviour and organization performance. This demonstrates that the influence of risk-taking is context specific but remains a critical behavioural factor for performance. Considering the reviewed empirical literature, the following hypothesis was developed and tested by the study:

H3: Risk taking behaviour positively influences the performance of MFCs.

Competitive Aggressiveness Behaviour and the Performance of MFCs

Evidence on competitive aggressiveness behaviour in MFCs' performance is relatively limited compared to other dimensions as most of the studies conceptualized EO using the three dimensions of innovativeness, proactiveness and risk taking by Miller (1983). Studies have demonstrated a positive impact of competitive aggressiveness on performance (Kiyabo and Isaga, 2020; Löffel and Gmür 2024; Yewoh and Tangwa, 2021). This is achieved through driving growth and competitiveness and helping organizations secure market advantages. Dwumah et al. (2024) further supported the view that competitive aggressiveness is a positive driver of SME performance, while Sofoluwe (2020) reported that competitive aggressiveness was not significantly related to cooperative performance. Hence, while contradictions exist, competitive aggressiveness appears to be increasingly relevant in MFCs and SME contexts. This suggests that it may contribute positively to MFCs' competitiveness and performance in dynamic environments. Based on the reviewed literature, the following hypothesis was developed and tested by the study:

H4: Competitive aggressiveness behaviour positively influences the performance of MFCs.

Conceptual Framework for the Study

This conceptual framework (Figure 1) has been informed by the reviewed theoretical and empirical literatures. It presents the relationship between EO dimensions and the performance of MFCs as derived from the empirical review to enable the development of the hypotheses presented.

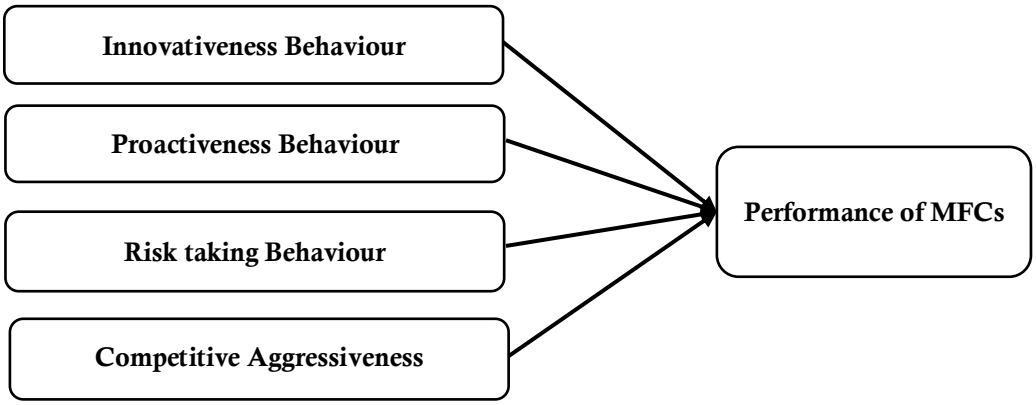

Figure 1: Conceptual Framework

Methodology

This study was guided by the positivist philosophy; hence a deductive and quantitative research approach was adopted. An explanatory, cross-sectional research design was employed in order to address the research objectives for this study. With the aid of a structured questionnaire, data was collected from 299 stratified random sampled MFCs operating in Arusha, Dar es Salaam, Kilimanjaro, Mbeya, Morogoro, and Tanga. The list of the registered and active MFCs was obtained from the Assistant Registrar of Cooperatives within each region. The obtained sample frame contained both category A and B of MFCs forming two strata for MFCs and data were collected from the managers. In this research, descriptive statistics were produced in SPSS, while inferential analysis and associated tests were conducted using PLS-SEM, in SmartPLS 4 as supported by Hair et al. (2024).

Measurements

Measurements for both independent and dependent variables were adapted from previously conducted studies. Each of the four dimensions of EO was measured using five indicators. The indicators were adapted from previous studies (Anwar & Shah, 2020; Covin & Slevin, 1989; Hughes & Morgan, 2007) and modified to align with the objectives and context of this study. A 5-point Likert scale was used for respondents to rate their organisation's EO behaviours, with associated rating scores ranging from 1 = strongly disagree to 5 = strongly agree. The dependent variable in this study was performance, a construct adapted to measure MFCs' performance. The performance measures were adapted from previous studies on outreach (Rauf & Mahmood, 2009; Riwu et al., 2024) and members' retention (Narayandas, 1998; Yeomans et al., 2026) and modified to correspond to the objectives of this study. The study focused on non-financial performance to capture other dimension of the dual objective of MFCs, as most studies have focused on financial performance. This is important as Riwu et al. (2024) have revealed that social or operational performance leads to financial performance.

Study Results

Demographic Characteristics of MFCs and Respondents

The analysis of the demographic characteristics focused on the characteristics of the organisation as well as that of the respondents. Table 1, indicate that the common bond that defines membership in MFCs is as follows: the majority, 162 (54%) out of the 299 MFCs are employment-based, indicating that most of these institutions are formed around workplaces referred to as occupational common bond, while the remaining 137 (46%) are community-based. MFCs are categorized by their core capital, with the majority of the MFCs, 216 (72%) falling under category A, while 83 (28%) are under category B. From the results, it was found that more than half of the MFCs 153(51%) have been in existence for over 15 years, showing a strong presence of long-established institutions.

Table 1: Demographic Characteristics of MFCs

Characteristic	Description	Frequency	Percent (%)
Common Bond of Microfinance Cooperative	Community Based	137	46
	Employment Based	162	54
Category of Microfinance Cooperative	Category A	216	72
	Category B	83	28
Members in Microfinance Cooperative	20-100 Members	93	31
	101-200 Members	70	23
	201-300 Members	38	13
	301- 400 Members	24	8
	Above 400 Members	74	25
Age of Microfinance Cooperative	3-5 Years	34	11
	6-10 Years	51	17
	11-15 Years	61	20
	Above 15 Years	153	51
Location of Microfinance Cooperative by Region	Arusha	52	17
	Dar es Salaam	121	40
	Kilimanjaro	38	13
	Mbeya	32	11
	Morogoro	26	9
	Tanga	30	10

Source: Survey data (2025)

Also, managers of the MFCs were analysed as the unit of inquiry since they are responsible for the daily operations of their MFCs. The presented results show that majority of respondents were male 168 (56%) of the total respondents while 131 (44%) were female. The results indicate that there are more males in the managerial positions in the MFCs studied although female representation was not minority. Concerning the age of respondents, the results indicate that respondents aged 21 to 40 years accounted for 196 (66%), indicating a considerable degree of youth participation in managerial roles in MFCs. The remaining respondents, 66 (22%) were aged between 41 and 50 years, and only 37 (12%) were above 50 years, implying that the majority of managers fell within the working age group. Regarding education level, most had attained a bachelor's degree, representing 160 respondents, or 54%. A significant number of respondents, 79, held either certificate or diploma accounting for 26% of the total. Furthermore, the results show that, respondents with more years of working experience formed the majority, with 7 years and above numbering 165, or 55.18%.

Assessment of Measurement Model

Measurement model as presented in Figure 2 was evaluated considering both the reliability and validity of each construct. The measures' reliability focused both on the indicator reliability and internal consistency reliability as explained by Hair et, al. (2022). In this study, indicator reliability was established as all loadings were above 0.6, and composite reliability served as the construct internal consistency reliability test. According to Hair et al. (2024) the threshold value equal to or exceeding 0.7 is considered acceptable. Table 2 illustrates that all the composite reliability (rho_c) values exceeded 0.7, indicating sufficient internal consistency reliability among the variable measures.

The assessment of validity considered both convergent and discriminant validity, ensuring that the measurement instruments were accurate and distinct. Convergent validity of the constructs was assessed using AVE for all the indicators measuring each construct in the model, ensuring that the construct converges to explain the variance in its indicators. This study revealed that all the values of AVE presented in Table 2 were above the recommended minimum threshold of 0.5. This confirms the robust convergent validity of the indicators in this study.

Table 2: Measurement Model Evaluation Results

Variable	Item Codes	Outer Loadings	Composite Reliability	AVE	Inner VIF	Outer VIF
Competitive Aggressiveness Behaviour	COMP1	0.812	0.886	0.608	2.006	1.884
	COMP2	0.788				1.852
	COMP3	0.760				1.928
	COMP4	0.749				1.656
	COMP5	0.790				2.124
Innovativeness Behaviour	INNB1	0.616	0.850	0.533	2.242	1.251
	INNB2	0.771				1.752
	INNB3	0.749				1.672
	INNB4	0.734				1.525
	INNB5	0.768				1.588
Performance of MFCs	PERF1	0.641	0.904	0.614	0	1.511
	PERF2	0.722				1.722
	PERF3	0.824				2.461
	PERF4	0.858				2.810
	PERF5	0.816				2.634
	PERF6	0.819				2.595
Proactiveness Behaviour	PROB1	0.732	0.860	0.552	1.943	1.599
	PROB2	0.765				1.684
	PROB3	0.768				1.602
	PROB4	0.715				2.045
	PROB5	0.733				2.021
Risk-taking Behaviour	RISB1	0.709	0.839	0.510	1.661	1.442
	RISB2	0.737				1.667
	RISB3	0.713				1.538
	RISB4	0.694				1.460
	RISB5	0.718				1.295

Source: Survey Data (2025)

Discriminant validity was assessed through the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT). The Fornell Larcker criterion requires square root of the AVE of each construct to be higher than its highest correlation with any other construct in the model (Hair et, al., 2022). The results presented in Table 3, shows that discriminant validity was established, as the square roots of the AVEs for all constructs were higher than the correlations with other latent variables in the model. Additionally, the results show that the HTMT values for all pairs of constructs are lower than the more conservative threshold value of 0.85. This indicates that the correlations between measures representing the same construct are higher than those representing distinct constructs (Hair et, al. 2022), hence demonstrating acceptable discriminant validity for conceptually distinct constructs.

Table 3: Fornell-Larcker criterion and Heterotrait-monotrait ratio (HTMT) Results

Fornell-Larcker criterion

VARIABLE	COMP	INNB	PERF	PROB	RISB
Competitive Aggressiveness Behaviour	**0.780**				
Innovativeness Behaviour	0.659	**0.730**			
Performance of MFCs	0.511	0.524	**0.784**		
Proactiveness Behaviour	0.573	0.644	0.541	**0.743**	
Risk taking Behaviour	0.547	0.547	0.396	0.544	**0.714**

Heterotrait-monotrait ratio (HTMT)

	COMP	INNB	PERF	PROB	RISB
Competitive Aggressiveness Behavior					
Innovativeness Behaviour	0.798				
Performance of MFCs	0.592	0.635			
Proactiveness Behaviour	0.682	0.809	0.641		
Risk taking Behaviour	0.684	0.696	0.469	0.681	

Source: Survey Data (2025)

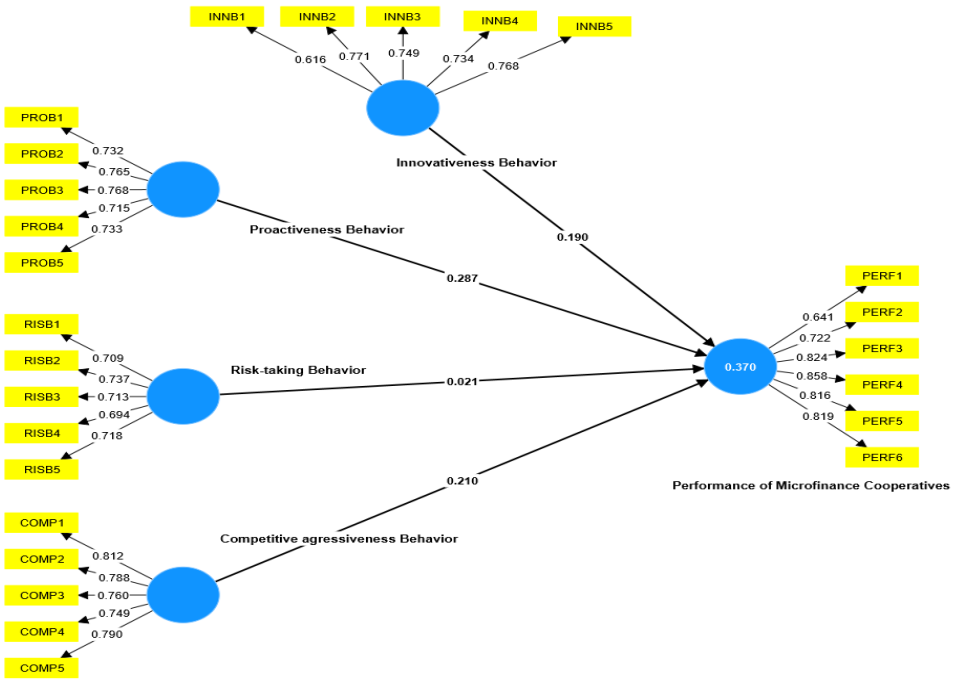

Figure 2: The Study Measurement Model

Structural model assessment

The assessment is essential in determining the model's explanatory and predictive power and the relationship between the latent variables. The results presented in Table 2 revealed no collinearity since the variance inflation factor (VIF) values were below the accepted threshold value of 3 as stated by Hair et al. (2022). The coefficient of determination (R^2) value of 0.37 was obtained, as presented in Table 4. This indicates that innovativeness, proactiveness, risk taking and competitive aggressiveness behaviour explain 37% of the variance in the MFCs' performance in the model. The remaining 63% is determined by other factors unaccounted for in the model. Also, predictive relevance (Q^2) value of 0.339 was attained; being greater than zero, the model has predictive relevance for the endogenous construct. Additionally, the effect size (f^2) focuses on the contribution of each exogenous latent variable to the overall explanatory power of the model (Hair et al., 2022). The results presented in Table 4, shows f^2 values of 0.035, 0.030, and 0.068 for competitive aggressiveness behaviour, innovativeness behaviour and proactiveness behaviour respectively. According to Cohen (1988) the guidelines for assessing f^2 are 0.02, 0.15, and 0.35, representing small, medium, and large effects respectively. This shows that proactiveness behaviour has a stronger effect on MFCs' performance than the other independent variables.

Table 4: PLS SEM Predictive Power and Relevance

	R-square	R-square adjusted	
Performance of Microfinance Cooperatives	0.370	0.362	
LV prediction summary			
	Q²predict	**RMSE**	**MAE**
Performance of Microfinance Cooperatives	0.339	0.822	0.564
		f-square	
Competitive aggressiveness Behaviour -> Performance of MFCs		0.035	
Innovativeness Behaviour -> Performance of MFCs		0.030	
Proactiveness Behaviour -> Performance of MFCs		0.068	
Risk-taking Behaviour -> Performance of MFCs		0.000	

Source: Survey Data (2025)

Results from Hypothesis Testing

In testing the hypotheses, the study examined the influence of four independent variables representing the dimensions of EO, namely, innovativeness behaviour, proactiveness behaviour, risk-taking behaviour, and competitive aggressiveness behaviour on the performance of MFCs. The results are presented in Table 5 and Figure 3.

Table 5: Results of Hypothesis Testing

Relationship tested	β Coefficient	Std. Error	T values	P values	95% CI	Decision
Competitive aggressiveness Behaviour -> Performance of MFCs	0.210	0.066	3.170	0.001	(0.096, 0.316)	Supported
Innovativeness Behaviour -> Performance of MFCs	0.190	0.076	2.505	0.006	(0.069, 0.319)	Supported
Proactiveness Behaviour -> Performance of MFCs	0.287	0.068	4.204	0.000	(0.170, 0.395)	Supported
Risk-taking Behaviour -> Performance of MFCs	0.021	0.061	0.345	0.365	(-0.068, 0.132)	Rejected

Source: Survey Data (2025)

In examining the influence of innovativeness behaviour on the performance of MFCs, the results presented in Table 5 reveal that innovativeness behaviour has a positive influence on the performance of MFCs ($\beta=0.190$, $P<0.05$), thus supporting the hypothesis. The implication is that a 1% increase in innovativeness behaviour leads to a 19% increase in the performance of MFCs. This is attributed to the fact that innovativeness behaviour enables MFCs to try out new ideas, develop new products, improve their service delivery methods, and adopt new approaches to processes, including modern technologies, that meet the changing needs of their members.

Similarly, in examining the influence of proactiveness behaviour on the performance of MFCs, the results presented in Table 5 show that proactiveness behaviour has a positive influence on the performance of MFCs, ($\beta=0.287$, $P<0.05$), thus supporting the hypothesis. The implication is that a 1% increase in proactiveness behaviour leads to a 28.7% increase in the performance of MFCs. This is due to the fact that proactiveness behaviour enables MFCs to anticipate and respond effectively to members' changing needs, market changes, and emerging opportunities. By actively scanning their operating environment and planning ahead, proactive managers can design more relevant financial products, improve service delivery, and adapt operational processes before challenges escalate.

Additionally, the results indicate that competitive aggressiveness behaviour has a positive influence on the performance of MFCs ($\beta=0.210$, $P<0.05$), thus supporting the hypothesis. The implication is that a 1% increase in competitive aggressiveness behaviour leads to a 21% increase in the performance of MFCs. This is attributed to the fact that competitive aggressiveness drives MFCs to actively pursue market opportunities, differentiate their services, and respond decisively to competitive threats. This leads to the attraction of more members and an increase in their market share, which is reflected through the indicators covered in this study.

However, in examining the influence of risk-taking behaviour on the performance of MFCs the results reveal an insignificant influence (β=0.021, P>0.05), hence the study rejected the hypothesis. This implies that a 1% increase in risk taking has no meaningful influence on the performance of MFCs. This is attributed by the institutional and governance environment in which MFCs operate. MFCs typically operate under strict regulatory frameworks that ensure collective decisions and risk-averse governance structures designed to protect members' savings and ensure long-term stability.

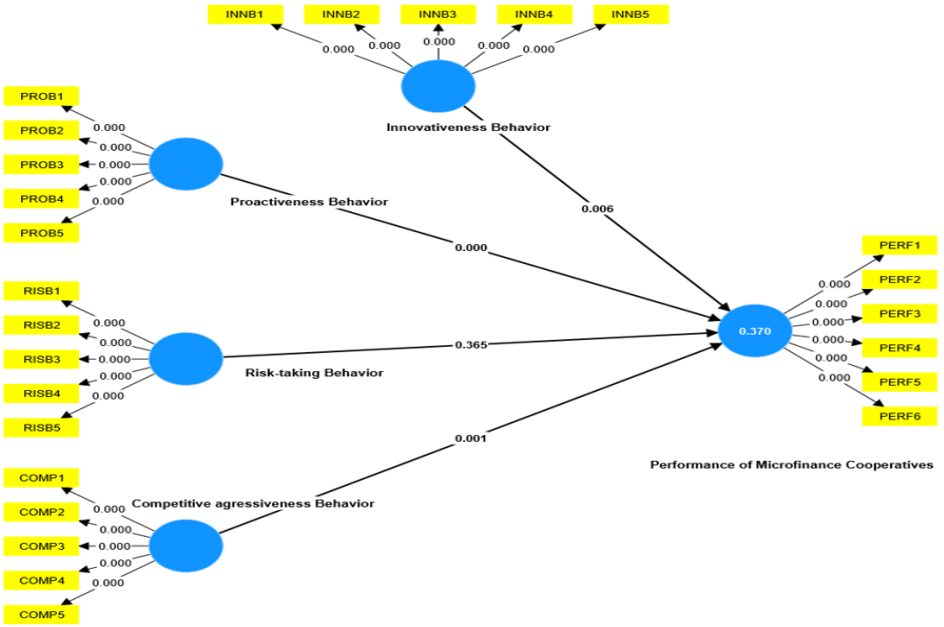

Figure 3: The Study Structural Model

Discussion of the Results

Regarding the positive influence of innovativeness behavior on the performance of MFCs align with the studies of Adam et al. (2024), Otache et al. (2022), Mbegu et al. (2023), Odero et al. (2022) and Yewoh and Tangwa (2021) which report positive effects. These studies focused on the role of innovativeness in expanding market presence, improving the quality of products and services delivered to attract more members and reach broader markets. On the other hand, the current findings do not align with the results of Anwar and Shah (2020) as they found insignificant influence. This might be due to a combination of contextual and performance measurement differences across studies.

Also, the positive effect of proactiveness behaviour corresponds with Yewoh and Tangwa (2021), Homaid et al. (2018), Löffel and Gmür (2024). These studies emphasised the significant role of proactive actions in creating new innovative services and products tailored to the needs and preferences of clients. This alignment is associated with increased awareness of the market trends, a better understanding of their members' needs and improved operational and delivery efficiency which enhances their performance. However, the current study findings contradict Adam et al. (2024), suggesting that in certain contexts, being overly proactive may not always lead to improved outcomes, possibly due to misalignment with market conditions or resource constraints. As noted by Huang et al. (2023), impacts of EO dimensions on firm performance depend on the context of the business and the industry in which the business operates.

Similarly, the positive influence of competitive aggressiveness behaviour on the performance of MFCs align well with Löffel and Gmür (2024), Wainaina (2017) and Yewoh and Tangwa (2021). These studies reinforce its role in driving growth and competitiveness in institutions by enabling organizations to actively pursue market opportunities, defend their market share, and respond effectively to their rivals. Conversely, the current study findings do not align with Sofoluwe (2020), who reported no influence of competitive aggressiveness on performance. The lack of alignment may arise from contextual factors, including differences in market strategies, regulatory environments, cultural attitudes towards competition, and resource availability.

Additionally, the absence of the influence of risk-taking behaviour on the performance of MFCs aligns with Sofoluwe (2020) who reported that risk taking was not significantly related to cooperative performance in Nigeria. This highlights that contextual factors and organizational types may limit the role of risk taking in enhancing performance of an

organization. The practical execution of risk initiatives in MFCs is restricted by collective decision approach following board and members approvals, as well as compliance obligations. Also, Löffel and Gmür (2024) revealed that cooperatives are more risk averse as compared to other business organization on different investment decisions. However, the current study findings contrast with studies of Dwumah et al., (2024), Homaid et al. (2018), Löffel and Gmür (2024), and Adam et al. (2024). The divergence between the current study findings and those of previous studies is attributed to contextual and structural differences that shape how risk-taking behaviour influences organizational performance across countries and sectors. The cooperative culture and member driven nature of MFCs emphasize collective responsibility, mutual trust, and asset preservation. Members generally prefer stable returns and may resist initiatives perceived as too risky, thereby discouraging aggressive growth strategies. Similarly, the findings contradict the theoretical expectation that such behaviour should enhance an organization's ability to adapt and compete effectively. This contradiction suggests that other contextual factors, such as regulatory constraints or institutional limitations within MFCs, may inhibit the effective translation of risk-taking behaviour into improved performance outcomes.

Conclusion

EO has been recognized as a vital strategic construct that influences organizational performance across various sectors and institutional settings. The obtained findings reveal a positive influence of the three EO dimensions (innovativeness, proactiveness, and competitive aggressiveness behaviour) on performance of MFCs. However, there was an insignificant relationship between risk taking behaviour and performance of MFCs. The study findings provide evidence that MFCs that practices EO enhance their organizational performance through developing new products and adopting improvements in member driven service. Furthermore, by fostering competitive aggressiveness through marketing strategies, service quality improvements, and other innovations, they can maintain a strong market position. This suggests the likelihood of MFCs expanding their outreach and increasing member retention when their management possesses innovativeness, proactiveness, and competitive aggressiveness behaviour.

Practical Implications and Recommendations

In practice, MFCs that uphold the EO dimensions enhance their organizational performance. The positive influence implies that increasing EO behaviour will in turn increase organizational performance. MFCs should maintain proactive strategies, such as anticipating market changes, seizing opportunities, and taking initiative, as these are essential in achieving operational efficiency given their operating structure is different from that of other MFIs. They should also improve their innovativeness and competitive aggressiveness behaviour focusing on how new ideas are implemented or scaled within the organization, as they represent potential avenues for performance improvement. MFCs should institutionalize and strengthen their innovative capabilities. MFCs' management should encourage the development of new products and services that respond to members' changing needs, such as varied savings products, flexible loan products, and improved service delivery systems. To sustain these behaviours, MFCs should allocate resources for leaders and staff training, operational process improvement, and the adoption of appropriate technologies.

Although the influence of risk-taking behavior on MFCs' performance was limited which was attributed to the collective decision nature of MFC and other regulations requiring approvals from different authorities but it is essential for EO success within MFCs. As it has been pointed out that even some other dimensions including innovativeness, proactiveness and even competitiveness they sometimes depend on the ability of the organization to take calculated risk. Hence, MFCs should have strong risk management practices and a shift in organizational culture by adopting a calculated risk-taking approach as part of their strategic and operational decision-making processes. By focusing on more stable and predictable approaches rather than aggressive risk taking, MFCs can align with their mandate for member protection.

Policy Implications

The findings of this study call for commitment from relevant stakeholders to improve EO capabilities among MFC leaders and managers, which requires proper alignment of cooperative and MFIs' Policies. Policymakers need to build the capacity of MFCs by developing tailor-made training programs that build managers' confidence, enabling them to practice innovativeness, proactiveness, and competitive aggressiveness behaviour and position them as trusted professionals in the MFCs to communicate effectively with the leaders and members. Furthermore, since MFCs are regulated by cooperative and microfinance policies

and Acts, there should be proper regulatory framework and policies that are clear and support the implementation of EO without challenges on adherence. Support to EO may come from amendments and enforcements of the present frameworks such as the Cooperative Policy 2002, Cooperative societies' Act 2013, and Regulations 2015, as well as Microfinance Policy 2017, Microfinance Act 2018, and Regulations for SACCOS 2019. This is crucial in enabling MFCs to be innovative, competitive, and implement proactive strategies more effectively to attain the full potential of EO dimensions in their performance.

Theoretical Implications

The study findings have contributed to the existing theory employed as it makes considerable contributions to EO and performance of organizations literature. The implication is that, according to the resource-based view, innovativeness, proactiveness, and competitive aggressiveness behaviour are distinct, important, and strategic resources and behaviours that help MFCs to reallocate core competencies to achieve desired goals. This study is crucial due to the under-explored research on EO in MFCs, since a considerable number of studies focused on MFIs' performance but little attention has been given to MFCs specifically. Hence, it was crucial to focus on MFCs separately from other MFIs to capture their unique characteristics as cooperatives. So, this study provides a theoretical framework that identifies the comprehensive relationship among EO dimensions and the performance of MFCs.

Also, the study expands the generalizability of previous studies, especially with regard to the contextual considerations when dealing with EO, as the research model focused on the context of MFCs in Tanzania. The results of this study were compared to those obtained in other organizational settings that used EO dimensions to examine organizational performance, including SMEs, MFIs, cooperative societies, and other firms. This continued investigation has helped the researcher gain a deeper insight into the influential role of EO specifically on the performance of MFCs.

Limitations and Areas for Future Studies

Despite the study's contribution, there are some limitations and proposed avenues for future research. The study combined all categories of MFCs irrespective of differences in category and geographical setting. Future research could consider testing the relationship accounting for the contextual differences between MFCs categories. Similarly, researchers may compare rural and urban settings and examine the role of context specific dynamics in implementing the EO dimensions in MFCs. Secondly, since this study was cross-sectional, future studies should consider using longitudinal research designs to better capture the directionality and causal relationships between EO and the performance of MFCs over time. Lastly, as this study employed a quantitative approach, other studies could employ mixed method approach to deepen the understanding of the influence of EO on MFCs' performance by exploring the subjective experiences and perceptions of different stakeholders, including MFCs' managers, board members, and staff.

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