Effect of Managerial Capability on Growth of Micro-Finance Finance Banks in Kenya

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Abstract

Microfinance banks play a significant role in the Kenyan economy, contributing to increased financial inclusion, particularly among low-income populations and underserved small businesses. However, despite their importance, microfinance banks in Kenya continue to face persistent growth challenges. According to the Central Bank of Kenya, the number of licensed microfinance banks declined from 13 in 2018 to 9 in 2022, with several banks either merging, converting into credit-only institutions, or being liquidated due to operational inefficiencies and capital constraints. In response to these challenges, the study sought to assess the effect of managerial capability on the growth of microfinance banks in Kenya. The study was anchored on institutional theory and adopted a positivist research philosophy, employing both descriptive and explanatory research designs. The target population comprised 14 licensed Microfinance banks in Kenya. Given the relatively small and manageable size of the target population, the study employed a census technique, allowing data to be collected from the entire population of 183 respondents without the need for sampling. Data was collected using semi-structured questionnaires, which were distributed through the drop-and-pick-later method. The analysis involved the use of both descriptive and inferential statistics to summarize, interpret, and draw conclusions from the data with multiple linear regression models employed to assess relationships among variables. Diagnostic tests included linearity, normality, homoscedascity and multicollinearity. Based on the findings, the study concluded that managerial capability has a statistically significant effect on the growth of Microfinance Banks in Kenya. In light of the findings, the study recommends that microfinance banks in Kenya prioritize the development and enhancement of managerial capability as a strategic lever for growth. Specifically, Microfinance Banks should invest in continuous professional development programs for both executive leadership and board members.

Keywords: Capability, Growth, Micro-Finance, Banks, Kenya

1.0 Background of the Study

Managerial capability refers to the ability of an organization's leadership to effectively coordinate resources, make strategic decisions, and guide the institution toward achieving its objectives. In microfinance banks (MFBs), this capability is fundamental due to the complex environment in which these institutions operate, often characterized by limited financial resources, high-risk client profiles, and the dual need to remain both commercially viable and socially impactful (Chege & Wamitu, 2022). Globally different financial institutions adopt various aspects of managerial capability in the Malaysia's microfinance sector, particularly through Amanah Ikhtiar Malaysia (AIM), that showcases exemplary managerial capability. AIM has achieved a loan repayment rate exceeding 99%, a performance largely attributed to its structured management systems and training-focused leadership approach (Yusuf et al., 2021). A key component of AIM's strategy is continuous staff capacity development, which ensures that field officers and managers are equipped with the skills to handle credit risk and borrower relationships (Chege & Wamitu, 2022).

In Nigeria, managerial capability is increasingly recognized as a determinant of microfinance bank performance. According to Okeke and Onuoha (2021), banks with skilled and experienced managers are better positioned to maintain portfolio quality, expand client outreach, and navigate the competitive financial services environment. Nigerian MFBs such as LAPO Microfinance Bank and Kuda Bank have benefited significantly from leadership that embraces technology, strategic planning, and staff training (Adeniran & Ojo, 2022). For instance, digital-first institutions like Kuda have leveraged managerial insight to scale rapidly while maintaining lean operations and delivering convenient services to underserved populations (Yusuf et al., 2021).

In Kenya's microfinance banks have embraced managerial capability as a cornerstone of institutional growth and resilience. Studies have shown that institutions with high levels of Managerial Capability for example, microfinance Banks like Faulu Kenya and Kenya Women Microfinance Bank have succeeded in part due to leadership that prioritizes innovation, governance, and human capital development (Otieno & Musyoka, 2022).

In recent years, the role of Microfinance Banks in Kenya has become even more critical in addressing the credit needs of smallholder farmers, informal traders, and youth entrepreneurs. With the COVID-19 pandemic exacerbating financial vulnerabilities, MFBs have demonstrated resilience through the adoption of digital channels and loan restructuring programs, (Makau, Njeru, & Njihia, 2021). Institutions such as Rafiki Microfinance Bank and SMEP have integrated mobile banking and agency networks to reach more clients cost-effectively. Moreover, policy initiatives by the government, including the Financial Sector Development Strategy (FSDS), have emphasized the importance of strengthening microfinance as a pillar of inclusive economic growth, (Nduta & Ngugi, 2022). As the financial landscape continues to evolve, MFBs are increasingly required to align their operations with emerging trends such as digital finance, climate finance, and gender-responsive lending. Despite these advances, the sustainability and growth of Microfinance Banks in Kenya depend heavily on their ability to remain agile, customer-focused, and operationally efficient. The future of the sector hinges on strategic investment in technology, regulatory compliance, risk management, and dynamic capabilities that can help institutions respond to market shifts, (Chege & Kiragu, 2023).

2.0 Statement of the Problem

Micro-finance banks play a significant role in the Kenyan economy, accounting for increased financial inclusion, particularly among low-income populations and underserved small businesses. However, micro-finance banks in Kenya continue to face persistent growth challenges. According to the Central Bank of Kenya (CBK) Microfinance Bank Supervision Annual Report 2022, the number of licensed microfinance banks has declined from 13 in 2018 to 9 in 2022, with several institutions either merging, converting to credit-only institutions, or being liquidated due to operational inefficiencies and capital constraints. Furthermore, the sector's total assets have remained relatively stagnant, growing marginally from KES 64.9 billion in 2021 to KES 67.1 billion in 2022 representing only a 3.4% increase, which is significantly lower than that of the mainstream banking sector therefore the study sought to assess effect of managerial capability on growth of micro-finance banks in Kenya.

3.0Theoretical Framework

This study was anchored on institutional theory, the theory explains how institutional pressures coercive, normative, and mimetic influence organizational behavior. It posits that firms conform to the expectations of the institutional environment to gain legitimacy, stability, and survival. Institutional theory is valuable in explaining homogeneity in organizational structures and practices, especially in regulated sectors like banking. It provides a comprehensive lens through which to examine the role of external pressures in shaping firm behavior (Greenwood et al., 2017). Scott (2015) emphasizes that institutional legitimacy, derived from compliance with industry norms and regulations, is crucial for long-term viability.

Institutional Theory focuses on how organizations are shaped by the rules, norms, and beliefs of the institutional environment in which they operate. In the context of MFBs, managerial capability is influenced by institutional factors such as regulatory frameworks, industry standards, and societal expectations. Managers must possess the capability to align organizational strategies and practices with these institutional pressures to gain legitimacy and secure resources necessary for growth. The theory is crucial in explaining how managerial capability contributes to MFB growth. Effective managers must not only make strategic decisions but also navigate institutional constraints and leverage external legitimacy to attract investors, comply with regulations, and build trust with clients. Institutional Theory underscores the importance of understanding how managerial actions are embedded within broader institutional contexts and how aligning with these contexts can foster organizational growth and sustainability.

4.0 Empirical Review

Kabii and Kinyua, (2023) did a study on the managerial capabilities and business continuity: A review of literature. The paper reviewed conceptual, theoretical as well as extant empirical literature on the relationship between managerial competencies and business continuity with the view of highlighting the knowledge gaps suitable to form basis for future research. Through the review of empirical literature, the paper was able to construct a conceptual context highlighting the historical background of the key constructs, their perspectives as well as the way they are measured and adopted. The paper revealed a relationship between managerial competencies and business continuity as well as the mediating effect of competitive advantage and the moderating effect of market dynamism on this relationship. However, the study was purely theoretical and did not empirically test the proposed frameworks, leaving a gap in validating these frameworks in real-world settings. Additionally, the review lacked a specific sector or country focus, limiting its relevance to Kenyan public or private institutions. The current study addresses these gaps by empirically testing the relationship between managerial capability and growth within the context of Microfinance Banks in Kenya, offering sector-specific insights.

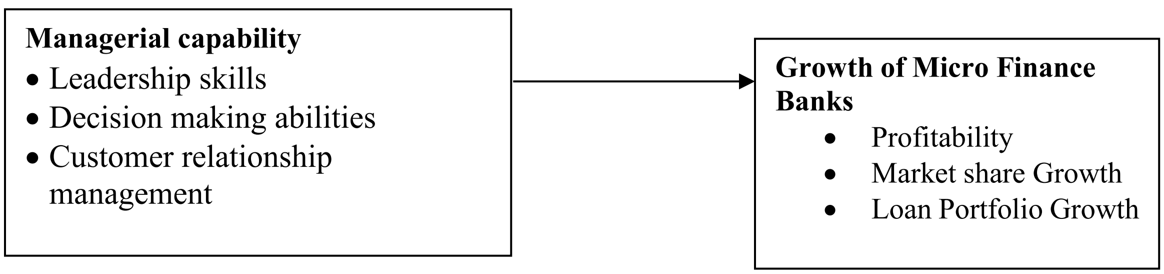
Chematany (2023) did a study of the effect of managerial capability on performance: the case of civil society organizations in Kenya. Use of structured survey was applied with pen and paper closed-ended questions. The results were analyzed using factor analysis (rotated) and Chi-square to test the null hypothesis to establish the association between the capacity and the performance level of the CSOs. X^2 yielded a p=7.844 which was greater than the 0.05 threshold. Therefore, the null hypothesis was rejected. There was a significant difference in the performance levels of CSOs using the goal model and those that do not. Organizations using the goal model perform better than those that do not. The study noted that there is a correlation between organizational capacity and organizational performance of CSOs in Kenya. These results provide evidence for the need of structured and continuous assessment organizational capacity and its effect on performance of CSOs in Kenya. However, the study narrowly focused on capacity without considering specific dimensions of managerial capabilities such as strategic thinking, leadership, and resource management. Additionally, it focused solely on CSOs, leaving a gap for research in other sectors like private enterprises or government institutions. The current study addresses these gaps by examining the role of managerial capabilities more comprehensively and focusing on Microfinance Banks in Kenya.

Ali, Zwetsloot and Nada (2019) did a study on the relationship of managerial capability and operational capability to infuse organizational innovation in small and medium-sized enterprises by proposing and empirically validating a rigorous capability-based model. The study conceptualized managerial capability by considering decision making, management style and people development whereas operational capability is conceptualized by considering process management and performance management. Partial least squares structural equation modelling (PLS-SEM) was employed to test the model hypotheses and importance-performance map analysis (IPMA) providing information about the significance and relevance of the key dimensions of managerial and operational capability which explain and help to infuse organizational innovation. The results exhibited strong and significant relationships among managerial capability, operational capability and organizational innovation where majority of the hypothesis are supported by the empirical results. However, the study focused predominantly on innovation outcomes rather than other performance indicators such as efficiency or competitiveness. Additionally, the study did not specify the regional context, leaving a gap for validation in African or Kenyan settings. The current study addresses these gaps by focusing on broader performance outcomes and applying the research specifically to Microfinance Banks in Kenya.

Kazi (2023) conducted a study on the influence of development on managerial capabilities and performance, using empirical evidence from Pakistan. The purpose of the study was to investigate the influence of development on creating superior managerial capabilities that impact organizational performance. The findings revealed a two-link value chain relationship: development creates managerial capabilities, and managerial capabilities, in turn, enhance performance. This value chain was examined in the context of organizational size and ownership, yielding noteworthy empirical insights. Specifically, multinational and large-sized Pakistani organizations were found to foster a learning culture and invest in development initiatives, which enhanced their managerial capabilities and led to improved performance. However, the study did not differentiate between various forms of development, such as formal training versus experiential learning. Additionally, it focused on large firms in Pakistan, leaving a gap for research in smaller or mid-sized firms in other developing countries. The current study bridges this gap by examining the influence of managerial capabilities on performance specifically within Kenyan Microfinance Banks.

5.0. Conceptual Framework

Independent Variable **Dependent Variable**



6.0 Methodology

The study was guided by a positivist approach, which is grounded in the belief that reality is objective and can be measured through empirical observation and statistical analysis. An explanatory research design was employed to investigate the relationship between managerial capability and the growth of microfinance banks in Kenya. This design was deemed appropriate as it provided deeper insights into the specific problem under investigation. The target population consisted of all fourteen licensed Microfinance Banks (MFBs) in Kenya. These institutions were selected based on their operational status, having been in existence for more than five years, and their compliance with regulatory requirements set by the Central Bank of Kenya (CBK) under the Microfinance Act, 2006. The study specifically focused on executive leadership and members of the boards of management from each of these fourteen MFBs, resulting in a total of 183 respondents. Given the relatively small and manageable size of the target population, the study adopted a census technique, enabling the collection of data from the entire population of 183 respondents without the need for sampling. This ensured comprehensive coverage and enhanced the reliability of the findings. To gather relevant data on the key study variables, the research utilized primary data collection methods. Data was collected using semi-structured questionnaires, which were predominantly composed of both open and closed-ended questions. The questionnaires were distributed using the drop-and-pick-later method, which allowed respondents adequate time to reflect on and complete the questions thoroughly. Once collected, the data was analyzed using the Statistical Package for Social Sciences (SPSS). The analysis involved the use of both descriptive and inferential statistics to summarize, interpret, and draw conclusions from the data. Descriptive statistics helped in understanding the distribution and trends in the dataset, while inferential statistics were used to examine relationships and test hypotheses concerning the variables under study.

7.0 Results

7.1 Response Rate

The researcher issued out 183 questionnaires to the respondents. Out of 183 questionnaires issued, 163 were successfully filled and returned for analysis thus giving the study 89% response rate.

Table 1: Response Rate

Response	Frequency	Percentage (%)
Expected response	183	100
Received response	163	89
Un-received response	20	11

Source: Survey Data (2025)

7.2 Demographic Data

7.2.1 Duration of Employment at the Micro-finance Bank

The researcher sought to establish the duration the respondents have been serving in the Micro-Finance Bank. The findings were as indicated in table 2

Table 2: Duration of Employment at the Micro-finance Bank

Duration of Employment	Frequency	Percentage (%)
Below one year	21	13%
2–3 years	37	23%
4–5 years	46	28%
6–10 years	41	25%
Above 10 years	18	11%
Total	163	100

Source: Survey Data (2025)

From the findings, 13% were had worked in MFBs in Kenya for less than a year 23% had worked in MFBs in Kenya for 2-3 years, 28% had worked in MFBs in Kenya for 4-5 years, 25% had worked in Kenya for 6-10 years while 11% had worked in MFBs in Kenya for over 10 years. This implies that majority of the respondents had worked in MFBs in Kenya for 4- 5 years. This shows that the largest proportion of respondents (28%) had 4–5 years of experience working in MFBs, suggesting that most of the participants had moderate experience in the sector. A substantial number of respondents also had over 6 years of experience, indicating a fairly experienced workforce overall.

The moderate to high level of work experience among the respondents implies that the study captured insights from individuals who have had sufficient exposure to the operational and strategic aspects of MFBs. This enhances the reliability of the data, especially in evaluating dynamic capabilities such as sensing, seizing, reconfiguration, and managerial capacity, which often require an in-depth understanding of internal processes and external market dynamics. Experienced employees are more likely to provide informed perspectives on how dynamic capabilities influence the growth of MFBs and may also be better positioned to assess the effectiveness of competitive strategies employed by their institutions.

7.3 Descriptive Findings for Managerial Capability on Growth of Micro-finance Finance Banks

The researcher further sought to assess the level of agreement with the statements on the effect of managerial capability on growth of Micro-finance Finance Banks in Kenya. The responses were rated from 1-5 where 1 is the lowest meanwhile and 5 indicated the highest mean. Key SA=Strongly Agree, A=Agree, U=Undecided, D=Disagree, SD=Strongly Disagree. The study findings were as indicated in table 3

Table 3 : Managerial Capability on Growth of Micro-finance Finance Banks

Managerial Capability	Mean	Std.
Managers effectively inspire and motivate their teams.	3.839	1.184
Managers in our bank demonstrate strong leadership in achieving organizational goals.	3.822	1.114
MFBs leadership effectively communicates the organization's vision and goals to employees.	3.907	1.054
Managers in our MFB are approachable and supportive to their team members.	3.670	1.170
Managers regularly provide constructive feedback to employees.	3.915	1.034

Managerial decisions in our MFB are based on thorough analysis and data.	4.025	0.965
Managers make timely and effective decisions.	3.610	1.148
Decision-making processes in our MFB are transparent and involve relevant stakeholders.	4.025	0.965
MFB managers consider both short-term and long-term impacts when making decisions.	4.034	0.978
Our managers are effective in crisis decision-making and handling unforeseen challenges.	4.102	0.928
MFB maintains strong and positive relationships with customers.	3.763	1.107
Customer feedback is actively sought and used to improve our services.	3.610	1.148
Our bank provides prompt and effective solutions to customer issues	3.610	1.148
Managers in our bank are skilled in handling customer complaints and resolving conflicts.	4.025	0.965
Our MFB regularly conducts customer satisfaction surveys to understand customer needs.	4.034	0.978
MFB maintains strong and positive relationships with customers.	4.102	0.928
Aggregate	3.881	1.051

Source: Survey Data (2025)

From the analysis, majority of the respondents agreed that managers effectively inspire and motivate their teams, with a mean of 3.839 and a standard deviation of 1.184. This implies that leadership motivation is generally practiced but with varying intensity. Further, respondents agreed that managers demonstrate strong leadership in achieving organizational goals, with a mean of 3.822 and a standard deviation of 1.114. This implies that effective goal-oriented leadership is perceived positively across most MFBs.

The findings also revealed that MFB leadership effectively communicates the organization's vision and goals to employees, with a mean of 3.907 and a standard deviation of 1.054. This implies that managerial capability has a positive effect on the growth of Micro-finance Finance Banks in Kenya. The findings indicate that managers are generally effective in inspiring and motivating teams, demonstrating leadership toward achieving organizational goals, and clearly communicating the institution’s vision and objectives. These leadership qualities contribute to aligning employees with strategic goals, fostering a productive work environment, and driving organizational performance.

Additionally, the study showed that managers regularly provide constructive feedback to employees, with a mean of 3.915 and a standard deviation of 1.034. This implies that feedback mechanisms are well-embedded in most managerial routines. From the analysis, majority of respondents agreed that managerial decisions are based on thorough analysis and data, with a mean of 4.025 and a standard deviation of 0.965. This implies that data-informed decision-making is commonly practiced. Respondents moderately agreed that managers make timely and effective decisions, with a mean of 3.610 and a standard deviation of 1.148. This implies that while decisions are generally effective, timeliness could be improved. The findings revealed that decision-making processes are transparent and involve relevant stakeholders, with a mean of 4.025 and a standard deviation of 0.965. This implies that participatory decision-making is emphasized in many MFBs.

From the analysis, majority of respondents agreed that managers consider both short-term and long-term impacts when making decisions, with a mean of 4.034 and a standard deviation of 0.978. This implies that strategic foresight is evident in leadership decisions. Respondents also agreed that managers are effective in crisis decision-making and handling unforeseen challenges, with a mean of 4.102 and a standard deviation of 0.928. This implies that managerial resilience during crises is strong in most institutions. This implies that managerial capability in Micro-finance Finance Banks in Kenya is generally perceived to be strong and supportive of institutional growth. Managers are viewed as approachable, provide constructive feedback, and base decisions on thorough analysis and data, which enhances employee engagement and operational effectiveness. Transparent and inclusive decision-making further reinforces trust and collaboration within teams. However, there is some variability in perceptions regarding the timeliness and effectiveness of decisions, as well as the systematic implementation of new processes. Strengthening these areas could further improve managerial impact and drive sustainable growth in the sector.

Further, respondents agreed that MFBs maintain strong and positive relationships with customers, with a mean of 3.763 and a standard deviation of 1.107. This implies that customer relationship management is actively supported. The study revealed that customer feedback is actively sought and used to improve services, with a mean of 3.610 and a standard deviation of 1.148. This implies that feedback loops are present though they may not be consistently applied. Respondents moderately agreed that the bank provides prompt and effective solutions to customer issues, with a mean of 3.610 and a standard deviation of 1.148. This implies that responsiveness in service delivery may vary. It was also agreed that managers are skilled in handling customer complaints and resolving conflicts, with a mean of 4.025 and a standard deviation of 0.965. This implies that conflict resolution is a key leadership strength within MFBs.

Respondents noted that the MFB regularly conducts customer satisfaction surveys to understand customer needs, with a mean of 4.034 and a standard deviation of 0.978. This implies that efforts to measure satisfaction are systematic. Finally, respondents agreed that MFBs maintain strong and positive relationships with customers, with a mean of 4.102 and a standard deviation of 0.928. This implies a strong emphasis on customer engagement and loyalty-building. Overall, the aggregate mean of 3.881 and standard deviation of 1.051 implies that managerial capability is generally well-developed in Micro-finance Banks in Kenya, with strengths in strategic leadership and customer focus, although some aspects such as decision timeliness require further improvement. This implies that Micro-finance Finance Banks in Kenya place significant emphasis on customer relationship management as a key driver of competitive advantage. The findings suggest that managers are proficient in handling complaints and resolving conflicts, which enhances customer trust and satisfaction. Regular customer satisfaction surveys and the maintenance of strong client relationships indicate a proactive approach to understanding and meeting customer needs. These practices, coupled with the integration of new business operation processes, strengthen the banks' market positioning and contribute positively to their competitive edge in the dynamic financial sector.

7.4 Growth of Micro-Finance Banks in Kenya

The researcher further sought to assess the level of agreement with the statements on growth of Micro-finance Finance Banks in Kenya. The responses were rated from 1-5 where 1 is the lowest meanwhile and 5 indicated the highest mean. Key SA=Strongly Agree, A=Agree, U=Undecided, D=Disagree, SD=Strongly Disagree. The study findings were as indicated in table 4

Table 4: Growth of Micro-Finance Banks in Kenya

	Mean	Std
Our microfinance bank has consistently experienced growth in profitability over the last three years.	3.644	0.957
Profitability targets set by our microfinance bank are regularly achieved or exceeded.	3.856	0.765
Our microfinance bank has increased its market share growth significantly in recent years.	3.786	0.786
We have successfully captured a larger share of the market compared to our competitors.	3.271	1.059
Our microfinance bank has expanded its geographical reach, enhancing market share.	3.111	0.908

The total value of loans issued by our microfinance bank has increased significantly over the past three years.	3.305	1.311
Loan repayment rates by our customers have improved, contributing to portfolio growth.	3.686	1.175
Our microfinance bank has consistently achieved higher revenue levels annually.	3.637	1.144
Revenue growth rates have improved, contributing to portfolio growth	3.693	1.161
Aggregate	**3.525**	**1.060**

Source: Survey Data (2025)

From the analysis, majority of the respondents agreed that their microfinance bank has consistently experienced growth in profitability over the last three years, with a mean of 3.644 and a standard deviation of 0.957. This implies that profitability has been on a positive trajectory over time. Respondents agreed that the profitability targets set by their microfinance bank are regularly achieved or exceeded, with a mean of 3.856 and a standard deviation of 0.765. This implies that financial performance has generally met institutional expectations. From the analysis, most respondents moderately agreed that their microfinance bank has successfully captured a larger share of the market compared to competitors, with a mean of 3.271 and a standard deviation of 1.059. This implies that market penetration is occurring but remains modest. Respondents were in moderate agreement that their microfinance bank has expanded its geographical reach, enhancing market share, with a mean of 3.111 and a standard deviation of 0.908. This implies that while outreach efforts exist, geographical expansion is still growing.

It was noted that respondents agreed the total value of loans issued by their microfinance bank has increased significantly over the past three years, with a mean of 3.305 and a standard deviation of 1.311. This implies that the lending capacity has expanded over time. Respondents agreed that loan repayment rates by customers have improved, contributing to portfolio growth, with a mean of 3.686 and a standard deviation of 1.175. This implies that loan performance is becoming more stable, enhancing sustainability.

Further, respondents agreed that their microfinance bank has consistently achieved higher revenue levels annually, with a mean of 3.637 and a standard deviation of 1.144. This implies positive financial momentum over consecutive years. Lastly, respondents agreed that revenue growth rates have improved, contributing to portfolio growth, with a mean of 3.693 and a standard deviation of 1.161. This implies that the bank's financial expansion is tied closely to improved revenue metrics. Overall, the aggregate mean of 3.525 and a standard deviation of 1.060 implies that the growth of

Micro-Finance Banks in Kenya is moderate and consistent, reflecting steady performance improvements across profitability, loan portfolio, and revenue generation.

7.5 Diagnostic Tests

Before conducting the inferential statistics, the study conducted a normality tests

Table 5: Normality Assumption Test Results

Variable	Kolmogorov- Smirnov	Sig
Managerial Capability	.234	.871
Growth of Microfinance Banks	.322	.877

The findings indicated that managerial capability had a Kolmogorov-Smirnov significance value of p=.234>0.05 while growth of microfinance banks had a Kolmogorov-Smirnov significance value of p=.322>0.05. Since the p-values were greater than the significance level (0.05), this implies that the data were normally distributed.

7.6 Inferential Statistics

Under inferential statistics the study conducted both correlation and regression analysis. The findings are indicated below

Table 6 : Correlation Results

		Growth of Micro-finance Finance Banks
Managerial Capability	Pearson Correlation	.988**
	Sig. (2-tailed)	.000
	N	163

The results revealed there is very strong and positive statistically significant relationship between managerial capability and the growth of microfinance banks in Kenya (r = 0.988, p = 0.000). This result demonstrates that effective leadership, strategic thinking, and management competence play a pivotal role in strengthening the growth trajectory of MFBs. This exceptionally strong correlation suggests that the quality and adaptability of managerial leadership are critical drivers of growth for MFBs. This result agrees with Karanja & Muturi (2020), who found that transformational leadership significantly influences the strategic alignment and expansion of microfinance banks.

8.0 Conclusion

The study concluded that managerial capability has a statistically significant effect on the growth of Microfinance Banks (MFBs) in Kenya. The results suggest that MFBs led by skilled and experienced management teams are better equipped to design adaptive strategies, implement sound credit management practices, embrace innovation, and respond effectively to both market opportunities and operational risks.

9.0 Recommendations

In light of the findings, the study recommended that microfinance Banks in Kenya prioritize the development and enhancement of managerial capability as a strategic lever for growth. Specifically, MFBs should invest in continuous professional development programs for both executive leadership and board members. This includes targeted training in areas such as strategic management, financial planning, risk management, corporate governance, digital transformation, and customer-centric innovation.

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