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Strategic Capabilities and Competitive Advantage of Microfinance Institutions in Rwanda: A Case of Duterimbere-IMF Plc

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Abstract

Purpose: To investigate the effect of strategic capabilities on the competitive advantage of microfinance institutions in Rwanda, with a specific focus on Duterimbere Microfinance Institution Plc.

Methodology: A descriptive research design was employed, targeting 110 management personnel at Duterimbere- Microfinance Institution Plc, with a sample size of 52 using a simple random sampling technique. Data was collected through questionnaires and secondary sources.

Findings: The multiple regression analysis revealed that among the strategic capabilities' aspects, technological capabilities showed a positive and significant contribution to the competitive advantage of Duterimbere Microfinance Institution ($P = 0.059$, $B=0.275$), marketing capabilities had a statistically significant and positive impact on the competitive advantage of Duterimbere Microfinance Institution ($P=0.018$, $B=0.232$). In contrast, human resource capabilities had a non-significant negative contribution ($P = 0.450$, $B =-0.137$).

Unique Contribution to Theory, Practice and Policy: The study recommends that Duterimbere Microfinance Institution should continue to refine its marketing strategies and enhance its technological capabilities to stay ahead of competitors. Duterimbere Microfinance institution should continue refining its marketing strategies and investing in technological advancement that enhances operational efficiency, customer satisfaction, and data-driven decision-making to stay ahead of competitors. Technical capabilities like digital platforms, mobile banking, and online marketing tools should also be leveraged to support the efforts in marketing.

Keywords: *Human Resource Capabilities, Marketing Capabilities, Strategic Capabilities, Technological Capabilities, Competitive Advantage*

JEL Codes of Classification: *M120, M31, M00, M150, L1*

INTRODUCTION

Microfinance institutions (MFIs) have emerged as key players in the global financial landscape, serving as catalysts for financial inclusion and poverty alleviation by offering financial services such as loans, savings, and insurance to underserved populations. By providing access to financial services to the unbanked, microfinance contributes to 6 of the United Nations' 17 Sustainable Development Goals (SDGs; Chikwira, Vengesai, & Mandude, 2022). Globally, the rise of impact investing and the integration of social entrepreneurship into finance have reshaped the competitive advantage of MFIs like BRAC and Grameen Bank. Investors now prioritize both financial returns and social impact, aligning with the dual bottom line (Khan, Johl, & Akhtar, 2021). According to the World Bank Group (2023), financial inclusion increased from 51% to 76% between 2011 and 2021, especially in countries like India, Bangladesh, and Kenya, where microfinance institutions have expanded significantly. This growth has not only improved financial sustainability but has also enhanced the competitive advantage of MFIs globally. In Rwanda, the microfinance sector has played a similar pivotal role in driving financial inclusion and reducing poverty. With 472 registered MFIs (Verrinder, 2022), the sector supports a wide range of individuals and small businesses that traditional banks often overlook. One notable player in Rwanda's microfinance landscape is Duterimbere-IMF Plc, which has been at the forefront of empowering underserved communities, especially women and small enterprises. As Rwanda strives to meet its Vision 2050 goals, MFIs like Duterimbere are instrumental in fostering financial inclusion, contributing to economic growth, and enhancing social well-being.

As time progresses, MFIs continue to develop and expand their influence. However, for them to maintain a competitive edge, they must rapidly adapt to evolving market conditions. One key proposition for maintaining this competitive advantage is the adoption of digitalization. Digital tools and fintech solutions have become game-changers for African MFIs. The integration of mobile banking and digital platforms enhances outreach, reduces operational costs, and offers innovative financial products to previously underserved populations (Lesma et al., 2021). This technology enables MFIs to provide low-cost financing to clients, bolstering their competitiveness. Strategic planning is essential for an organization's success, as it involves assessing resource and capability portfolios to determine market strengths. Strategic capabilities encompass the unique resources, competencies, and capacities that an organization possesses, enabling it to navigate market complexities and achieve superior performance (Anderson, 2023).

Looking at local MFIs, they have adopted various strategies to remain competitive, including diversifying their product portfolios. The introduction of new financial products, such as insurance, savings products, and agricultural finance, is designed to meet the diverse needs of the population (Mutai, 2023). This approach has had a positive impact, with 35% of farmers beginning to save in MFIs like Umurenge SACCO or mobile money operators in 2020 (Access to Finance, 2020). Understanding the strategic capabilities of MFIs is critical to their transformation and development. The increasing competition in this sector poses a risk of declining profitability for MFIs. As Mugo (2020) explains, to survive in an intense competitive environment, organizations must effectively manage threats from rivals. Microfinance has become a lifeline for those underserved by commercial banks, enabling them to access loans, savings, and insurance for their farms, businesses, and other assets (Indeed, 2022).

In this context, Duterimbere-IMF Plc faces fierce competition in the Rwandan microfinance sector. To stay competitive, it is crucial for Duterimbere to leverage its strategic capabilities. These capabilities include a combination of human resources, marketing strategies, and technological advancements that allow the institution to stand out. By understanding and harnessing these strengths, Duterimbere-IMF Plc can maintain and enhance its competitive advantage in a challenging environment (UK, iQualify & Commenter, 2023). This study aims to delve into the organizational processes, managerial decisions, and resource allocation strategies that contribute to Duterimbere-IMF Plc's ability to outperform competitors and achieve long-term success. By examining key aspects such as human resource capacities, marketing strategies, and technological advancements, the study will explore the dynamic interplay between strategic capabilities and the competitive advantage achieved by Duterimbere-IMF Plc in its specific industry context.

Problem Statement

In the contemporary landscape of the financial sector, particularly in Rwanda, microfinance institutions (MFIs) play a pivotal role in addressing financial inclusion challenges by providing crucial financial services to underserved communities such as cooperatives, local farmers, and other rural settlers. According to Verrinder (2022), Rwanda has 472 registered microfinance institutions, 18 of which are Public Limited Companies (PLC). Though these institutions serve less privileged communities, Verrinder (2022) has shown that microfinance institutions were able to maintain a capital and liquidity ratio of 31.6%, while the return rate increased by 21.4%. This highlights the advantage these institutions can gain from leveraging their strategic capabilities.

However, as these institutions navigate increasingly complex and dynamic environments, understanding how strategic capabilities contribute to competitive advantage becomes crucial for their sustained success and societal impact. Various studies have explored the strategic capabilities and competitive advantage of microfinance institutions, but research gaps remain. For instance, Menganyi, Abayo, and Muraguri (2023) found that marketing and technology capabilities are key factors employed by microfinance institutions in Nairobi, Kenya to sustain competitive advantage. While these studies emphasize certain capabilities, the current study will expand the analysis by including human resource capabilities as a critical factor in the competitive advantage of MFIs in Rwanda. By focusing on human resource capabilities, this study will contribute to the understanding of how these institutions can effectively harness their workforce to remain competitive.

Furthermore, Rashid, Akmal, and Shah (2024) predominantly focus on the strategic capabilities of large-scale financial institutions, such as commercial banks, leaving a gap in understanding the specific context of microfinance institutions. This study will address this gap by concentrating on the strategic capabilities and competitive advantage of microfinance institutions in Rwanda. In contrast to the study by Muithya and Muathe (2020), which examined dynamic capabilities and performance in Kenyan MFIs, the current study takes a broader view, assessing strategic capabilities as a whole—including marketing, technology, and human resource capabilities—and their impact on competitive advantage.

Moreover, empirical evidence regarding the most critical strategic capabilities for microfinance institutions, and how these capabilities interact to create and sustain competitive advantages, is limited. Identifying these capabilities is essential for informing strategic decision-making within MFIs and fostering a more effective and sustainable financial inclusion ecosystem. This research aims to bridge this gap by investigating the strategic capabilities employed by MFIs in Rwanda, with a particular focus on the role of technological capabilities, marketing capabilities, and human resource capabilities, and examining how they directly influence the ability of these institutions to gain and maintain competitive advantage.

Objectives of the Study

General Objective

The general objective of this research was to investigate the effect strategic capabilities contribute to the competitive advantage of microfinance institutions in Rwanda, with a specific focus on Duterimbere-IMF Plc.

Specific Objective

i. To determine the effect of technological capabilities on the competitive advantage of Duterimbere-IMF Plc.
ii. To examine the effect of marketing capabilities on the competitive advantage of Duterimbere-IMF Plc.
iii. To analyze the effect of human resource capabilities on the competitive advantage of Duterimbere-IMF Plc.

Research Hypotheses

H_{01} Technological capabilities have no significant effect on the competitive advantage of Duterimbere-IMF Plc.

H_{02} Marketing capabilities have no significant effect on the competitive advantage of Duterimbere-IMF Plc.

H_{03} Human resource capabilities have no significant effect on the competitive advantage of Duterimbere-IMF Plc.

Theoretical Review

Market- based theory was developed by Mason and Bain in 1950 who linked the structure of an institution to its success. The market-based view contends that the success of an institution doesn't rely on its inward attributes, yet relies upon the environment it works in. Subsequently, the institution is viewed as a 'black box' and the open doors for a sustained competitive advantage dwells in the business structure (Ostendorf, 2021). This is a theory suggests that a firm’s unique resources and capabilities contribute significantly to its competitive advantage. As explained by Puspaningrum (2020), the theory suggests that firms with strong marketing capabilities are better positioned to adapt to changes in customer preferences, technology advancements, and competitive landscapes, hence the organization should foster a culture of innovation, enabling them to create new and appealing services.

Dynamic Capability Theory, introduced by Teece and Pisano in 1997, refers to a firm's ability to integrate, build, and reconfigure internal and external competencies to adapt to rapidly changing environments (Board & Meyer-ter-Vehn, 2022). In simpler terms, dynamic capabilities allow a company to remain flexible and responsive to market shifts, ensuring that its resources and strategies can be adjusted to meet new challenges. In the context of marketing, dynamic capabilities emphasize the importance of adapting marketing strategies and tactics in response to evolving market conditions. This ability to change quickly and effectively can give companies a competitive advantage in fast-moving industries. Teece, and Pisano’s dynamic capabilities framework highlights how organizations can restructure their resources and strategies to maintain a sustainable competitive advantage, particularly in environments that are constantly changing (Ferreira, Coelho, & Moutinho, 2020). Bhardwaj, Srivastava, Taggar, and Bindra (2022) suggest that the dynamic capabilities concept originates from Schumpeter's innovation-based competition theory. This theory argues that competitive advantage is not permanent, as it depends on the destruction of old resources and their reorganization into new capabilities. Essentially, companies must constantly reinvent themselves to stay ahead in the business world. Moreover, dynamic capabilities focus on adaptability and survival, rather than simply sustaining existing practices. Kapoor and Aggarwal (2020) argue that a firm's success is based on its ability to innovate, respond quickly to market changes, and effectively manage both internal and external resources. Simply possessing valuable resources is not enough, as these resources can lose value due to competitor imitation or market shifts (Arranz, 2020). To stay competitive, companies must continuously develop new forms of competitive advantage through their flexible and adaptable capabilities (Arranz, 2020).

Competitive Advantage Theory was introduced in 1985 and was primarily associated with Michael Porter and it is a cornerstone in strategic management and business strategy (Mugo, 2020). Porter's competitive advantage theory focuses on how organizations can achieve and sustain a competitive advantage in their industry. The theory explains that competitive advantage comprises two key concepts; cost leadership and differentiation where cost leadership is achieved when a firm becomes the lowest-cost producer in its industry (Huebsch, 2019). This allows the company to offer products or services at lower prices than its competitors while maintaining the profitability. This can result in profit margins or increased market share. It provides a competitive advantage by appealing to price-sensitive customers and creating a barrier for competitors trying to compete on price. Where on the other side, differentiation involves offering unique or superior products or services that are valued by customers. This uniqueness could be in the form of product features, branding, technology, or customer services (Orel, 2020). This competitive advantage theory guides strategic decisions such as whether to pursue cost leadership, differentiation, or focus strategies based on their industry and competitive position. Understanding competitive advantage helps in allocating resources effectively. Resources can be directed toward activities that enhance cost efficiency or contribute to product/service differentiation (Black, 2023).

Empirical Review

Technological Capabilities and Competitive Advantage

The study conducted by Muazu and Abdulmalik (2021) explored the nexus between the information technology (IT) capabilities of enterprises and their ability to gain a competitive advantage through IT resources. Based on a comprehensive review of strategic management and IT management literature, the study employed secondary data to examine the relationship between IT capabilities—specifically IT infrastructure, IT human resources, and IT knowledge management—and competitive advantage. The Resource-Based View (RBV) was identified as a key theory for explaining this relationship, with the study ultimately showing a positive and significant relationship between IT capabilities and competitive advantage.

Similarly, the research by Feng, Sun, and Gao (2020) examined the high-tech industry in the Fujian Province of China and highlighted the relationship between core technological capabilities and sustainable competitive advantage. Through a combination of quantitative and qualitative evaluation methods, they found that innovation and sustained research efforts were central to maintaining a competitive edge in high-tech enterprises. While their study is specific to the high-tech industry, the emphasis on innovation and strategic investments in technology provides useful insights for Rwandan microfinance institutions, which also need to adapt to technological advancements to stay competitive.

Heredia, Castillo, Geldes, Gamarra, and Flores (2022) explored the dynamics between technology capabilities and firm performance in the manufacturing sector of China's Pearl River Delta. Their findings revealed a significant association between IT capability and competitive advantage, with IT investments contributing to operational efficiency and strategic flexibility. Although the focus was on manufacturing firms, the parallels in the role of IT investments offer important lessons for the microfinance sector in Rwanda, where IT infrastructure and capabilities can similarly enhance competitiveness and efficiency.

Furthermore, the longitudinal study by Raji, Olodo, Addy, Ofodile, and Oyewole (2024) examined the impact of digital transformation on SMEs across Europe. Over a five-year period, the study found that SMEs with advanced technology capabilities, such as digital infrastructure and e-commerce integration, experienced superior performance in market share, profitability, and innovation. While the study focused on European SMEs, the findings are relevant to Rwandan microfinance institutions, which must embrace digitalization to remain competitive in an increasingly digital economy. The lessons drawn from this study underscore the importance of technological adoption for maintaining competitiveness in any industry, including microfinance.

Though these studies focus on industries and regions distinct from the Rwandan microfinance sector, their insights on IT capabilities and digital transformation are valuable. Microfinance institutions in Rwanda can draw on these findings to enhance their technological infrastructure and improve their competitive standing by leveraging IT resources strategically.

Marketing Capabilities and Competitive Advantage

The study conducted by Salimi, Sanayei, and Ansari (2020) on maintaining and developing marketing capabilities and sustainable competitive advantage in the Iranian steel industry provides valuable insights that can be adapted to other sectors. Their study, which involved 350 managers and experts from the Tehran Stock Exchange-listed steel companies, confirmed that businesses must develop internal integrity to create, maintain, and develop marketing and organizational capabilities. While the steel industry differs from the microfinance sector in Rwanda, the emphasis on the development of strong marketing strategies to maximize efficiency and minimize vulnerability resonates with the challenges faced by microfinance institutions (MFIs). These institutions also require robust marketing strategies to enhance their competitive advantage in an increasingly competitive financial landscape.

Similarly, Chao and Meiyu's (2022) research on marketing capabilities, competitive advantage, and business performance in South Korea's franchising sector highlights the importance of aligning marketing capabilities with organizational goals and market dynamics. Although their study is set in a different geographical and industry context, the focus on continuous adaptation of marketing capabilities in response to evolving market conditions is particularly relevant to Rwandan MFIs. Like South Korean franchises, MFIs in Rwanda operate in dynamic environments that require strategic flexibility and refinement of marketing capabilities to remain competitive.

Carlos (2020) explored the relationship between market orientation, marketing capabilities, and competitive advantage in the hospitality sector. His study affirms the critical role of marketing capabilities, such as innovation and branding, in enhancing competitive advantage. While the hospitality industry is distinct from the microfinance sector, the concept of leveraging marketing capabilities to boost competitiveness applies equally well to Rwandan MFIs. The ability to innovate in service delivery and build a strong brand can help MFIs differentiate themselves and attract more clients, thereby increasing their market share and sustainability.

While these studies focus on industries and regions different from the microfinance context in Rwanda, the findings provide valuable lessons. The emphasis on developing marketing capabilities, adapting strategies to evolving market conditions, and aligning organizational goals with competitive dynamics is crucial for MFIs in Rwanda as they strive to strengthen their competitive advantage and improve financial inclusion.

Human Resource Capabilities and Competitive Advantage

The study by Wongsansukcharoen and Thaweepaiboonwong (2023), which examined small and medium enterprises (SMEs) in Thailand, highlighted the significant relationship between innovation capabilities, competitive advantage, and performance. While their study focuses on the wholesale and retail sectors in Thailand, their findings on innovation and technology capabilities provide valuable insights that can be adapted to microfinance institutions (MFIs) in Rwanda. Like SMEs in Thailand, Rwandan MFIs such as Duterimbere-IMF Plc must innovate and enhance their technological capacities to maintain competitiveness in a rapidly evolving financial landscape.

Similarly, Alshammari's (2020) research in Saudi Arabia examined the relationships between human resource management (HRM) practices, organizational culture, and organizational performance. Though the context is different, the strategic alignment of HRM practices and organizational learning outlined in the study is relevant to MFIs in Rwanda. Rwandan MFIs, particularly Duterimbere-IMF Plc, can draw from these insights to improve their human resource capabilities and foster a learning culture that promotes organizational performance and competitiveness. Human resource capabilities are critical in empowering staff and aligning organizational goals with market demands, a gap that has not been fully explored within the context of microfinance in Rwanda.

Thakur, Bhatnagar, and Aeron (2024) explored the link between human resource analytics (HRA) and firm performance, emphasizing the role of HRA in shaping HRM practices and driving competitive advantage. Though this study focuses on larger firms, its findings are applicable to the microfinance sector, particularly for institutions like Duterimbere-IMF Plc, which need to leverage human resource data analytics to streamline HR practices and improve decision-making. This is especially important for enhancing the problem-solving capabilities of employees, which in turn strengthens the institution's overall competitiveness.

Moreover, Battour, Barahma, and Al-Awlaqi (2021) emphasize the importance of competence-based HRM practices in achieving sustainable competitive advantage. This competence-based approach is vital for microfinance institutions like Duterimbere-IMF Plc, which face the challenge of competing against larger financial institutions. Developing and nurturing HR competencies can enable Duterimbere to stay competitive by improving operational efficiency, employee performance, and customer service.

Conceptual Framework

Independent Variables **Dependent Variable**

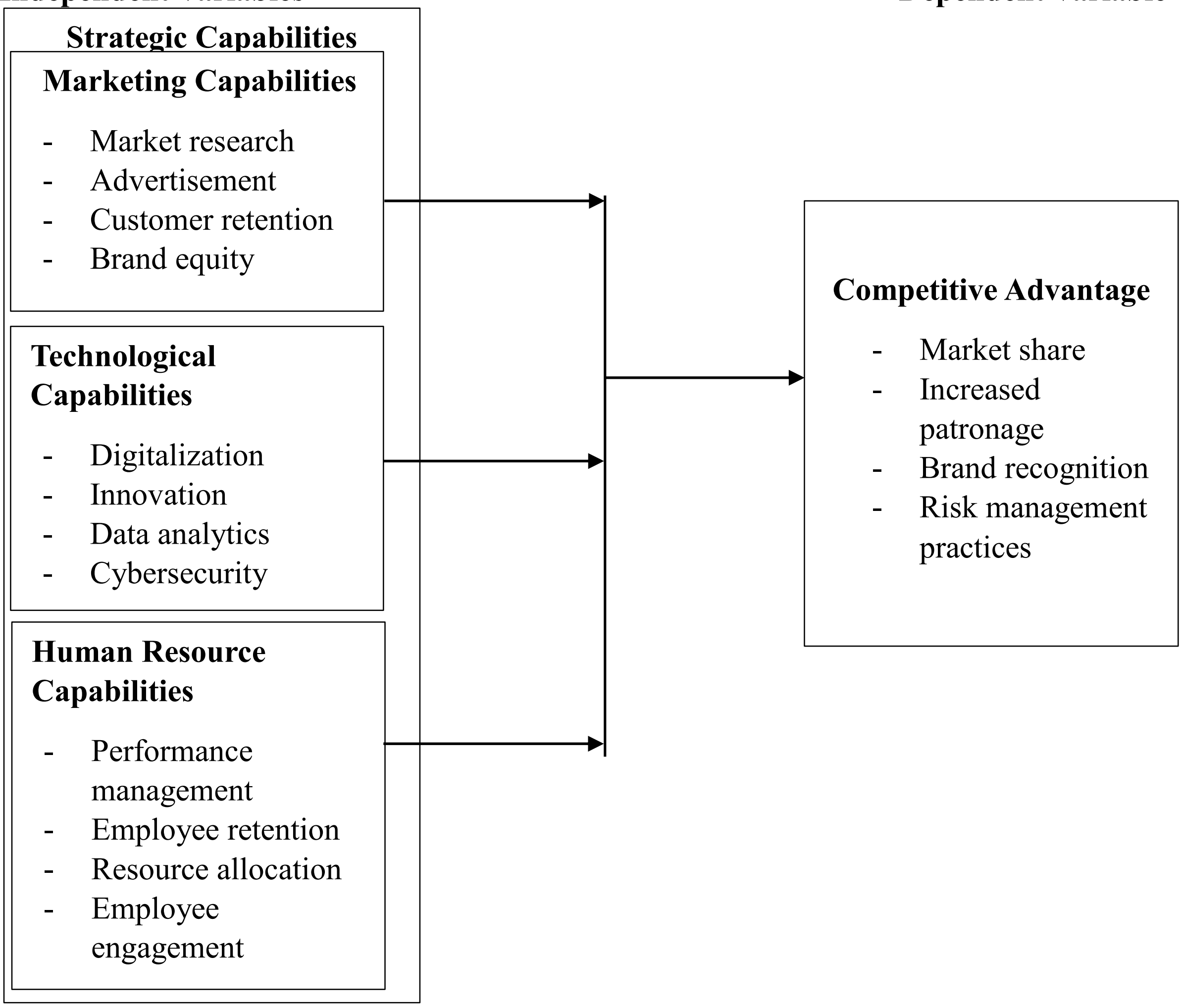

Figure 1: Conceptual Framework

Source: Researcher (2024)

METHODOLOGY

Research Design

A descriptive research design was used. The study population was 110 employees from low, medium, and top levels in the management team at Duterimbere-IMF Plc. The study used statistical sampling to select a subset of employees from the total target population which is all staff in the management team at Duterimbere-IMF Plc, from 3 branches in Kigali city. From the total target population which is 110 employees, the sample size was calculated using Yamane formula of: Sample size;

$$n = \frac{N}{1 + N(e)^2}$$

Where

n= sample size

N= total target population

e= sample error

$$n = \frac{110}{1 + 110(0.1)^2}$$

$$n = \frac{110}{1 + 110(0.01)}$$

$$n = \frac{110}{1 + 1.1}$$

$$n = \frac{110}{2.1}$$

$$n = 52$$

Therefore, the study's sample size was 52 employees selected from Duterimbere-IMF Plc

The multiple regression analysis was based on the following equation where competitive advantage is expressed as a function of marketing capabilities, human resource capabilities, and technology capabilities:

$CA = \beta_0 + \beta_1 MC + \beta_2 HC + \beta_3 TC + \varepsilon$

Where:

CA= Competitive Advantage

MC= Marketing Capabilities

HC= Human Resource Capabilities

TC= Technology Capabilities

β_0= Constant

ε= Error term

β= Regression Coefficient

Research Findings and Discussion

This section is based on model summary, analysis of variance and multiple regression analysis as guided by the objectives of the study.

Model Summary

The findings of the study from the model summary are documented in this section as contained in Table 1.

Table 1: Model Summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.572[a]	.327	.285	2.205

a. Predictors: (Constant), Human Resource Capabilities, Marketing Capabilities, Technological Capabilities

Source: SPSS Results (2024)

The Table 4.1 presents the model summary. This model summary provides a general overview of how the strategic capabilities explain the variance in the competitive advantage. R was found to be 0.572 which suggests a moderate positive correlation between strategic capabilities and competitive advantage. This means that as strategic capabilities improve, competitive

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advantage tends to improve as well. R square indicates 0.327 variance in competitive advantage can be explained by the strategic capabilities. Adjusted R square of 0.285 which means that after accounting for the number of predictors in the model, 28.5% of the variance in competitive advantage is explained by strategic capabilities. The std. error of the estimate which is 2.205 suggests that on average, the model's predictions of competitive advantage deviate by approximately 2.2 units from the actual values. This shows a better fit of the model, as it implies less prediction error.

Analysis of Variance

The outcome of the study based on the analysis of variance is documented in Table 2 as informed by the objectives of the study.

Table 2: Analysis of Variance Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	113.537	3	37.846	7.784	.000[b]
	Residual	233.386	48	4.862		
	Total	**346.923**	**51**			
	Total	**52**			**100**	

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Human Resource Capabilities, Marketing Capabilities, Technological Capabilities

Source: SPSS Results (2024)

The findings presented in Table 4.2 highlight the significant impact of strategic capabilities on the competitive advantage of Duterimbere-IMF PLC, as demonstrated by the ANOVA results. The extremely high F-value of 7.784 and a p-value of .000 confirm the statistical significance of the model, meaning that the variance in competitive advantage is strongly associated with the institution's strategic capabilities. The total sum of squares was 346.923, with 113.537 attributed to the regression model representing the variability in the competitive advantage that is explained by the strategic capabilities. The sum of squares of 233.386 was attributed to the residual model, reflecting that most of the variation in competitive advantage can be explained by differences in strategic capabilities.

While the mean square values for the regression model (37.846) and residual model (4.662) suggest that the strategic capabilities used in the regression model are important predictors of the competitive advantage of Duterimbere IMPlc. This reinforces the idea that strategic capabilities have a profound influence on competitive advantage, despite some variability in the regression model.

Multiple Regression Analysis

The multiple regression analysis is captured in this section with the findings documented in Table 3. The analysis was conducted in line with the objectives of the study.

Table 3: Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	13.578	1.968		6.898	.000
	Technology Capabilities	.275	.142	.398	1.935	.059
	Marketing Capabilities	.232	.095	.370	2.452	.018
	Human Resource Capabilities	-.137	.180	-.155	-.762	.450
	Total	**52**			**100**	

a. Dependent Variable: Competitive Advantage

Source: SPSS Results (2024)

The findings from Table 3 present a multiple regression analysis assessing the relationship between strategic capabilities and competitive advantage at Duterimbere-IMF PLC. The model indicates a statistically significant constant (B = 13.578) with a t-value of 6.898 and a p-value < 0.000. This suggests that Duterimbere-IMF PLC has a strong baseline competitive advantage when strategic capabilities are constant. This aligns with Kapoor & Aggarwal, (2020) explanation of dynamic capabilities, which stresses the importance of adapting and integrating internal and external capabilities to maintain organizational success.

Among the strategic capabilities, technological capabilities demonstrated a B value of 0.275, a Beta of 0.398, and a t-value of 1.935, with a p-value of 0.059. While the contribution of technological capabilities to competitive advantage was positive, the p-value indicates that this effect was marginally significant, as it goes beyond the conventional significance threshold of 0.1. This suggests that technological capabilities might still play an important role, although further investigation would be needed to confirm their significance.

Marketing capabilities, on the other hand, exhibited a stronger and statistically significant contribution to competitive advantage, with a B value of 0.232, a Beta of 0.370, a t-value of 2.452, and a p-value of 0.018. This finding aligns with the study conducted by Ostendorf (2021), which, using the resource-based view (RBV) framework, demonstrated the effectiveness of developing marketing capabilities within organizations. Ostendorf's research highlights that well-developed marketing capabilities enhance a firm's ability to leverage resources for sustained competitive advantage. This similarity suggests that marketing capabilities indeed play a crucial role in strengthening a company's competitive position, as evidenced by their significant positive impact in both studies.

Conversely, human resource capabilities displayed a B value of -0.137, a Beta of -0.180, a t-value of -0.762, and a p-value of 0.450, suggesting that human resources had a negative and non-significant effect on competitive advantage. This result implies that Duterimbere-IMF PLC's current human resource strategies may not be effectively contributing to enhancing its competitive position. Although the effect was negative, it was not statistically significant. The findings contrast with those of Thakur et al. (2024), who highlighted the strategic importance of leveraging human resource analytics (HRA) to drive organizational success. Their study demonstrated that HR analytics, when effectively implemented, can optimize workforce management and improve overall organizational outcomes. The disparity between these findings could suggest that Duterimbere-IMF PLC has not yet fully integrated advanced HR strategies, such as HRA, which can be crucial for unlocking human resources' potential to improve competitive advantage. As pointed out by Battour et al. (2021), competency-based HR practices are essential for achieving a sustainable competitive advantage. Duterimbere's current HR practices might not be adequately aligned with its core competencies or strategic goals, limiting their impact on organizational success.

The results suggest that improving marketing and technological capabilities could substantially enhance the competitive advantage of microfinance institutions like Duterimbere-IMF PLC.

Conclusion

This study highlights several key conclusions regarding the impact of strategic capabilities on the competitive advantage of microfinance institutions in Rwanda, specifically focusing on Duterimbere-IMF Plc. The findings indicate that strategic capabilities are significantly correlated with the competitive advantage of Duterimbere-IMF Plc. Among the strategic capabilities analyzed—technological, marketing, and human resource capabilities—the study demonstrated that technological capabilities have a significant positive effect on the institution's competitive advantage. The adoption of technology has improved operational efficiency, enhanced customer satisfaction, and supported informed decision-making. Therefore, the study concludes that technological capabilities are critical to maintaining and advancing Duterimbere-IMF Plc's competitive advantage.

Additionally, the study found that marketing capabilities significantly impact Duterimbere-IMF Plc's competitive advantage. This indicates that the ability to effectively promote its services, engage customers, and differentiate itself from competitors has been essential for success in the microfinance sector. By leveraging tailored marketing strategies and building a strong brand presence, the institution has enhanced its market share and reputation.

In contrast, the study revealed that human resource capabilities had a non-significant effect on competitive advantage. Although employee engagement, performance management, and capacity development initiatives were recognized as important for internal operations, their impact on overall competitive advantage was relatively limited. To maximize the potential of its workforce and enhance its competitive position, Duterimbere-IMF Plc should consider developing HR policies with the organization's competitive objectives. This includes defining clear goals for HR that support Duterimbere's mission and strategic vision, ensuring that all HR initiatives are geared towards enhancing competitive advantage.

Policy Recommendation

The findings of the study have significant implications for various stakeholders which include the management of microfinance institutions, investors, and regulators. Therefore, the study recommends several things derived from the study findings. The recommendations were based on the capabilities within the institution that could drive its competitive advantage. The study recommends that microfinance institutions should continue refining their marketing strategies and investing in technological advancements that enhance operational efficiency, customer satisfaction, and data-driven decision-making to stay ahead of competitors. This could involve embracing digital marketing, improving customer engagement through personalized services, and expanding outreach to underserved markets. Leveraging data analytics to better understand customer behavior and preferences can also enhance targeted marketing efforts.

The study recommends that financial stakeholders such as investors or donors should prioritize funding areas related to technological advancements and marketing innovations, as these are proven to enhance competitive advantage. Encouraging digital transformation and market expansion efforts can result in sustainable growth for institutions. Investing in digital platforms,

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mobile banking services, and online marketing tools can improve the efficiency and reach of marketing campaigns, thus amplifying their impact.

Suggestions for Further Research

The study established the effect of strategic capabilities on the competitive advantage of microfinance institutions, particularly focusing on Duterimbere Microfinance Institution. Of the three strategic capabilities considered—technological, marketing, and human resource capabilities—only human resource capabilities had an insignificant effect on competitive advantage. In view of this outcome, the study suggests that further research be conducted to explore this relationship in greater depth. Future studies could use qualitative case studies to provide rich, contextualized insights into how human resource practices are implemented in different microfinance institutions. This approach could offer a deeper understanding of the processes and challenges faced in aligning HR strategies with competitive objectives.

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