

Disruptive Innovation New Positions Construction Capabilities and Competitive Advantage Among Digital Lenders in Kenya

Evans Nyagah^{1*} and Jimmy Macharia²

^{1,2}*United States International University - Africa*

*Email: evansnyagah@gmail.com**

***Corresponding author**

Cite: Nyagah, E., & Macharia, J. (2026). Disruptive Innovation New Positions Construction Capabilities and Competitive Advantage Among Digital Lenders in Kenya. *The University Journal*, 8(2 Sup. Issue II), 104-117.

Abstract

The purpose of this study was to determine the influence of disruptive innovation new positions construction capabilities on competitive advantage among digital lenders in Kenya. The study was guided by the disruptive innovation theory while utilizing the positivist research philosophy and a correlational research design. The target population was all the 378 C-Level executives from the digital lenders in Kenya and a census sampling method was applied to select the whole population for the study. A questionnaire was used to gather data and the data was analyzed using Statistical Package for Social Sciences program. The results were analyzed using descriptive (frequencies, means and standard deviation) and inferential statistics (multiple linear regression analysis). Findings indicated that resource allocation emerged as the most influential predictor, exerting a moderate yet significant positive effect on competitive advantage ($\beta = 0.354$, $t = 6.54$, $p < .001$). Knowledge application provided a similarly strong contribution ($\beta = 0.339$, $t = 5.59$, $p < .001$), indicating that firms that actively embed new knowledge into operational routines tend to realize superior competitive advantage. Conversely, knowledge acquisition failed to reach statistical significance at the conventional five percent level ($\beta = 0.10$, $t = 1.72$, $p = .087$), implying that merely gathering knowledge without subsequent application may not translate into competitive advantage. The study concludes that digital-lending firms in Kenya leverage disruptive new positions construction capabilities to secure a sustainable competitive advantage. The study recommends to regulators to design innovation-friendly guidelines, such as expedited approval pathways for novel digital products and tax incentives for technology investments, that lower transaction costs and reward lenders for experimenting with new market positions.

Keywords: Competitive advantage, digital lenders, disruptive innovation, new positions construction capabilities.

Introduction

Kenya's digital lending sector sits at the intersection of intensifying competition and fast-moving regulatory reform, making competitive advantage both critical and fragile. Building on classical strategy arguments that firms outperform rivals by configuring value-creating activities, recent work highlights how turbulence in technology, customer preferences, and regulatory environment repeatedly erodes established advantages unless firms develop

capabilities that adapt and renew them (Porter, 1985; Ansoff & McDonnell, 2014). Globally, the rapid scaling of financial technology (fintech) and BigTech credit reflect the diffusion of smartphones, cloud infrastructure, open banking, and Application Programming Interface (API)-based ecosystems, while changing regulatory architectures raise the bar for responsiveness and compliance (Huang et al., 2023). Within Africa, authorities have moved from permissive regimes to detailed guidelines that reshape conduct, data governance, and licensing, turning regulatory change itself into a competitive variable (Monye, 2024). Against this backdrop, Kenyan digital lenders operate under the Central Bank of Kenya's Digital Credit Providers Regulations of 2022, which elevate compliance and strategic agility from back-office concerns to front-line determinants of performance and survival (Central Bank of Kenya, 2022).

Disruptive innovation provides one explanatory lens for market entry and re-segmentation, but sustained advantage depends on dynamic capabilities that sense shifts, seize opportunities, and continually reconfigure assets (Easterby-Smith et al., 2019). Of particular interest for digital lenders is the new positions construction capability, which enables firms to identify, evaluate, and capture value from emergent opportunities and then align decisions, assets, and structures to realize that value in practice (Li & Liu, 2019). Introducing novel technologies into incumbent or scaling firms often exposes capability gaps, and bridging these gaps requires orchestrating product rollout, pricing adaptation, partner integration, and compliance-by-design so that disruptive offerings become sustainable advantages rather than one-off wins (Shi et al., 2020). For mostly young and failure-prone fintechs, competitive advantage is therefore less about isolated innovations and more about routinized capability bundles that convert innovation into repeatable and defensible performance.

Accumulating evidence shows how such capability bundles translate into speed, cost, and risk benefits. Studies report that technology-intensive lenders process applications materially faster without raising default risk, and that alternative data and machine learning improve pricing and inclusion on marketplace platforms (Berg et al., 2020). Besides, platform scale enhances responsiveness to policy changes through superior information and reconfiguration routines (Fuster et al., 2019). In Africa, capability development has been documented through data-rich sensing, algorithmic seizing, and operational transformation that lower cost-to-serve and lift risk-adjusted yield, often through partnerships and API orchestration with mobile network operators, credit reference bureaus, and payments providers (Anning-Dorson et al., 2025). This motivates a capabilities-centric inquiry into digital lenders that moves beyond viewing fintech as a homogeneous shock and instead asks which specific disruptive and new positions construction capabilities systematically explain competitive outcomes under tightening regulatory scrutiny.

Kenya's market conditions sharpen the research problem. Following the 2022 regulations, licensing frictions, investor caution, and heightened borrower stress have coincided with a reduction in disbursements and elevated non-payment rates, exposing lenders whose capabilities were optimized for rapid growth rather than resilient compliance and portfolio quality (FSD Kenya et al., 2024). Prior Kenyan studies, such as Kabiru (2021), link dynamic capabilities to advantage in banks and selected firms but rarely examine digital lenders directly. This study therefore proposes to investigate how disruptive innovation new positions construction capabilities shape competitive advantage among Kenyan digital lenders under the current regulatory regime. By empirically connecting these micro foundations to outcomes such as segment reach, approval speed, loss rates, and cost-to-serve, the study aims to close knowledge, policy, and practice gaps that have constrained the sector's competitiveness.

Literature Review

The theoretical, and conceptual basis of the research is explained in this section. The literature review section covers a discussion of the theoretical and conceptual literature and also the empirical research pertinent to disruptive innovation new positions construction capabilities and competitive advantage.

Theoretical Review

This study was anchored on the disruptive innovations theory by Bower and Christensen (1996), which frames how Kenyan digital lenders can secure competitive advantage by entering from the low-end offerings, then scaling along performance trajectories toward mainstream customers as their extendable core matures. In Kenya's Artificial intelligence (AI) enabled credit market, mobile-data underwriting and app-based microloans exemplify new-market and low-end paths, but the theory's incumbent-response logic is moderated by rapid imitation and integration by dominant platforms and banks, which often convert would-be disruptions into sustaining innovations within existing ecosystems (FSD Kenya et al., 2024). The construction of "new positions" therefore relies on dynamic capabilities that recombine data assets, algorithms, and partnerships to scale the value proposition while navigating regulatory adaptation. In this sense, the study operationalizes disruptive innovation as a processual trajectory in which capabilities for resource allocation, acquisition and application of knowledge, sensing jobs-to-be-done, seizing with frugal digital products, and reconfiguring toward compliance and interoperation underpin sustainable advantage (Yu & Hang, 2020).

Conceptual Framework

The study hypothesizes that disruptive innovation new positions construction capabilities such as resource allocation, knowledge acquisition and knowledge application can have an influence on competitive advantage of digital lenders Kenya. The resource allocation process acts like a filter that determines which intended and/or emergent initiatives get funding and pass through, and which proposals are denied resources (Sterling, 2019). Knowledge acquisition is the process of obtaining knowledge externally and making it appropriate for succeeding use (Holsapple, 2018). Hence, the knowledge generated externally could serve as the firm's competitive advantage. Knowledge application is the process by which events and activities are applied to the business process (Wang & Wang, 2021). It facilitates development of new products and services, innovation, problem solving and expert judgment (Mtawali, 2018).

The dependent variable was competitive advantage which is the ability obtained through the characteristics and resources of a company to have a sustained higher performance than other companies in the same industry or market (Safarnia et al., (2021). Competitive advantage in this study was measured through market share, customer loyalty, brand reputation and sustained above average profitability. Market share is the proportion of total sales in a clearly defined market that is captured by a firm, brand, or product over a specific period and is typically measured either by value or by volume (Farris et al. 2020). Customer loyalty is a sustained behavioral and emotional commitment to a brand that shows up as repeat purchasing, positive word of mouth, and resistance to switching even when competitors offer incentives (Butt, 2021). Brand reputation is the collective judgment of stakeholders about a brand's trustworthiness, quality, credibility, and social responsibility (Spulber, 2020). It is commonly measured through survey-based indices that combine Likert scale ratings on dimensions like trust, quality, credibility, admiration, and responsibility into a single reputation score. Porter (2008) observed that sustained above average profitability is a strong indicator of competitive advantage because it demonstrates a firm's ability to consistently outperform industry peers

over time. When a company maintains profitability above the industry average, it suggests that it possesses unique resources, capabilities, or positioning that competitors cannot easily replicate or neutralize. The conceptual framework is graphically displayed in Figure 1.

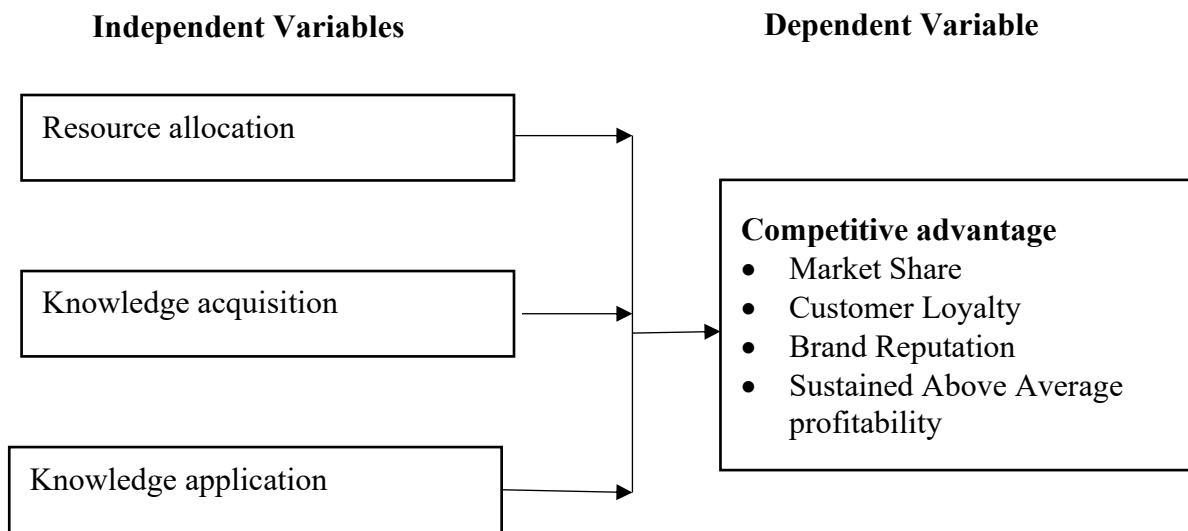


Figure 1

Conceptual Model

This conceptual framework led to the study hypothesis;

H₀: Disruptive innovation new positions construction capabilities have no statistically significant influence on competitive advantage among digital lenders in Kenya.

This overarching hypothesis was broken down into three hypothesis which were;

H₁: Resource allocation capabilities have no statistically significant influence on competitive advantage among digital lenders in Kenya.

H₂: Knowledge acquisition capabilities have no statistically significant influence on competitive advantage among digital lenders in Kenya.

H₃: Knowledge application capabilities have no statistically significant influence on competitive advantage among digital lenders in Kenya.

Empirical Review

Resource Allocation Capabilities

Reviewed literature indicate that opportunity seizing and related resource allocation capabilities consistently predict superior outcomes. In Korean ICT SMEs, opportunity seizing capability improves performance through new market development, and the effect strengthens under high environmental uncertainty (Sujin & Juseong, 2020). Evidence from Nigerian family businesses links seizing capability to survival and growth (Morgan, Okon, Amadi, Emu, & Ogar, 2021). Nairobi manufacturers show that seizing or new position construction capabilities enhance competitive advantage, consistent with the view that effective execution aligns assets to capture opportunities (Rono et al., 2021). A cross-study synthesis confirms convergence on the salience of seizing capabilities while noting design differences and common method risks in mostly cross-sectional self-reports.

Knowledge acquisition Capabilities

Knowledge acquisition and broader knowledge management emerge as enabling mechanisms that construct rather than directly confer advantage. Iraqi SMEs appreciate knowledge management but implementation remains suboptimal, which contextualizes weaker direct effects (Jarad & Jarad, 2020). Among Indonesian silver craft SMEs, knowledge management improves performance indirectly through competitive advantage (Wijaya & Suasih, 2020). In Indonesian batik SMEs, knowledge acquisition does not directly yield advantage and instead operates through innovation (Ngatno et al., 2021). By contrast, studies of Nigerian hotels and Kenyan savings and credit cooperatives report positive direct links between knowledge acquisition and advantage or competitiveness, highlighting sector conditions such as service intensity and training that shorten the pathway from acquisition to advantage (Agbim et al., 2024; Muchanji & Makokha, 2022). Kenyan work also associates knowledge creation and sharing with performance, reinforcing the internal flow pathway from acquisition to outcomes (Chweya et al., 2024). Methodological heterogeneity across these studies limits comparability and raises concerns about common method bias and omitted variables in cross sectional designs.

Knowledge Application Capabilities

Knowledge application and tightly coupled knowledge management routines appear as proximate drivers of effectiveness and sustained advantage. In networked Chinese firms, owned knowledge and its prudent use to create new knowledge drive durable advantage and customer outcomes, underscoring the centrality of application (Zheng et al., 2021). In Bangladeshi commercial banks, practices such as knowledge conversion, application, and protection significantly influence organizational effectiveness (Islam et al., 2021). Sectoral evidence from Nigerian domestic airlines links opportunity seizing capability to corporate vitality, survival, and growth, showing the performance relevance of timely knowledge application when opportunities arise (Adim & Asawo, 2021). Work on small and medium enterprises further shows that knowledge storage, creation, sharing, and implementation strongly load on a knowledge management construct that directly improves organizational performance (Gholami et al., 2023).

Methodology

The study adopted a positivist philosophy with a deductive orientation and an objective stance towards knowledge (Saunders et al., 2019). A correlational cross sectional survey design was used to investigate association between disruptive innovation new positions construction capabilities and competitive advantage among digital lenders. The study targeted 378 senior executives from 126 digital lending firms in Nairobi County using a census approach (CBK, 2025). Primary data were collected using a structured questionnaire with Likert type items organized around new positions construction capabilities, and competitive advantage indicators. A pretest with 34 participants refined the instrument and yielded strong reliability, with Cronbach alpha values ranging from 0.723 to 0.911. Content and face validity were confirmed through expert review, convergent validity was evidenced by average variance extracted above 0.50 for all constructs, and discriminant validity was established using the Fornell Larcker criterion.

Data collection followed formal approvals and ethical safeguards, including National Commission for Science, Technology and Innovation (NACOSTI) authorization, organizational permissions, and informed consent. Other ethical standards observed included confidentiality and anonymity protections, voluntary participation with the right to withdraw, debriefing, and secure storage with time bound disposal. Quantitative data were cleaned, coded, and analyzed in SPSS. Diagnostics checks included normality through skewness, kurtosis, and normal probability plots, linearity using significance tests, homoscedasticity using Levene statistics, and multicollinearity using variance inflation factors within the acceptable range of one to 10. Descriptive statistics summarized the data, while inferential procedures comprised multiple linear regression to test the study hypothesis.

Findings

This section presents the research findings from multiple linear regression and descriptive statistical analysis. The results include the research participants' demographics, the descriptive findings of competitive advantage and new positions construction capabilities and linear regression findings.

General Information

The study surveyed 378 C-suite executives of digital credit providers from 126 digital lending firms in Nairobi and achieved an effective response rate of 72.2%. The sample was 60.8% male and 39.2% female, and skewed toward Millennials (56.8%), followed by Gen X (25.6%), Boomers (12.1%) and Gen Z (5.5%). Educational attainment was high with 54.6% holding undergraduate degrees, 25.6% postgraduate degrees, and 19.8% diplomas. Tenure profiles reflected early to mid-career experience with 33.3% below three years, 56.8% three to six years, and 9.9% 7 to 10 years. Roles captured a strong strategic, financial, and technology lens with chief finance officers (26%), chief strategy officers (23.4%), chief information officers (22.7%), chief executive officers (13.9%), and other senior roles (13.9%). Organizational age indicated a young but maturing sector with 18.3% less than three years, 33.3% three to six years, 39.2% seven to 10 years, and 9.2% over 10 years, supporting the relevance of examining how disruptive innovation new positions construction capabilities translate into competitive advantage in this context.

Descriptive Statistics

The descriptive findings provided in Table 1 demonstrate that the mean for competitive advantage was high ($M = 3.99$, $SD = 0.817$), affirming that digital credit providers enjoyed significant competitive advantage. The study results also show that overall, the composite mean of 4.18 for resource allocation with a modest dispersion ($SD = 0.74$) indicates broad consensus that resource allocation practices are both adequate and strategically coherent. The descriptive statistics on knowledge acquisition indicate that generally, the grand mean of 4.14 ($SD = 0.74$) suggests that the surveyed digital credit providers possess well-developed knowledge acquisition routines that facilitate the acquisition and assimilation of strategically valuable knowledge. The findings suggest that knowledge application is firmly embedded in the sampled firms' routines, as reflected in a robust overall mean of 4.14 ($SD = 0.71$) for the composite scale.

Table 1

Descriptive Statistics of Key Capabilities and Competitive Advantage

Variable Name	No of Items	Min.	Max.	Mean	SD
Resource Allocation (REA)	6 (REA1 - REA4, REA6 & REA8)	2	5	4.18	0.744
Knowledge Acquisition (KAC)	6 (KAC3 - KAC8)	1	5	4.14	0.736
Knowledge Application (KAP)	8 (KAP4 - KAP11)	1	5	4.14	0.708
Competitive Advantage (CA)	31(MSH1 – MSH5 & MSH7, BRR1 – BRR10, AAP1 – AAP5 & AAP8, CUL1 - CUL9)	1	5	3.99	0.817

Reliability

The reliability results shown in Table 2 demonstrate that the constructs are statistically sound and conceptually coherent. Resource allocation ($\alpha = 0.883$, CR = 0.889), knowledge acquisition ($\alpha = 0.857$, CR = 0.876), knowledge application ($\alpha = 0.907$, CR = 0.891) and competitive advantage ($\alpha = 0.886$, CR = 0.891), all exceeded the recommended thresholds of 0.70 for Cronbach's Alpha and composite reliability, confirming strong internal consistency. Collectively, these results affirm that the measures effectively captured the intended constructs, providing a reliable foundation for further hypothesis testing.

Table 2

Cronbach Alpha, Composite Reliability and AVE

Variable Name	No of Items	Cronbach Alpha	Composite Reliability
Resource Allocation (REA)	6 (REA1 - REA4, REA6 & REA8)	0.883	0.889
Knowledge Acquisition (KAC)	6 (KAC3 - KAC8)	0.857	0.876
Knowledge Application (KAP)	8 (KAP4 - KAP11)	0.907	0.893
Competitive Advantage (CA)	31(MSH1 – MSH5 & MSH7, BRR1 – BRR10, AAP1 – AAP5 & AAP8, CUL1 - CUL9)	0.886	0.891

Validity

Convergent and discriminant validity is given in Table 3 for resource allocation, knowledge acquisition, knowledge application and competitive advantage.

Table 3
Discriminant Validity and Pearson Correlations

Variable Name	No of Items	$\sqrt{\text{AVE}}$	AVE	REA	KAC	KAP	CA
Resource Allocation (REA)	6	0.816	0.666	1.000			
Knowledge Acquisition (KAC)	6	0.740	0.548	0.516	1.000		
Knowledge Application (KAP)	8	0.756	0.571	0.479	0.522	1.000	
Competitive Advantage (CA)	31	0.801	0.641	0.685	0.438	0.571	1.000

Table 3 shows sound measurement quality and clear separation between constructs. All AVE values exceed 0.50, and each construct's $\sqrt{\text{AVE}}$ (REA = 0.816, KAC = 0.740, KAP = 0.756, CA = 0.801) is larger than its correlations with other constructs, indicating discriminant validity. The correlations are all positive: the strongest association is between resource allocation and competitive advantage ($r = 0.685$), followed by knowledge application with competitive advantage ($r = 0.571$). Knowledge acquisition relates moderately to knowledge application ($r = 0.522$) and resource allocation ($r = 0.516$), and weakly to competitive advantage ($r = 0.438$). Overall, the constructs are distinct yet meaningfully related, and competitive advantage appears most closely tied to resource allocation and knowledge application.

Hypothesis Testing

The study fitted a regression model with the three constructs of new positions construction capabilities (Resource Allocation, Knowledge Acquisition and Knowledge Application) as the predictors. The results were used to test the three study hypotheses and the model summary results are provided in Table 4. The model summary demonstrates that the constructs of new positions construction capabilities (knowledge acquisition, resource allocation, and knowledge application), accounts for nearly half of the variance in competitive advantage ($R^2 = 0.450$). These three capability dimensions explain 45 % of the variation in competitive advantage of digital lending firms.

Table 4
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671 ^a	.450	.444	.28433

a. Predictors: (Constant), Knowledge Application, Resource Allocation, Knowledge Acquisition

The findings for ANOVA are provided in Table 5 and they indicate that the overall model is highly significant ($F = 73.37, p < 0.001$). The findings suggest that firms investing in structured acquisition and application of knowledge, alongside deliberate resource allocation, are significantly more likely to secure stronger competitive advantage in the digital-lending sector.

Table 5

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.794	3	5.931	73.370	.000 ^b
	Residual	21.746	269	.081		
	Total	39.540	272			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Knowledge Application, Resource Allocation, Knowledge Acquisition

The coefficients for the regression are provided in Table 6. In this regression model that examines how new positions construction capabilities influence competitive advantage among digital lending firms, resource allocation emerged as the most influential predictor, exerting a moderate yet highly significant positive effect ($\beta = 0.354, t = 6.54, p < .001$). Knowledge application provided a similarly strong contribution ($\beta = 0.339, t = 5.59, p < .001$), indicating that firms that actively embed new knowledge into operational routines tend to realize superior competitive advantage. Conversely, knowledge acquisition failed to reach statistical significance at the conventional five percent level ($\beta = 0.10, t = 1.72, p = .087$), implying that merely gathering information without subsequent application may not translate into competitive advantage. The positive and significant intercept ($B = 1.68, t = 9.96, p < .001$) reflects an underlying level of competitive advantage common to the sampled firms, when the new positions construction capabilities are completely lacking.

Table 6

Coefficients

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	95.0% Conf. Interval	
		B		Beta			Lower	Upper
1	(Constant)	1.677	.168		9.962	.000	1.345	2.008
	Resource Allocation	.250	.038	.354	6.542	.000	.175	.326
	Knowledge Acquisition	.073	.042	.101	1.717	.087	-.011	.156
	Knowledge Application	.269	.048	.339	5.590	.000	.174	.364

a. Dependent Variable: Competitive Advantage

The hypotheses that resource allocation and knowledge application capabilities have no statistically significant influence on competitive advantage among digital lenders in Kenya were rejected. However, the hypothesis that knowledge application capabilities have no statistically significant influence on competitive advantage among digital lenders in Kenya, was not rejected.

Discussion

The pattern of effects aligns closely with a capabilities-based disruptive innovation. Resource allocation exerts the largest unique effect on competitive advantage among Kenyan digital lenders ($\beta = 0.354$, $t = 6.54$, $p < .001$), which is consistent with evidence that seizing capabilities and the disciplined alignment of assets toward emergent opportunities are primary performance drivers in dynamic markets (Sujin & Juseong, 2020; Morgan et al., 2021; Rono et al., 2021). Knowledge application shows a comparably strong and highly significant contribution ($\beta = 0.339$, $t = 5.59$, $p < .001$), echoing findings that advantage accrues when firms embed new knowledge into routines, processes, and compliance ready offerings rather than keeping it as latent stock (Zheng et al., 2021; Islam et al., 2021; Gholami et al., 2023). Taken together, these results support a processual view of disruptive innovation where sensing yields limited value unless paired with timely seizing and operational reconfiguration that scales AI enabled underwriting and platform partnerships under evolving regulation (Bower & Christensen, 1996; Yu & Hang, 2020; FSD Kenya et al., 2024).

The non significance of knowledge acquisition at the five percent level ($\beta = 0.10$, $t = 1.72$, $p = .087$) is theoretically coherent with studies showing that acquisition is an enabling mechanism that improves outcomes indirectly through innovation and routinized use rather than producing immediate advantage on its own (Jarad & Jarad, 2020; Wijaya & Suasih, 2020; Ngatno et al., 2021). Sector comparisons that do report direct links between acquisition and competitiveness often feature intensive service interactions and structured training regimes. These shorten the pipeline from learning to value capture, which may be less characteristic of fast scaling digital credit where rapid imitation and ecosystem absorption can neutralize raw information advantages unless they are quickly translated into deployable decision rules and compliant products (Agbim et al., 2024; Muchanji & Makokha, 2022; FSD Kenya et al., 2024). In this context, the current coefficients are consistent with a mediated pathway in which acquisition feeds application, and application together with resource allocation produces the realized edge.

The Final Model

The final model generated from the study findings is presented in Figure 2.

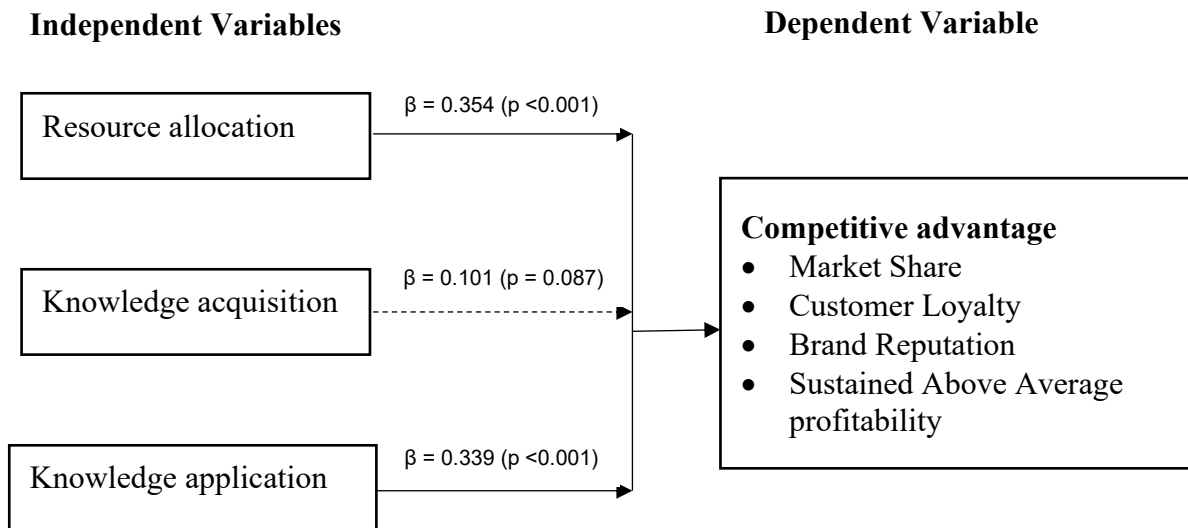


Figure 2
Final Empirical Model

The resultant regression equation is;

The resultant regression equation is;

$$\text{Competitive Advantage} = 1.677 + 0.354 \text{ Resource Allocation} + 0.339 \text{ Knowledge Application}$$

The empirical model indicates that resource allocation, with a standardized coefficient (Beta) of 0.354, shows the strongest influence on competitive advantage compared to the others. Knowledge Application also plays a vital role, with a standardized coefficient of 0.339, signifying its considerable contribution to competitive advantage. However, knowledge acquisition shows a weaker and not significant relationship with competitive advantage (p -value = 0.087), suggesting that simply acquiring knowledge may not be as impactful unless it is actively applied.

Conclusions

The study concludes that digital-lending firms in Kenya that leverage new positions construction capabilities are associated with a sustainable competitive advantage. By comprehensively mobilizing financial, human and technological resources, these organizations embed strategic initiatives in well-funded operations and technologically enabled market outreach. A culture that prizes systematic knowledge acquisition through environmental scanning, diverse recruitment and benchmarking feeds a continuous stream of fresh insights, while robust knowledge-application practices convert external information into practical solutions and innovations. Collectively, these mutually reinforcing capability domains create a dynamic learning system that propels digital lending firms ahead of rivals and consolidates their strategic position in the digital-lending landscape.

Recommendations

Policymakers and managers should prioritize initiatives that deepen firms' strategic resource orchestration and knowledge processes. At the policy level, regulators could design innovation-friendly guidelines, such as expedited approval pathways for novel digital products and tax incentives for technology investments, that lower transaction costs and reward lenders for experimenting with new market positions. Policymakers can also foster collaborative

knowledge ecosystems by encouraging data-sharing sandboxes and public-private partnerships that disseminate best practices in advanced analytics, responsible lending, and consumer protection. Within digital lenders, senior managers should formalize cross-functional routines that continuously scan the environment for emerging customer niches, recruit talent with diverse industry experience, and embed structured brainstorming and benchmarking into strategic planning cycles. Such routines can be reinforced through targeted funding allocations and performance metrics that value learning and experimentation.

Acknowledgments

The authors thank United States International University (USIU) Africa and the Vice Chancellor for according them the opportunity to undertake this research under USIU Africa. They are extremely grateful to Chandaria School of Business, the Dean and the Faculty and staff for great support and insights through this research. This study was made possible because of their unwavering support.

References

- Adim, C., & Asawo, S. (2021). Opportunity-seizing capability and corporate vitality of domestic airlines in Nigeria. *The Strategic Journal of Business & Change Management*, 8 (4), 564 – 578.
- Agbim, K. C., Zeven, T. A., & Oriarewo, G. O. (2024). Assessing the effect of knowledge acquisition on competitive advantage: A knowledge-based and resource-based study. *Information and Knowledge Management*, 4(11), 132 – 141.
- Anning-Dorson, T., Easterby-Smith, M., & Hong, J. F. L. (2025). Data-rich sensing, algorithmic seizing and operational transformation in African digital finance. African Press: Lagos.
- Ansoff, H. and McDonnell, A. (2014). Strategic formulation in an adhocracy. *Administrative Science Quarterly*, 30(4), 160-197.
- Berg, T., Burg, V., Gombović, A., & Puri, M. (2020). On the rise of FinTechs: Credit scoring using digital footprints. *The Review of Financial Studies*, 33(7), 2845–2897.
- Bower, J. L. & Christensen, C. M. (1996). Disruptive technologies: Catching the wave. *The Journal of Product Innovation Management*, 1, 75-76.
- Butt, M. (2021). The Impact of Customer Relationship Management Technology Use on the Firm Performance Mediating and Moderating Role of Marketing Capabilities. *International Journal of Innovation, Creativity and Change*, 15(4), 832-861.
- Central Bank of Kenya. (2022). The Central Bank of Kenya (Digital Credit Providers) Regulations, 2022 [Legal Notice No. 46 of 2022].
- Central Bank of Kenya. (2025). *Directory of digital credit providers in Kenya 2025*. Nairobi: CBK.
- Chweya, L., Ochieng, I., Ojera, P., Riwo-Abudho, M. (2024). Knowledge management practices and its effect on firm performance: A case of commercial banks' performance in Kisumu City, Kenya. *European Journal of Business and Management*, 6(8), 87 – 94.
- Easterby-Smith, M., Lyles, M.A., & Peteraf, M.A. (2019). Dynamic Capabilities: Debates and Future Directions. *British Journal of Management*, 20(1), 1-8.

- Farris, W., Bendle, N., Pfeifer, P., & Reibstein, D. (2020). *Marketing Metrics: The Definitive Guide to Measuring Marketing Performance*. Upper Saddle River: Pearson Education.
- FSD Kenya, Central Bank of Kenya, & Kenya National Bureau of Statistics. (2024). 2024 FinAccess household survey: Main report. Nairobi: Central Bank of Kenya.
- Fuster, A., Plosser, M., Schnabl, P., & Vickery, J. (2019). The role of technology in mortgage lending. *The Review of Financial Studies*, 32(5), 1854–1899.
- Gholami, M. H., Asli, N., Nazari-Shirkouhi, S. & Noruzy, A. (2023). Investigating the influence of knowledge management practices on organizational performance: An empirical study. *Acta Polytechnica Hungarica*, 10(2), 205 – 216.
- He, Z., Huang, J., & Zhou, J. (2023). Open banking: Credit market competition when borrowers own the data. *Journal of Financial Economics*, 147(2), 449–476.
- Holsapple, C. W. (2018). *Handbook on Knowledge Management*. Heidelberg: Springer.
- Huang, Z., & Yu, X., & Yin, C. (2023). Research on the policy protection space of disruptive technologies: Based on a strategic ecological niche management perspective. *Scientology Research*, 37(4), 607- 616.
- Islam, Z. M., Low, K. C., & Hasan, I. (2021). Knowledge management practices and organizational effectiveness: Empirical evidence from banks of an underdeveloped country. *Global Education Journal*, 3(1), 1-28.
- Jarad, G.A., & Jarad, G.A. (2020). The role of knowledge management in creating competitive advantage in small and medium-size enterprises in the republic of Iraq. *Club of Economics in Miskolc' TMP*, 16(2), 17-25
- Kabiru, D. N. (2021). Influence of dynamic innovation capabilities on competitive advantage at State Bank of Mauritius in Kenya (MBA thesis, United States International University–Africa).
- Li, D., & Liu, J. (2019). Dynamic capabilities, environmental dynamism, and competitive advantage: Evidence from China. *Journal of business research*, 67(1), 2793-2799.
- Li, S., Easterby-Smith, M., & Hong, J. F. L. (2019). Towards an understanding of the nature of dynamic capabilities in high-velocity markets of China. *Journal of Business Research*, 97, 212–226.
- Monye, O. (2024). Strengthening Nigeria’s digital money lending ecosystem: Insights for consumer protection and market development. *Journal of Consumer Policy*, 19(2), 118 – 126.
- Morgan, M., Okon, E.E., Amadi, C., Emu, W., & Ogar, A. (2021). Dynamic capabilities of family business: A catalyst for survival and growth. *Problems and Perspectives in Management*, 19(1), 137-150.
- Mtawali, B. C. (2018). *Knowledge Management Practices and Performance of Microfinance Institutions in Kenya: A Case of Uwezo*. (Doctoral dissertation), Kenyatta University.
- Muchanji, W. J., & Makokha, E. N. (2022). Effect of knowledge acquisition on competitiveness of savings and credit cooperative societies in Trans Nzoia County, Kenya. *International Journal of Academic Research in Business and Social Sciences*, 8(9), 716–734.

- Ngatno, S. Dewi, R. & Pradanawati, A. (2021). The effect of knowledge acquisition on competitive advantage: The mediation role of innovation in Indonesia's Batik SMEs. *Humanities and Social Sciences Letters, Conscientia Beam*, 9(4), 315-325.
- Porter, M. E. (2008). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Simon and Schuster.
- Porter, M.E. (1985). *Competitive Advantage*. New York: Free Press.
- Rono, C., Korir, M., & Komen, J. (2021). Effect of dynamic capabilities on competitive advantage of manufacturing firms in Nairobi, Kenya. *American Journal of Management Science and Engineering*, 6(1), 11-17.
- Safarnia, H., Akbari, Z., & Abbasi, A. (2021). Review of competitive intelligence & competitive advantage in the industrial estates' companies in the Kerman City: Appraisal and testing of model by Amos graphics. *International Business and Management*, 2(2), 47-61.
- Saunders, M., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students* (8th ed.). Pearson.
- Shi, J., Yu, P., & Sun, G. (2020). Disruptive innovation behaviour, endogenous consumer preferences and market performance. *Journal of Systems Management*, 26(2), 287-294.
- Spulber, D. F. (2019). *Economics and management of competitive strategy*. New York: World Scientific Publishing Company.
- Sterling, U. (2019). Effects of resource allocation on strategy implementation at Kenya Police Service in Nairobi County. *International Academic Journal of Human Resource and Business Administration*, 2(4), 1-26.
- Sujin, M., & Juseong, K. (2020). Effect of opportunity seizing capability on new market development and small and medium-sized enterprise performance: Role of environmental uncertainty in the IT industry. *Asia Pacific Management Review*, 27(1), 69-79.
- Wang, Z., & Wang, N. (2021). Knowledge sharing, innovation and firm performance. *Expert Systems with Applications*, 39(10), 8899-8908.
- Yu, D. & Hang, C. C. (2020) A Reflective Review of Disruptive Innovation Theory. *International Journal of Management Reviews*, 12, 435-452.
- Zheng, S., Zhang, W., & Du, J. (2021). Knowledge-based dynamic capabilities and innovation in networked environments. *Journal of Knowledge Management*, 15(6), 1035–1051.