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Diversification: A Strategic Option to Survival of Micro-Finance Banks in Imo-State, Nigeria

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Abstract
This study investigated if diversification can play a strategic role in the survival of micro-finance banks in Owerri, Imo State, Nigeria. The study employed a survey approach and used the questionnaire as its major source of data collection. In order to guide the study, two research questions and hypotheses which are consistent with the objectives of the study were raised. ANOVA was the tool for data analysis, and from the findings of the results, the researchers concludes that diversification can enhance the financial performance and their competitiveness thereby enhance their surviva in the industry.
Keywords: diversification, organizational survival, micro-finance banks, competitiveness

1. INTRODUCTION

The world economy today is gradually integrating into one as a result of rapid technological growth especially in the areas of information and communication technology. This have broken down trade barriers across the nations and deepened competition. Moreover, economic crunch which in most cases affect the financial system led by the banking sector makes it imperative that banks should ensure that their investment portfolio mix is managed in such a strategic manner that non-banking operations can contribute meaningfully to the survival of the banks. One of the worst hit in any banking sector crisis is the micro finance sub-sector. Micro-finance bank which is critical to the economic growth of every nation must search for operational models that can help it survive in times of industry challenges. This requires that micro-finance banks must formulate strategies to create profit centers outside its conventional banking operations. Again, in order to enhance their competitive capacities, micro-finance banks must attract and sustain confidence from their various stakeholders or publics. This enunciates the need for diversification in micro-finance banks in Nigeria. In the view of Akanwa et al (2006), the formulation of a strategy for diversification must begin with an examination of the firm's basic objectives, skills, and resources and an appraisal of its' strategic design. They posits that the movement into diversification usually necessitates a change in the company's root strategy and a complete recycling of the policy making process.

In its meaning, Hao et al (2011) defined diversification strategy as a technique for the identification and assessment of potential risks and combine a diverse array of investments in a portfolio. They assert that the justification is that fluctuations in the value of single security will have smaller negative impact as a part of a diversified portfolio. In this way, diversification reduces the overall risk of the investments. To Hao et al (2011), there are three major strategies to enhance the quality of diversification. Firstly, the portfolio may comprise of various investment instruments such as bonds, cash, and stocks, among others. Secondly, one may employ various mutual fund strategies such as investment in balanced and index funds. This approach entails the creation of portfolio which comprises of instruments with varying levels of risk. Losses incurred by investments in some areas will be compensated by profits gained in other areas. Thirdly, one may diversify the industry type and geographic locations of the securities. This approach aims to lessen the impact of risks associated with the possible decline of particular industries. Moreover, weather conditions such as regional floods, storms, and floods may cause extensive damages on certain locally based industries. Furthermore, it is best to simultaneously invest in domestic and international securities. Even if one country is experiencing economic decline, the overall portfolio will include other countries of varying degrees of economic growth.

In the view of Dastidar (2009), Diversification strategy comprises of horizontal and vertical diversification. The first type occurs when the investor holds securities in various companies which engage in a certain activity at the same stage of the production process. Vertical diversification refers to investment in companies which are engaged in different phases of production: from raw materials to finished products. In general, horizontal diversification narrows the investment to companies within a single sector. Vertical diversification increases the scope of investment to the purchases of stocks in different branches. Moreover, broader diversification may entail the purchase of both, stocks and bonds within diverse array of sectors.

Levy and Sarnat (1970) say that organizations will attempt to diversify into a wide range of industries in order to lower their likelihood of failure. Weston and Mansighka (1971) indicated that firms may undertake corporate level diversification to defend against the possibility of a deteriorating industry environment. They suggest that organizations can survive, or at least affect their rate of decline if they react correctly to environmental change. Pfeffer and Salancik (1978) and Thompson (1961) state that firms can buffer against environmental effects through diversification of the firm's activities or markets. The implication is that more diversified firms should be less inclined to fail.

1.2 Statement of the Problem

The continued existence of every organization among other things depends on the various alternatives of revenue generation and financial discipline. Where there is no Instituted System of generating revenue from diverse sources and financial discipline, financial recklessness may become the order of the day and this will definitely affect the financial survival of the organization negatively. Again, poor design and implementation of diversification strategies are commonly associated with distress in the banking sector, which hinder banks from meeting their financial responsibilities to their various stakeholders.

Investors only invest their money in ventures that are classified as profitable therefore hinders the attraction of investor's fund, as the poor financial survival occasioned by inadequate financial discipline and control erodes investor's confidence. Failures from the operations of subsidiary firms of a diversified bank also increase the operational cost of the banks, and this if not controlled may affect their financial survival. Moreover, operational efficiency is the key to improved organizational survival. Where there is no diversification strategy, operational efficiency may become unattainable and this factor influences the internal process survival of the organization negatively.

The problems identified above leads to customer's dissatisfaction and low patronage which may lead to poor market survival. The problem of this study therefore is to investigate how diversification strategic option to the co survival of micro-finance banks in Nigeria.

1.3 Objectives of the Study

The general purpose of this study is to investigate the influence of diversification strategies on the corporate survival of Nigerian banks. The following specific objectives will be examined.

1. Examine the influence of diversification strategies on the financial survival of Nigerian micro-finance bank.
2. Examine the influence of diversification strategies on the competitiveness of Nigerian micro-finance banks.

1.4 Research Questions

The following research questions are raised to serve as a guide to this study.

i. What are the influences of diversification strategies on the financial survival of Nigerian micro-finance banks?

ii. What are the influences of diversification strategies on the competitiveness of Nigerian micro-finance banks?

1.5 Statement of Hypotheses

The following tentative assertions are made by the researchers for this study.

Hypothesis One

H_0: Diversification strategies do not have any significant influence on the financial survival of Nigerian micro-finance banks.

H_1: Diversification strategies have a significant influence on the financial survival of Nigerian micro-finance banks.

Hypothesis Two

H_0: Diversification strategies do not have any significant influence on the competitiveness of Nigerian micro-finance banks.

H_1: Diversification strategies have a significant influence on the competitiveness of Nigerian micro-finance

banks.

LITERATURE REVIEW.

2.1 Diversification Strategies Defined

Different authorities have adduced diverse meanings to the concept of diversification as a strategy in business. In the view Lyon et al (2002) most often, diversification strategies are implemented to broaden company's activities by increasing services, markets and products. The objective of diversifying is to enable a firm to enter other business units that are divergent from prevalent activities. Diversification strategy in itself does not exist in one single form. Schwartz and Kaimen (2000) believe that diversification is when a firm operating in one industry produces outputs which are classified under another sector. Hopkins and Pitts (2000) perceive diversification as when broad business operates simultaneously. According to Hamilton and Booze (2001), diversified firms are those that extend their business base in order to decrease overall risk and improve the growth rate of the firm. In the opinion of Luxenberg et al (2004), Diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business.

In its early days, diversification came about either by accident or pure intuition. Embarking a conglomerate diversification was a way to decrease the risk involved in the existing operations of the business (Mueller, 1977). As identified by Montgomery (1994), there are three primary reasons that result in a company's conclusion to diversify. The first reason is the Market – Power belief which assumes that as a firm becomes conglomerate, it can obtain stronger position. The second one is identified as the agency attitude. This is when managers implement diversification to uplift the status of the firm and provide protection to the financial conditions of the firm in times of economic turbulence. Finally, the third reason known as the resource view encourages diversification when there are excess resources in the firm that can be elsewhere and be more productive. To Qian (2010) diversification strategy is a risk management technique a company uses that makes use of a wide variety of investments within the company. The under lying principle behind this system is that it asserts that different kinds of investment on an average will give in higher returns and also create a lower risk than an individual investment in a company. The main aim of diversification is to reduce or minimize the risk of the company. Diversification tries to even out the random risks that a company can have and provide with a better way to improve on investments, and neutralize the negative survival of investments in the future. It is a well-known fact that maintaining a well-balanced and diversified company can help a company in yielding cost and minimize the risks involved. An investment in securities would yield far more profits for the company but in a limited time when compared to big investments.

Qfinance dictionary (2011) asserts that diversification strategies deal with developing new areas for growth or risk reduction as a way to increase the variety of business, service, or product types within an organization. Diversification can be a growth strategy, taking advantage of market opportunities, or it may be aimed at reducing *Qfinance dictionary (2011) asserts that diversification strategies deal with developing new areas for growth or risk reduction* as a way to increase the variety of business, service, or product types within an organization. Diversification can be a growth strategy, taking advantage of market opportunities, or it may be aimed at reducing risk by spreading interests over different areas. It can be achieved through acquisition or through internal research and development, and it can involve managing two, a few, or many different areas of interest. Diversification can also be a corporate strategy of investment in acquisitions within a broad portfolio range by a large holding company. One distinct type is horizontal diversification, which involves expansion into a similar product area, for example, a domestic furniture manufacturer producing office furniture. Another is vertical diversification, in which a company moves into a different level of the supply chain, for example, a manufacturing company becoming a retailer.

The term "survival" has many connotations -- both subjective and objective. The most objective way to measure survival in organizations is to observe their continuing existence. This is problematic given the nature of mergers and acquisitions, Delacroix, and Glenn (1983). A way of clarifying the matter is to employ a resource dependence approach (Pfeffer and Jerry 1978). An organization survives as long as it "acquires inputs from suppliers and provides outputs to a given public (customers, clients, patients, etc.). According to Altman (1968), organization fails when coalitions of resource providers cannot be induced to supply resources and the firm cannot repay resource providers for past support (Shephard 1989). There is general agreement among the stakeholders that the firm has failed once it has entered bankruptcy proceedings (Moulton 1988). In other words, the firm has failed to return investors' and creditors' capital in the agreed to manner, to provide workers with job security, to provide cities with tax revenues, etc. For the purpose of this study therefore, survival is simply ability of the micro-finance banks to overcome competitive pressures and environmental threats

2.2. Diversification Perspectives

Ansoff (1957) was the first to articulate on diversification strategy. He proposed that diversification refers to new product development or new market entry. Ever since, diversification is associated with entering a new industry

or field (Rumelt, 1982). In the view of Montgomery (1994) diversification strategy is comprehended from three different but vital perspectives: The market-power, resource-based and agency perspectives.

2.2.1 The Market-Power

This view explains that organizations diversify in order to maximize profit and gain more market power. Diversified organizations always gain power over non-diversified firms as Montgomery (1994) suggests. As explained by Rumelt (1982) market power is the ability of the firm to have big impact at the industry and is able to shape pricing and supply of products.

2.2.2 Resource-based Perspective

This implies that the main motivation for organizations to diversify is the resources (Rumelt, 1982). It is believed that organizations can produce synergy by following diversification. Synergy is created by sharing resources, assets, capabilities and competencies which will either force operating costs down or allow the firm to charge a premium because by utilising its resources it can differentiate its offerings (Montgomery, 1994). Also, Chatterjee and Wernerfelt (1991) posit that the different resources skills owned by a firm determine the type of markets to enter.

2.2.3 Agency Perspective

This view is linked to the manager's ability to control a broad range of activities (Montgomery, 1991). Increased diversification, under the agency view translates into fewer profits, therefore decreased survival (Rumelt, 1982). The agency views also propose that as firm ages, it will automatically be involved in diversification which is why after a period of time, firm survival falls (Michel and Shaked, 1984).It is said that as a firm becomes older in its industry, it gains more confidence to acquire businesses and becomes more experienced to vertically integrate in its supply chain. Relating the three views to organizational survival, the market power perspective explains that diversification improves survival. Grinyer et al (1980) asserts that as firms grow into more businesses they gain more power which allows them to exert influence on the competitors within the industry. The market power view expresses that if a firm keeps operating in a single business, after some time it will become unprofitable (Rumelt, 1982). The agency view, on the other hand, proposes that if diversification is pursued to fulfill management desires and not to maximise profit, it will ultimately bring the survival levels down (Montgomery, 1991). Finally based on the argument of the resource based view, Rumelt's (1982) research indicated that firms who were able to leverage skills and resources among other activities were able to demonstrate optimum survival results when compared by those firms who were unable to share anything

2.3 Types of Diversification Strategies

Literature has identified two main streams of diversification, Concentric and Conglomerate. However, as Nayyar (2002) stated, concentric diversification is more complicated as it has several sub-categories with it. Concentric diversification also known as related diversification occurs when the products or markets added to the current business are related, share common capabilities and require similar resources Palepu, (2005). Under related diversification, the new business ventures benefit from shared research and development, resources, knowledge and the general brand development Markides et al, (2011). Related diversification strategies are made up of vertical integration strategies; backward and forward and unrelated diversification is mainly concerned with horizontal integration.

2.3.1. Vertical Integration

This is often the first choice for firms when considering diversification. It involves the firm investing in its supply chain activities either by forward or backward integration Lewellen, (1999). Background integration is concerned with the activities that act as inputs to the business. Palepu, (2005) posits that many large businesses acquire supplies of raw materials.

Specific Vertical Integration Strategies

There are several vertical integration strategies for firms to follow. However, some can prove to be difficult to administer because the firm will be required to assume the responsibility for both the upwards and downwards services that could have been otherwise purchased elsewhere (Oliver, 1997).

According to Balakrishnan and Fox, (1993), there are four types of vertical integration strategies each being suitable for different conditions. Each strategy represents a different level of internal investment and capability transfer Also, each strategy is unique in its risk level, long term gains, desire for control, growth objectives. The strategies include full integration, tapered integration, quasi integration and contracts (Chen, 1998). Each strategy is explained below.

Full Integration

Oliver (2007), is of the opinion that Fully integrated organizations purchase (or sell) their product or service needs internally. They run their facilities to fulfill a substantial portion of their input or output demands internally. Full integration is implemented when:

- Organizations are convinced that they can safeguard proprietary operations from competitive infiltration by integrating.
- Components and machinery parts have to be engineered internally to smooth production processes.

- Business desire for quality control to increase with excellent supervision at all levels and stages of production.
- Integration allows the firm to achieve cost advantage.

However, full integration will show best results and works well when:

- Intense price wars are not strong.
- Capacity expansions and increases are smooth with stable demand.
- The organization enjoys a leading position and cost advantages due to their ability to obtain scarce resources.
- The technology used is extremely advanced and costly for other to imitate.

Taper Integration

Hill and Hoskisson (2007) are of the view that Organizations involved in taper integration depend on part of their requirements to be supplied by outsiders. As Grant et al (1988) suggest that, in taper integration, a firm may produce a certain amount of their requirements internally and the other portions purchased from other parties. The advantage of taper integration is that it allows the firm to take the opportunity of total utilisation of capacity with others to absorb the risks of excess capacity. However, taper integration allows firms to pay premiums for supplies coming from other parties which as a result also decreased their bargaining power. Taper integration can be implemented when no physical connection is needed, and is most suitable when:-

- Raw materials are readily available.
- Under-utilization of equipment and resources does not incur high undesirable diseconomies. In other words, the benefits still outweigh the costs.
- Considerable value can be added by supplies from outsiders who are costly to be produced by the firm internally.

Quasi Integration

Organizations involved in quasi integration do not own 100% of their business units but only a portion of the inputs or outputs. The quasi integrated units can be in the form of franchises, joint ventures or mergers and the manner in which they are controlled depends on the management and leadership style (Oliver, 1997). As Nayyar (1993) recommends, this strategy is useful when uncertainties arising from new technologies are extremely high and the capital requirements are too costly for the firm to handle alone. The advantage of quasi integration over taper integration is that it does not require full ownership of diversifiers, but at the same time yield similar economies of scale (Oliver, 1997). However, the costs of managing a quasi-integrated strategy is higher as administrative issues are more complicated because of many parties involved in the ownership.

Contracting

This strategy according to McDougall and Round (1984), does not require any form of internal integration in the firm. However, it requires detailed drafting of all responsibilities to be carried out by others because suppliers, representatives, manufacturers, fabricators and wholesalers will be performing the activities that could have been conducted in-house, the firm must have superior knowledge of how the operations should be executed. Contracting is most suited for a dynamic volatile industry such as construction, as suggested by Oliver (1997). He suggests that for contracting to be successful in the long-term, the firms must possess high bargaining power to write the conditions of the contracts.

Despite these benefits, Chen (2008) opines that, in adopting vertical integration, corporations must be cautious that vertical integration does not limit their flexibility as exit costs can be high.

2.3.2. Horizontal Integration

Pablo, (2004) This describes acquiring operations that act as compliments to current activities. The risk involved in horizontal integration is far less than can be seen in vertical integration because the businesses can be more conglomerate or unrelated. Conglomerate diversification are generally noted as unrelated diversification (Rumelt, 1982). This occurs when one organization diversifies into domains that are irrespective of its actual business line. According to Meyer et al, (2003), The main objective of conglomerate diversification is to increase the profitability of the organization by acquiring other businesses. As Mishina et al (2004) imply; the aims of engaging in unrelated diversification are because the current opportunities in the business are restricted and to increase the growth rate of the company. Most often, an increase in growth can imply prestige and power making the firm attractive to investors. However, Pitts and Hopkins (1982) state that there are drawbacks to following conglomerate diversification. The prime disadvantage is the rise of administrative costs and issues connected with handling unrelated ventures. Competition for resources is another downside that can create rivalry within the firm (Markides et al, 1996).

2.4 BENEFITS AND COSTS OF DIVERSIFICATION

As with any business pursuit there are benefits and costs accompanying diversification and eventually, an

organizations survival will be contingent on how executives attain a balance between benefits and costs of each

2.5.1 Benefits of Diversification

The benefits of diversification are built around the following areas according to Mishina et al, (2004).

1. Diversification can recover the firm from debt capacity and improve the situation. By diversifying into other profitable businesses; the increased earnings can reduce organizational debt.
2. Diversification lessens the possibility of going bankrupt by investing into different or newer industries.
3. Diversification can enhance asset utilization and profitability.
4. Capital and Labour productivity is increased due to diversification because skills and expertise developed in one business field can be transferred to another.
5. In markets where taxes exist, diversified organizations can enjoy transferring capital from a surplus division to a deficit division unaccompanied by transaction costs.
6. Unsystematic risk is pooled in diversified enterprises. This is because each venture groups its risk together and reduces its impact on the other businesses.
7. Variability in cash flow earnings is minimized.
8. Studies show that skilled employees always choose diversified firms because they provide increased job security. Also studies indicate that employees enjoy staying in diversified organizations because they get a better chance of job rotation and therefore learn more.
9. Diversification aids firms in realising economies of scale. By vertical integration assets, productivity, equipment and resources can be utilised to a maximum. These economies of scope also lead to achieving synergy.
10. Diversification allows a firm to take advantage of the strategic gap that exists in competitive environments.
11. Diversification is also considered a route to escape from an undesirable industry.

2.5.2 Cost of Diversification

There are also costs of diversification. They are as follows:

1. Managerial difficulty and complexity in coordinating activities of the businesses.
2. Management does not have the required skill and expertise to manage the other businesses
3. The assets of the other acquired firms are in many instances undervalued. This demands increased effort and excellent management to exploit the opportunities that lie in these undervalued assets
4. Very high administrative costs are involved with diversification
5. Organizational culture differences can result in problems or HR issues that will require time and effort to solve.
6. In firms with stock ownership, diversification does not create more value for shareholder. Shareholders by themselves can own diversified portfolios and don’t need an organization to conduct this on their behalf
7. It is proposed by several authors that the size of an organization and senior management compensation is extremely related which explains the reason why executives are in favour for diversification (Suzuki, 1980). Diversification often presents rewards to executives that are not available to shareholders, i.e. diversification adds more value to executives that it does to investors. This issue brings about the next point.
8. Diversification influences the risk of moral hazard. Moral hazard can affect directors or top management in that they change their behaviour to act in the benefit of themselves so that they do not loose the bonuses associated with the diversification strategy.

To mitigate this cost, top executives must have to balance the cost and benefits of diversification to achieve the goal of increasing organizational survival. There is no doubt that every strategy, especially radical shifts such as diversification has negative impacts on a firm, but managers and all those involved have to work together to keep the damaging effects to the least possible level.

2.6 METHODS OF IMPLEMENTING DIVERSIFICATION STRATEGY

To Hitt et al, (2007), the method of pursuing a diversification strategy vary depending on organizational goals. It has to be incorporated from the initial strategic management process. The primary methods of strategic development in organizations are

(a) **Mergers and Acquisition:** Kale (2005), asserts that they are the safest mode for pursuing diversification as they expose least risk. To Kale, it is very common for firms to merge together and eventually hold shared decision making among the organizations. It is also equally common for acquisitions among firms where in most cases one firm would take possession of the other. Hitt et al, (2007), posits that, there are several

incentives for choosing mergers or acquisition. The business environment is highly unstable and for new entrants this can be difficult without entering through an acquisition. Also, in dynamic markets rivalry reaction can be very intense a new entrants (Teece, 1982). In a study conducted by Tallman and Li (2006), firms that are willing to diversify overseas to explicit strategic capabilities such as research and development into new raw materials depend on acquisitions. As mentioned earlier economies of scale is one reason to diversify. This diversification to achieve cost efficiency is best gained through merging operations (Hitt et al, 2007). In business, it is a long process to build knowledge or obtain new capabilities or skills. Therefore, managers are motivated to acquire other firms for their research and development skills or mastery in a specific market or process . As said before, managers are always prompted to diversify and it has been concluded by many studies that acquisition is the fastest route to growth and it is definitely favoured over organic development (Venkatraman and Grant, 1986; Hitt et al, 1997; Teece, 1982; Luffman and Reed, 1984). Nevertheless, many firms show support for diversification through acquisition because it is a fast route to growth, but not always a successful strategy.

(b) **Strategic alliances**: According to Teece, (2008), although strategic alliances are not common on a global basis, they are practiced more among Chinese firms. Alliances are when two or more enterprises share resources, operations and activities to achieve their strategic goal (Markides, 1995). In strategic alliances, goals of the firms do not necessarily have to be similar (Oliver, 1997). Alliances can vary in their degree of complexity; they can produce one product or in many cases multiple products.

The motives for alliances according to Teece et al, (1997) are:

1. Highly competitive environments increases the complexity of conducting business activities which in return forces firms to share resources or equipment to keep up with the competition without increasing cost or wasting time
2. Many business ventures need special skills and innovation and this can be readily obtainable through collaboration
3. Finance regulations in some countries exert pressure on foreign firms to work jointly with a local firm otherwise they might risk losing the project
4. The necessity to achieve critical mass by forming collaborations with firms that offer complementary products.
5. Learning and sharing knowledge to develop competences from another firm so that in the long term, the learnt competences can be brought in house to the organization and be used as a competitive advantage.

2.9 DIVERSIFICATION AND SURVIVAL RELATIONSHIP

The issue on whether and how diversification affects organizational survival has been extensively investigated in empirical research for over 40 years. Literature indicates that varied theoretical perspectives and methodologies were proposed which is the main reason why the outcomes are often inconsistent. Chatterjee and Wernerfelt (1988, 1991) suggest that the relationship between related diversification and survival is positive. Berger et al (1995) support their view by explaining further that if related diversification is continued over a period of 3 to 5 years, the survival levels would stabilize. In other words, even if the related diversification was discontinued, the survival level would not drop; instead it will stay the same for another 3 years (Markides et al, 1996). Calvo and Wellisz (1978) assume that a firm has to be diversified into related businesses for at least 5 years for it to see an improvement in its survival quality. They also urge firms that get engaged in related diversification not to measure survival in financial terms, but instead use market share or customer satisfaction measures (Calvo et al, 1978). The reason for this being financial measures can be misleading at the beginning because a lot of investment will be required which will show up negatively on financial statements.

Palich et al (2000) affirm that related diversification is positively connected with survival as long as the required resources and capabilities are available. Managers should know how to operate the systems in the required firm and fully understand ways to merge it with the organization in order to achieve synergy and develop the learning curve even further. In addition to that, it is also mentioned that the firm has to continuously develop its organizational knowledge, especially within industries. Organizational knowledge should be gained by in accumulating skill and experience through sharing activities and routines across all business lines. Grinyer et al (2010) impose that without initiating organizational knowledge, it will be difficult to optimize the benefits obtained from related diversification on organizational survival. As firms expand and become complex, personnel need to share the expertise they have acquired among other departments. Organizations are more likely to realize competitive advantages through activities and production processes. This is only possible through tacit knowledge, i.e. processes can be achieved more efficiently as time goes by because of gaining experience. Another capability needed to enhance the diversification survival relationship is the ability to operate in a value network. In the view of Dubofsky et al (2007), in organization, it is critically important to create a value network and to come up with an arrangement of inter organizational connections which are

important to produce products or services. All workers should understand the supply chain within the firms operations and be skilled at managing the whole process and linkages between them in order to ensure that the best value is delivered to the Client.

A third capability required to boost diversification survival linkage is the identification of profit pools and focusing more on them by providing necessary resources . Palepu, (2005) averred that Profit pools are those parts of the organization or acquired business divisions that are more profitable than others. Even in diversification, when acquiring a related business line, it is necessary that the new venture is profitable. A further area essential to support the affirmative relationship between diversification and survival is benchmarking. It's essential to measure survival against other survival levels to get an idea of the actual corporate position. Benchmarking also helps firms understand their capabilities when compared with other firms. Comparing survival to those of best practicing helps to change the executive's mindset in making them accept incremental improvements in competences and resources which eventually will have a favorable effect on survival.

3. METHODOLOGY

The researchers adopted a survey approach in carrying out this study. This approach was chosen to enable the researchers reach out to a reasonable number of the population within the available resources. This study focused on diversification strategy on corporate survival with micro-finance banks in Owerri Municipal Council, Imo State Municipal Council, Imo S tate Imo State as the study firm. The population of interest in this study consists of all the staff of micro-finance banks in Owerri Municipal Council, Imo State, which according to their personnel nominal roll is given as 72 staff. The data for the study was sourced from staff All workers micro-finance bank and Chikum micro-finance bank Owerri. A simple random sampling by balloting was used to select the 60 staff members in the sample size. The questionnaire titled: diversification and micro-finance bank survival (D&MFBsS) was the major sourcefor data collection

4. Test of Hypothesis

Hypothesis One

Ho: There is no positive relationship between diversification and financial survival of micro-finance banks.
Hi: There is a positive relationship between diversification and financial survival of micro-finance banks.
To test this hypothesis, we use questions showing responses on relationship between diversification and survival of micro-finance banks.

Category	SA	A	UND	D	SD	Total
Marketing	9	3	1	2	1	16
Customer Services	7	4	1	1	1	14
Human Resources	5	2	1	2	2	12
Fund Transfer	4	3	1	1	1	10
Cash & teller	2	3	1	1	1	8
Total	27	15	5	6	6	60
Percentage	45	25	8	10	10	100

Source: field Survey (2014)

The responses reflecting the Likert scale is shown and tested using Analysis of Variance (ANOVA).

	SA	**A**	**UND**	**D**	**SD**	**Total**
	9x5=45	3x4=12	1x3=3	2x2=4	1x1=1	
	7x5=35	4x4=16	1x3=3	1x2=2	1x1=1	
	5x5=25	2x4=8	1x3=3	2x2=4	2x1=2	
	4x5=20	3x4=12	1x3=3	1x2=2	1x1=1	
	2x5=10	3x4=12	1x3=3	1x2=2	1x1=1	
ΣX	135	60	15	14	6	230
X	27	12	3	2.8	1.2	46
EX^2	4375	752	45	44	8	5224

n= C x r
Where, C= the number of columns
r= the number of rows
n = 5x5 = 25
ΣX = 230
X = 46

$Ex^2 = 5224$

Grand Mean = $\frac{\Sigma X}{N} = \frac{230}{25} = 9.2$

$TSS = \Sigma X^2 - \frac{(\Sigma X)^2}{N} = 5224 - \frac{(230)^2}{25} = 5224 - 2116 = 3108$

$TRSS = C(X_1^2 + X_2^2 + X_3^3 + n_4^2 + n_5^2) - \frac{(\Sigma X)^2}{N} = 5(27^2 + 12^2 + 3^3 + 2.5^2 + 1.2^2) - \frac{(230)^2}{25}$

$= 5\ (891.28) - 2116 = 4456 - 2116 = 2340$

$ESS = TSS - TRSS$
$= 3108 - 2340 = 768$

$TRMS = \frac{TRSS}{r-1} = \frac{2340}{5-1}$
$= \frac{2340}{4} = 585$

$EMS = \frac{ESS}{n-r} = \frac{768}{25-5}$
$= \frac{768}{20} = 38.4$ approximately 38

F-calculated value = $\frac{TRMS}{EMS}$
$= \frac{585}{38} = 15.39$

F-1 = 15.39

ANOVA TABLE

Source of variation	SS	DF	MS	F-cal
Between samples (treatment)	2340	4	585	15.39
Within samples	768	20	38	
Total	3108	24		

From the table F-value at 52 level of significance with r-1 and n-r degrees of freedom is: F_4. 24.0.05 = 2.78
2.78 15.39

HYPOTHESIS TWO

Ho: Diversification does not enhance the competitiveness of micro-finance banks.
Hi: Diversification enhances the competitiveness of micro-finance banks.
To test this hypothesis, we use questions on diversification and micro-finance bank's competitiveness.

Category	SA	A	UND	D	SD	Total
Marketing	9	4	1	1	1	16
Customer Services	6	5	1	1	1	14
Human Resources	7	1	2	1	1	12
Fund Transfer	5	2	1	1	1	10
Cash & teller	4	1	1	1	1	8
Total	31	13	6	5	5	60
Percentage	51.7	21.7	10	8.3	8.3	100

Source: field Survey (2014)

The responses reflecting the Likert scale is shown and tested using Analysis of Variance (ANOVA).

	SA	**A**	**UND**	**D**	**SD**	**Total**
	9x5=45	4x4=16	1x3=3	1x2=2	1x1=1	
	6x5=30	5x4=20	1x3=3	1x2=2	1x1=1	
	7x5=35	1x4=4	2x3=3	2x2=4	2x1=2	
	5x5=25	2x4=8	1x3=3	1x2=2	1x1=1	
	4x5=10	1x4=4	1x3=3	1x2=2	1x1=1	
ΣX	155	52	18	10	5	240=G
X	31	10.4	3.6	2	1	48
EX^2	5175	752	72	20	5	6024

n= C x r
= 5 (1087.12) – 3720
5436 – 3720 = 1716
ESS = TSS – TRSS
= 3720 – 1716 = 2004

$TRMS = \frac{TRSS}{r-1} = \frac{1716}{5-1}$

$= \frac{1716}{4} = 429$

$EMS = \frac{ESS}{n-r} = \frac{2004}{25-5}$

$= \frac{2004}{20} = 100.2$

$\text{F-calculated value} = \frac{TRMS}{EMS}$

$= \frac{429}{100.2} = 4.28$

ANOVA TABLE

Source of variation	**SS**	**DF**	**MS**	**F-cal**
Between samples (treatment)	1716	4	4.29	4.28
Within samples	2004	20	100.2	
Total	3720	24		

From the table F-value at 5% level of significance with r-1 and n-r degrees of freedom is: F_4. 24.0.05 = 2.78

5. DISCUSSION OF RESULTS CONCLUSION

The results obtained shows that diversification can be explored as a strategic option for organizational survival. The researchers are therefore of the opinion that micro-finance should diversify into less-risky ventures where they have competencies. This will help complement the revenue the generate from core bank operations.

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