# EFFECT OF OPERATIONAL RISK MANAGEMENT ON FIRM PERFORMANCE AMONG NGO-FUNDED MICROFINANCE BANKS IN TANZANIA: A CASE OF VISIONFUND

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**International Academic Journal of Human Resource and Business Administration (IAJHRBA) | ISSN 2518-2374**

**Received:** 14th January 2026

**Published:** 12th February 2026

Full Length Research

**Available Online at:** https://iajournals.org/articles/iajhrba_v5_i2_102_118.pdf

**Citation:** Nyange, E. F., Wandiga, E., Muturi, M. (2026). Effect of operational risk management on firm performance among NGO-funded microfinance banks in Tanzania: A case of VisionFund. *International Academic Journal of Human Resource and Business Administration, 5*(2), 102-118.

## ABSTRACT

Microfinance institutions (MFIs) in Tanzania continue facing significant challenges mostly related to risk management, which have resulted to high loan default rates and financial unsustainability. The purpose of this study was to investigate the effect of operational risk management on firm performance among NGO-funded microfinance banks in Tanzania, a case of VisionFund. The study was guided by positivism research philosophy and applied both descriptive and explanatory research designs. The population of the study was employees of VisionFund. The target population included all 103 employees of VisionFund, Tanzania, drawn from senior management, functional management (regional and program managers), and operational levels (supervisors). The study adopted a census approach, and data collection was done via a structured questionnaire. It contained closed-ended/Likert scale questions. The pretest was done on 10 employees from FINCA Microfinance Bank to determine the validity and reliability. Construct and content validity were used, while reliability was tested using Cronbach's Alpha Coefficient with a threshold of 0.7. Data was analyzed using SPSS 27.0, where descriptive statistics (means, standard deviations, and percentages), and inferential statistics (Pearson correlation and simple linear regression) were conducted. The findings established that operational risk management had a strongly, positively, and statistically significant effect on firm performance ($r=.764$, $p<.001$). Furthermore, the regression analysis revealed that enhancements in operational risk management significantly improved firm performance. The study concludes that the adoption of operational risk management is a vital factor of firm performance among NGO-funded microfinance institutions. The study further recommends that VisionFund, Tanzania, should strengthen its operational risk management practices through tailoring internal control systems, investing in staff training about risk identification, how to mitigate, and leveraging the technology to enhance compliance and risk monitoring.


**Keywords:** Operational risk management, Microfinance, Firm Performance.

## INTRODUCTION

### Background to the Research Problem

Microfinance institutions (MFIs) have a central role in developing a more inclusive financial framework in providing finance to poor individuals and microenterprises that are beyond the reach of the conventional banking system (Ledgerwood et al., 2023). Previous studies on MFI risk management practices have been based on strategic or operational risk and used qualitative

data (e.g., interviews) to evaluate the risk of either their management (Ibrahim, 2017) or their clients (Froelich et al., 2015), with cases being documented on the risk incurred by MFIs.
The microfinance institutions in Tanzania are faced with various risks that may compromise their long-term sustainability, for instance, financial, reputational, and operational risks. Operational risk is caused by inefficiencies in internal processes, outdated systems, and human errors, resulting in loss of funds and low productivity (Quijano, 2020; SolveXia, 2023). Secondly, MFIs are unable to keep clients and gain new clients for the reason of reputational risk from governance failure and customer dissatisfaction that can erode trust and decrease client retention (Ewool & Quartey, 2021).

According to Kaua and Mutune (2021), microfinance institutions tend to suffer from defaults due to the failure of their clients to cope with climate change. In addition, strategic risk management practices must strike a balance between the dual objectives of financial sustainability and delivering financial services to disadvantaged communities (Wang, 2020).

In the same way, Hassan et al. (2024) discovered that in safeguarding financial sustainability and achieving social objectives, e.g., poverty reduction, conflict, and risk reduction, thus becoming more challenging for institutions like VisionFund to keep in check as a whole. Performance by VisionFund, e.g., active children, affected, active borrowers, and community reach size. MFIs' effectiveness primarily lies in the capacity of the MFIs to adjust to emerging risks without compromising on their improved performance (Guo, 2022). Lastly, these risk management strategies make the bank financially more solid and enhance its capability to serve its communities (Muunguja, 2024).

Firms are poised to mitigate operational risk and nurture a sustainable edge that Ryans (2022) further suggests strategic risk management integrates core business functionality, such as systems of quality: A cycle of continuous refinement. Creating capacity to ensure agility to change and embrace new emerging approaches to ensure strategic management becomes a core business focus. Therefore, this study focused on the effect of operational risk management on firm performance among NGOs funded MFIs in Tanzania.

## Operational Risk Management

Operational risk management is one of the key organizational effectiveness factors that address identification, assessment, surveillance, and operational risk control (Vicente, 2024). Reducing risks that can hamper day-to-day business operations of an organization, particularly within the banking sector, as operational risk management is one of the most rapidly expanding and complex types of risk (Gakpo, 2021). Operational risk management, according to Hussain and Ajmi (2012), encompasses a comprehensive model with all processes, policies, experience, and systems needed for handling risks resulting from financial dealings. This risk management process is primarily oriented towards dealing with operational risks and tends to exclude other risk categories like financial and strategic ones. It entails the tracking of risks concerned with failed or poor internal procedures, systems, human mistakes, or external occurrences. Operational risk management has traditionally been underestimated by top-level managers compared to more conventional forms of risk like market or credit risk (Singh & Hong, 2020).

Operational risk management procedures are normally aimed at prioritizing control structures and risk mitigation. The drill starts with the identification of risks of operations and thereafter the identification of suitable mitigation strategies (Jerono & Olweny, 2023). The authors further indicated that the lack of proper management of such risks leads to massive financial losses since operational risk events can lead to huge financial losses. Banks are increasingly appreciating the worth of operational risk management in the early detection and correction of potential problems that can impact the performance outcome. Sound operational risk management is likely to mean less operational loss, lower compliance and audit fees, earlier detection of criminal activities, and reduced exposure to future risks.

In addition, as noted by Mrindoko et al. (2020), operational risk management responsibility is shared across the whole firm up to the board of directors, and thus, organizational strategies and objectives should be aligned with risk management practices. Additionally, a strong operational risk management framework reduces mistakes that would negatively impact customers, economic loss, or reputational loss for the institution. Masenene (2015) in Tanzania examined the effect of operational risk management on banks in Dar Es Salaam and discovered that the operational risk management practice was significantly inadequate. Systemic defects in operational risk management that threatened organizational stability and operational effectiveness were shown by the research.

Operational risk is the possibility of suffering a loss as a result of inadequate or ineffective systems, personnel, or processes, as well as from outside events. Operational risk management refers to the risk of losses in performing company activities and operations as a result of internal processes, people, systems, or external activity failures. It is often linked to particular departments, operational risks ought to be incorporated into each area's service planning (Dover District Council, 2023).

## Firm Performance

Firm performance, on the other hand, which is the dependent variable for the study, refers to the ability of a firm to efficiently use its resources, financial, human, and intangible, to produce money or revenue, as measured by its performance (Taouab & Issor, 2019). These authors further commented that the firm's performance is measured through financial and non-financial indicators reflecting an organization's ability to utilize resources effectively. Armendariz and Morduch (2020) identified the following indicators, such as loan repayment rates, mobilization of funds, client retention, financial soundness, client satisfaction, children reached, and outreach into the community, that may be employed in the assessment of microfinance institutions' performance. These indicators are also beneficial in the analysis of the extent to which microfinance institutions (MFIs) are successful in economic empowerment and offer financial services to the poor, as mentioned by the authors. To measure the performance of the microfinance activities supported by the NGO, this research focused on non-cash aspects such as customer retention, outreach to communities, and satisfaction.

## Statement of the Problem

The challenges that face microfinance institutions (MFIs) in Tanzania are mostly risk management problems that result in high loan defaults and financial unsustainability. A Tanzania Microfinance Network (TMN) report by Lwesya and Mwakalobo (2023) indicated that about 50% of MFIs were under threat of insolvency, an occurrence primarily caused by poor strategic risk management practice (as well as poor risk management practices. Such a perilous situation not only constrains their ability to continue activities, but it also severely constrains their ability to serve poor communities with essential financial products. Mwambuli et al. (2023) further revealed that MFIs' activities are therefore greatly incapacitated to accomplish their role of financial inclusion due to high defaults that overwhelm capital deficiencies and full lenders in offering stringent loan terms. For instance, MFIs' inefficiency in providing effective financial services can exacerbate social ills such as gender disparity and poverty, thus weakening the effort to empower weaker sections, such as women disproportionately empowered under microfinance initiatives (Ruheza, 2023).

## Objective of the Study

To determine the effect of operational risk management on the firm performance of VisionFund Tanzania.

## Hypothesis of the Study

**$H_{01}$:** Operational risk management does not have a statistically significant effect on the firm performance of VisionFund, Tanzania.

# LITERATURE REVIEW

## Theoretical Review

The study was anchored by the Enterprise Risk Management (ERM) model, which was originally developed by Committee of Sponsoring Organizations of the Tread Way Commission (COSO) (2004). The model is based on the assumption that firms adopt an integrated and standardized risk management process by identifying, assessing and tracking different categories of risks, including financial, operational and reputational risks (Prewett & Terry, 2018). These authors further noted that ERM holds continuous risk reporting, communication and integration of risk management as a component of organizational strategy and performance management to enable firms to manage potential risks.

This model involves eight interconnected components, such as governance, culture, strategy and objective setting, performance, review and amendment, and information, communication and reporting, which collectively can improve the firm’s ability to manage risks efficiently (Ibiwoye et al., 2020). This model is particularly relevant to this study since it highlights the role of governance, culture and management of operational risk in the potential early identification and the minimization of operational risks, hence enhance customer satisfaction and overall performance (Yumono & Ellitan, 2024).

Balanced Scorecard Model

This model was developed by Robert S. Kaplan and David P. Norton (1992). This model is further based on the assumption that firm performance is not only assessed using financial indicators; but, it can be measured through financial and non-financial indicators. Hansen and Schaltegger (2016) mention that the model considers non-financial measurements at the same level of priority as far as measuring the success of companies is concerned.

The model has also been successfully applied in other areas such as MSMEs, health care, NGOs, SACCOS, and for-profit business organizations because of its effectiveness and cross-context applicability (Adinugraha, 2022). BSC supports the implementation of a strategy via non-financial indicators, such as customer satisfaction, business efficiency, customer service, and customer retention (Cifalino & Lisi (2019). The use of the Balanced Scorecard (BSC) also significantly enhanced the performance of microfinance institutions to make them competitive enough in the marketplace. The model is relevant to this current study since it provides MFIs with the ability to assess their level of performance using both financial and non-financial indicators, like community outreach, customer satisfaction and customer retention within the business arena.

Despite the value of this model, it has some weak sides. Pessanha and Prochnik (2006) argue that the model overstates strategic goals and performance measures at the expense of highly significant stakeholder interests.

## Empirical Literature Review

Ko et al. (2019) examined how operational risk events correlate with credit risk and business success of Taiwanese electronics firms. It focused on Taiwanese firms listed on the Taiwan Stock Exchange. The study obtained secondary data between 2008 and 2010. The study was carried out on fifteen Taiwanese banks. It obtained secondary data. Regression models were applied to analyze the secondary data. The study found that a higher likelihood of defaulting on the loan and weak performance was positively linked with frequent operational risk incidents. The current research, however, was on Tanzanian MFIs since the research was already done in another country with a varied geographic location.

Agbana et al. (2024) investigated the impact of operational risk on the performance of deposit money banks in Nigeria. The study extracted data from the annual reports of 13 deposit money banks between 2015 and 2023. The study adopted descriptive research design, and inferential statistics was employed, including correlation and panel regression analysis. The study found that there was a significant positive relationship between operational risk and financial performance, as assessed by ROA. However, the study was exclusively relying on secondary data, which may have limitations ability to capture the views of the managers as well as internal operational risks in the banks. To fill this gap, the current study specifically collected primary data using questionnaires.

Similarly, Fadun and Oye (2020) evaluated the impact of operational risk management practices on the financial performance of the Nigerian commercial banks over ten years from 2008 to 2017. The study used secondary data that were obtained from some selected Nigerian

deposit money institutions' financial reports. The findings established a positive relationship between operational risk management and the banks' financial performance. However, the study adopted exclusively secondary data, which constrained the ability to evaluate the managerial opinions on operational risk management practices from banks perspectives. The current study sought to bridge this gap by utilizing primary data using structured questionnaires, in order to obtain the managerial opinions.

In another study, Wanjohi et al. (2021) examined the influence of operational risk management on the performance of real estate firms in Nairobi County. The study was underpinned by agency theory, stakeholder theory, and financial economic theory. To achieve its research objectives, the study adopted a descriptive survey design, targeting 80 licensed real estate firms, from which a sample size of 66 firms was determined using a stratified random sampling technique. Primary data was collected via a structured questionnaire, and analyzed through descriptive and inferential statistics. The study revealed a statistically significant and positive relationship between operational risk management and the performance of the real estate firms studied ($r=.122$, $p=.000$, where $p<.05$). However, there is a contextual gap, since the study was conducted within the context of real estate firms; it is essential to acknowledge that the current research was situated within microfinance institutions. The findings may not be applicable to MFIs operating in Tanzania.

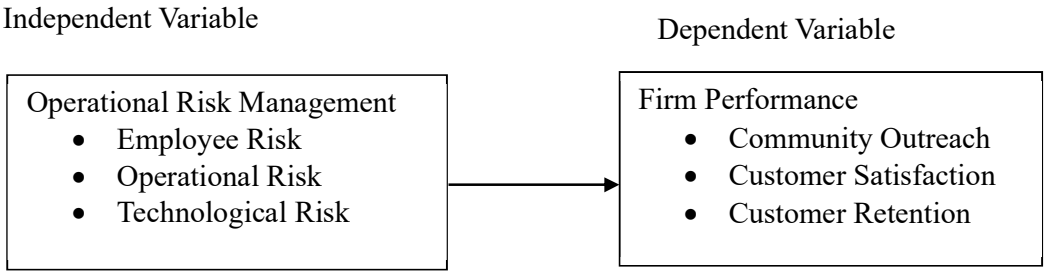
Mrindoko et al. (2020) studied the effect of operational risk on financial performance in Tanzanian commercial banks. The study used a longitudinal explanatory design. The panel data was collected from 41 commercial banks between 2006 and 2019. The study applied STATA 14.0 to analyze the data. The findings showed that poor operational risk management was established via high portfolio concentration and cost-to-income ratios, which had a statistically significant negative impact on Return on Assets (ROA) ($p<0.05$). The study recommends that poor operational risk management weakens financial performance. However, the study relied on longitudinal panel data, generated from secondary financial reports. To bridge this gap, the current study adopted primary data collected using structured questionnaires.

Similarly, Maatwa and Mwaura (2016) assessed the impact of operational risk management practices on the performance of commercial banks in Tanzania. The study was anchored on Extreme Value Theory and Regulation Innovation Theory. The study used a descriptive research design and the population comprised of all the commercial banks in Tanzania, which are 34 commercial banks. Questionnaires were used to collect primary data and analyses was done through SPSS version 11.0, employing both descriptive (means, standard deviations, minimum and maximum) and inferential statistics (regression analysis and ANOVA test). The study found that operational risk factors, such as credit risk, insolvency risk, and operational efficiency positively influenced financial performance. However, the study focused on commercial banks, while the current study concentrated on microfinance institutions in Tanzania.

## Conceptual Framework

Figure 1 highlights a conceptual framework of this study. As shown in this framework, the study sought to determine the effect of operational risk management as the independent variable and the firm performance as the dependent variable.

***Figure 1: Conceptual Framework***




***Source: Researcher (2026)***

# RESEARCH METHODOLOGY

## Research Philosophy and Design

This study was underpinned by positivism philosophy approach, which emphasizes the significance of observable data and facts, focusing strictly on what is presented without being influenced by human interpretation or bias (Saunders & Bristow, 2023). In line with this philosophy, the study applied both descriptive and explanatory research designs to determine the effect of operational risk management on firm performance. This design involved carrying out a quantitative component. Descriptive components were applied systematically to describe the features of the study variables. An explanatory research design assisted in establishing the effect of independent on the dependent variable.

## Population and Sampling Technique

The study was carried out at VisionFund, Tanzania, a leading microfinance institution in Tanzania. Therefore, the study targeted 103 employees of VisionFund Tanzania from the senior management, functional levels (regional managers and program managers), and operational level (supervisors), since they are involved in decision-making regarding strategic directions. The distribution is presented in Table 1.

***Table 1: Target Population***

| Categories | Target Population |
|---|---|
| Senior Leadership Team (SLT) | 8 |
| Regional Managers | 6 |
| Middle managers | 39 |
| Supervisors | 50 |
| Total | 103 |

***VFT Human Resource Data (May 2025)***

## Research Data and Analysis

The study adopted a census approach to collect data. Primary data was collected using structured questionnaire. It contained closed-ended/Likert scale questions. The study was

pretested on 10 employees from FINCA Microfinance Bank. Validity was tested through content and construct validity, while reliability was tested using Cronbach's Alpha Coefficient at 0.7. Quantitative data were analyzed using Microsoft Excel 2016 and SPSS 27.0, where descriptive statistics were analyzed using mean, standard deviations and percentages, while inferential statistics included Pearson correlation and simple regression analyses, with a regression model of: $Y = \alpha_1 + \beta_1 X_1 + \varepsilon$

Where:

Y = Firm Performance (Dependent Variable)

$\alpha_1$ = Constant

$\beta_1$= beta coefficient

$\varepsilon$= error term

$X_1$= Operational Risk Management

The study sought to answer the following hypothesis: $H0_1$: Operational risk management does not have a statistically significant effect on firm performance at VisionFund. Then, the study sought clearance from the Daystar University Institutional Scientific and Ethics Review Committee (DU-ISERC), whose verdict facilitated the study to apply for COSTECH in Tanzania. The study obtained informed consent before collecting actual data.

## DATA PRESENTATION, ANALYSIS, AND DISCUSSIONS

### Response Rate

Findings from Table 2 reveal that the study distributed 103 questionnaires to the respondents, out of which 96 were filled out and returned, while only 7 did not respond. Thus, the 96 filled out and returned represented 93.2%, which, as Holtom et al. (2022) argued that, a response rate above 70% is termed excellent; hence, further analysis can be carried out.

***Table 2: Response Rate***

| Response Rate | Staff | Percentages |
|---|---|---|
| Questionnaires Distributed | 103 | 100 |
| Returned | 96 | 93.2 |
| Not Returned | 7 | 6.8 |

***Researcher (2026)***

### Descriptive Statistics Analysis

Table 3 results show the aggregate mean of 3.82 and standard deviation=0.561, which suggests that participants were in strong agreement about the initiatives undertaken by VisionFund regarding operational risk management practices. Specifically, the majority of the participants agreed that VisionFund actively participated in the community programs to support local initiatives, as shown by a mean score=3.84 and standard deviation=1.009, which indicates a strong agreement and less consensus on outreach initiatives. Suggestion of community participation, but not uniformly. There is a need to broaden the participation. The study recommends standardization and monitoring of community programs to ensure more participation.

When participants were asked if the services provided by VisionFund effectively met the operational needs. The study found that the participants strongly agreed, as shown by a mean score=3.70 and standard deviation=0.651, meaning that the services met the needs, but there is

room to improve responsiveness. The study recommends investment in customer support and alignment of the services. Also, the study determined that the bank provided clear information regarding how the management of operational risks was done, and the findings revealed that the participants were in strong agreement, as indicated by the highest mean score=4.03 and standard deviation=0.623. A suggestion that there was transparent communication concerning risk management practice.

Moreover, regarding whether the bank offers adequate support systems to help customers navigate operational issues, the respondents strongly agreed to that aspect with a mean score=3.73 and standard deviation=0.852, reflecting that adequate support existed at VisionFund. But there should be an enhancement of clarity and dissemination of operational risk management processes so that customers can understand risk management actions. The findings further indicated that the bank had effective systems in place to identify operational risks to protect my interests, the participants agreed to those aspects as shown by a lower mean score=3.64 and standard deviation=0. 783. An indication of low-risk identification. The study recommends that VisionFund should consider publishing various risks for its customers and the steps to mitigate them.

Regarding whether the bank was responsive to customer feedback and adjusted its services accordingly to influence customers to remain loyal, the respondents agreed, as shown by a mean score=3.70 and standard deviation=0.848. Finally, regarding the effective operational risk management contributed positively to the bank's reputation in the community, the participants strongly agreed that operational risk management enhanced reputation, as indicated by a mean score=4.02, standard deviation=0.906. This indicates that the majority of the respondents were in agreement, but with a moderate variability among the respondents. This may signal weakness in the detection of risks or even their communication. The study recommends improvement in responsiveness in order to encourage customer loyalty as well as satisfaction.

These findings match the assumption of BSC that firm performance is not only measured using financial aspects, but also non-financial measures are taken into account as well. However, these findings disagree with Oye (2020) who discovered that operational risk management practices were significantly inadequate and systemic defects in banks in Dar Es Salaam.

*Table 3: Operational Risk Management*

| Statements | Min | Max | Mean | Std Dev |
|---|---|---|---|---|
| Our bank actively participates in community outreach programs to support local initiatives. | 1 | 5 | 3.84 | 1.009 |
| Services provided by the bank effectively meet my operational needs. | 1 | 5 | 3.7 | 0.651 |
| The bank provides clear information regarding how it manages operational risks. | 2 | 5 | 4.03 | 0.623 |
| Effective operational risk management contributes positively to the bank's reputation in the community. | 1 | 5 | 4.02 | 0.906 |
| The bank offers adequate support systems to help customers navigate operational issues. | 2 | 5 | 3.73 | 0.852 |
| The bank has effective systems in place for identifying operational risks to protect my interests. | 2 | 5 | 3.64 | 0.783 |
| The bank is responsive to customer feedback and adjusts its services. | 2 | 5 | 3.7 | 0.848 |
| I believe that the bank's operational risk management positively affects customer satisfaction and retention. | 2 | 5 | 3.93 | 0.811 |
| Aggregate Mean | | | 3.82 | 0.561 |

*Researcher (2026)*

## Inferential Analysis

Findings from Table 4 showed that there was a strongly positive and statistically significant relationship between operational risk management and firm performance (r=.764, p=.000). This implies that an increase in the adoption of operational risk management would lead to an increase in the performance of MFIs in Tanzania. This agrees with Wanjohi et al. (2021) who revealed that there was a statistically significant and positive relationship between operational risk management and the performance of the real estate firms studied (r=.622, p=.000, where p<.05). hence, an indication that effective operational risk management practices are likely to enhance the performance indicators of these firms.

*Table 4: Correlation Matrix (N=96)*

| Variables | Correlations | Firm Performance |
|---|---|---|
| Firm Performance | Pearson Correlation | 1 |
| | Sig. (2-tailed) | |
| Operational Risk Management | Pearson Correlation | .764* |
| | Sig. (2-tailed) | .000 |

*Researcher (2026)*

## Regression Analysis for Operational Risk Management

The study was based on the null hypothesis:

***$H_{01}$:*** *Operational risk management does not have a statistically significant effect on firm performance at VisionFund, Tanzania.*

To test this hypothesis, a simple regression was performed following this model: $Y = \alpha_1 + \beta_1 X_1 + \varepsilon$ ----------Objective (i)

Where y=Firm performance

$X_1$= Operational risk management

Table 5 shows that operational risk management ($R^2$=.584), which suggests that operational risk management explains up to 58.4% of the changes in the firm's performance at VisionFund. This finding agrees with Mrindoko et al. (2020), who found that poor operational risk management weakens financial performance in Tanzanian banks.

***Table 5: Model Summary for Operational Risk Management***

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .764a | 0.584 | 0.581 | 0.44664 |

a Predictors: (Constant), Operational Risk Management

***Researcher (2026)***

ANOVA results shown in Table 6 outline that the regression model of fitness is statistically significant (F=132.019, p<0.05), suggesting that the model was fit to predict firm performance at VisionFund, Tanzania when applying operational risk management. This finding matches the study by Wanjohi et al. (2021), who revealed that there was a statistically significant positive relationship between operational risk management and the performance of the real estate firms studied (β=.122, p=.000, where p < .05).

***Table 6: ANOVA Findings for Operational Risk Management***

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 26.37 | 1 | 26.37 | 132.019 | .000b |
| | Residual | 18.752 | 94 | 0.199 | | |
| | Total | 45.122 | 95 | | | |

a Dependent Variable: Firm Performance
b Predictors: (Constant), Operational Risk Management

***Researcher (2026)***

Further analysis of the regression coefficients in Table 7 was based on the had $H_{01}$: Operational risk management does not have a statistically significant effect on firm performance at VisionFund, Tanzania. Results in Table 7 revealed that operational risk management has a strongly positive and statistically significant effect on firm performance at VisionFund, Tanzania ($\beta_1$=.939, p=.000). Based on these findings, the study rejected the null hypothesis and made this conclusion: That operational risk management had a statistically significant influence on the firm performance at VisionFund, Tanzania, using this model to explain this: $Y_1 = 0.283 + 0.939X_1 + \varepsilon$

Particularly, the unstandardized regression coefficient for operational risk management which translates that a one-unit enhancement in the operational risk management results to an increase of 0.939 units in the firm performance, while other factors remain constant.

This model demonstrates that firm performance can be firmly predicted by the level of operational risk management at VisionFund. Hence, the strength of operational risk management as practice can significantly improve the firm's performance, which makes it a vital strategic focus for VisionFund. These findings agree with Agbana et al. (2024), who found that there was a significant relationship between operational risk on financial performance of deposit money banks in Nigeria.

***Table 7: Regression Coefficients for Operational Risk Management***

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 0.283 | 0.315 | | 0.899 | .371 |
| | Operational Risk Management | 0.939 | 0.082 | 0.764 | 11.497 | .000 |

a Dependent Variable: Firm Performance

***Researcher (2026)***

## SUMMARY OF FINDINGS, DISCUSSIONS, AND RECOMMENDATIONS

### Summary of Findings

The study sought to investigate the effect of operational risk management on firm performance at VisionFund, Tanzania. First, descriptive statistics showed that the respondents expressed positive attitudes toward VisionFund's community outreach initiatives with a mean score of 3.84. Although there was variability in agreement, indicating room for improvement in achieving uniform participation. Similarly, another mean score of 3.93 suggested that effective operational risk management practices significantly lead to customer satisfaction, customer retention and community outreach.

Correlation analysis further revealed that operational risk management had a strong and positive relationship with firm performance ($r=.764$, $p<.005$). With respect to hypothesis testing, the regression analysis established that operational risk management has a strongly positive and statistically significant effect on firm performance at VisionFund, Tanzania ($\beta_1=.939$, $p=.000$). Regarding this, the study rejected the null hypothesis and concludes that operational risk management had a statistically significant influence on the firm performance at VisionFund, Tanzania.

### Discussions of the Findings

Descriptive findings demonstrated a strongly agreement among respondents on operational risk management practices. As shown in Table 3, community outreach initiatives were highly rated, with a mean score of 3.84, and standard deviation of 1.009). An indication that VisionFund's community outreach initiatives were particularly enjoyed and appreciated. However, from the figure of standard deviation, there is some variation in agreement on outreach impact, implying that while community involvement is appreciated, it could not have been considered uniform among different demographic segments. The implication is that VisionFund must make such programs uniform to get more uniform participation and exposure.

Another important finding was that a mean score of 3.93 for the impact operational risk management has on customer retention and satisfaction emphasizes the crucial role operational practices have in building customer loyalty. However, the marginally lower mean score of 3.64 for the bank's operational risk identification systems leaves room for improvement. VisionFund is advised to act proactively and develop communication plans to notify clients of current risk and mitigation, and continue generating more transparency and client trust.

Apart from this, they displayed an average rating of 4.03 in offering open information on operating risk management, which represents high internal communication. Openness is particularly important in developing customer trust and loyalty. However, operating risk management practices need to evolve constantly based on consumer experience and feedback in order to stay up to date with ever-changing risk environments.

Overall, the evidence aligns with the ERM Model view that business performance exceeds financial measures. Added to this, Oye (2020) highlighted systemic breakdowns in bank operational risk management, indicating a dramatic contrast, and suggesting that VisionFund's innovative practice in community relationships and customer communication may be bearing fruit when it comes to perceived quality of service.

Additionally, the study confirmed that there was a statistically significant strong correlation between operational risk management and firm performance ($r=0.764$, $p< .001$). The findings validate Musyoka (2021), who argues that the use of strategic risk management practices improves operating clarity and concentration, which are key to improved performance outcomes.

In reference to the first hypothesis, regression analysis provided an $R^2=.584$, meaning operational risk management explains 58.4% of the variation in firm performance. This high value conforms to the findings of Mrindoko et al. (2020), in support of the reality that great operational risk strategies significantly enhance financial performance.
The ANOVA test confirmed this model with the value of $F=132.019$, $p < .001$, confirming the goodness of the model to the data. The regression coefficient confirmed a statistically significant impact of operational risk management on the performance of firms ($\beta1=0.939$, $p<.001$. The null hypothesis was rejected, confirming that there is a need for proper operational risk management practices to boost the performance indicators in VisionFund.

## Recommendations for Practice and Policy

The study recommends that VisionFund should aim to continuously strengthen its operational risk management policies to mitigate operational failures. Also, the management of VisionFund should standardize uniformity in community outreach initiatives to enhance participation and stakeholder involvement. Finally, the study recommends that VisionFund management should continuously invest and tailor training programs to enhance the knowledge among staff to identify, assess and manage operational risks.

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