

Evaluating Business Policies and Strategies for Competitive Advantage in Rwanda's Fintech Sector: A Case Study Approach.

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Abstract:

This study was carried out with the general objective of evaluating the business policies and strategies employed by fintech companies in Rwanda in order to gain and sustain a competitive advantage in the market. The study was guided by three objectives that include: To find out the current business policies and regulatory frameworks affecting the competitive positioning of the fintech companies in Rwanda; To examine the strategies fintech companies in Rwanda are employing to differentiate themselves and achieve sustainable competitive advantage in the market; and To assess the challenges and opportunities fintech companies face in implementing these strategies, and provide recommendations for improving their competitive edge in Rwanda's fintech sector. The study was guided by two theories (Competitive Advantage Theory and Resource-Based View). The research design that was adopted for this study was a descriptive research design. In relation to the target population, only those employees involved in key decision-making process in the fintech companies were the only ones who were considered adding to 150 employees picked from the departments (operations, marketing, and compliance). A questionnaire that was structured and rated in a likert scale was used as the instrument of collecting data. The multiple regression analysis did show that, Current Business Policies and Regulatory Frameworks ($\beta = 0.276$, $p < 0.01$) had a positive and significant effect on competitive advantage. Also, Strategies for Differentiation ($\beta = 0.426$, $p < 0.01$) had the strongest positive influence on competitive advantage. Finally, Challenges and Opportunities ($\beta = 0.355$, $p < 0.01$) also had a significant positive effect on competitive advantage. The study has a conclusion that business policies and regulatory frameworks in Rwanda, have an impact that is positive on the fintech firms' competitiveness. Differentiation strategies that have centered on digital transformation and innovation are the most influences of sustainable competitive advantage of fintech firms. The study also concludes that despite the fact that there are challenges that befall the fintech firms like the shortage of funding and stiff competition from the traditional financial institutions, they can leverage opportunities like high mobile penetration and government support to strengthen their market position. The study underscores the importance of aligning regulatory policies with fintech innovation and providing fintech firms with the resources needed to implement their growth strategies effectively.

Keyword: Fintech, Competitive Advantage, Business Policies, Regulatory Frameworks, Differentiation Strategies, Rwanda, Innovation, and Funding Challenges.

Background Information

In Rwanda, the fintech sector is a revolution that has emerged as crucial transformative and dynamic force within the landscape of economic development which is a central core point of the country's development. Rwanda's fintech ecosystem is recognized for its ability and potential to enhance financial inclusion, spur innovation, and stimulate economic growth; a reason as to why it has attracted both local and international investment as noted by Munyaneza et al. (2023). Prioritization of this sector's development has been ensured by the Rwanda government that has come up and implemented various initiatives whose aim is to foster conducive regulatory environs, digital literacy promotion, and infrastructure enhancement (Rwanda

Finance Limited, 2023). This strategic focus aligns with the broader national vision outlined in the National Strategy for Transformation, which emphasizes the importance of technology and innovation in achieving sustainable development (Republic of Rwanda, 2019).

It is crucial for business within the space to adopt effective policies and strategic practices as the fintech sector continues to evolve so as to ensure competitive advantage. Worth noting, a competitive advantage can be defined as attributes that give way and allow a firm or an organization to outdo and outperform its competitors, resulting to superior returns on investment (Porter, 1985). It is also worth noting that the fintech companies in Rwanda also face idiosyncrasy challenges and opportunities. This includes: regulatory hurdles, varying levels of digital literacy among consumers, and the need for robust cybersecurity measures (Munyaneza et al., 2023). Therefore, a deeper comprehension of the strategic practices and business policies adopted by these companies is core in assessing the firms'/companies' abilities to maneuver the competitive landscape successfully.

A number of scholars have thrown their weight behind the crucial role of strategic management in giving an organization a competitive advantage within emerging markets (Teece, 2018). In addition, the adoption of case study design helps in providing an in-depth understanding and insights into specific policies, practices and other issues contributing and acting as determinants of businesses in the fintech sector not only in Rwanda but across the globe (Yin, 2024). By evaluating these policies and strategies, this study aims to contribute to the existing body of knowledge and offer actionable recommendations for stakeholders within Rwanda's fintech ecosystem.

Problem Statement

The fast growing and evolution of the fintech sector in Africa with Rwanda being a perfect example has significantly changed the financial services landscape, bringing a long innovative solution to promote financial inclusion and economic growth. However, it is surprising that despite this sector's potential, Rwanda's fintech firms face numerous challenges that are strategic and hinder the ability of these firms to achieve long-term competitive advantage (Munyaneza et al., 2023). The origin of these challenges is multifaced and cut across the regulatory challenges, rapidly evolving technologies, inadequate access to capital and financial resources, and the highly competitive nature of the digital financial services market. Given that these challenges aren't addressed adequately, they may limit the ability and potential of the fintech sector to contribute to Rwanda's broader economic development goals as outlined in the National Strategy for Transformation (Republic of Rwanda, 2019).

There is one critical issue facing the sector which is lack of well-defined business policies and strategic management practices among the fintech companies. For fintech companies to achieve and sustain their competitive advantage, effective policies and strategic management practices, more specifically in this industrial sector where technological disruption and regulatory shifts can offer a signifyingly impact market positioning (Teece, 2023). Disturbing revelation by Nkurunziza & Kayitesi (2022) which leaves a problem that was addressed by this study do indicate that several fintech firms in Rwanda are struggling to adapt to the fast-changing business environment; leading to inconsistent performance and stifled growth. In addition, the lack of a clear comprehension of competitive strategies cutting across cost leadership, differentiation, and innovation, has left a number of firms vulnerable to larger and more stablished firms who outweigh them locally and regionally; thus, limiting their competitive advantage.

According to Kimenyi & Mukarugira (2021), there are other challenges in addition to internal business challenges facing the fintech firms like the regulatory framework governing them that make a big problem. The most hindrances classified as the regulatory framework governing the fintech sector in Rwanda include the evolving cybersecurity requirements, complex and tedious licensing processes, and cross-border transactions limitation do complicate the fintech firms' efforts to scale and remain competitive. The problem here is that, the inability of many fintech firms to navigate these regulatory barriers efficiently has led to reduced market entry and growth opportunities. There is a pressing and compelling need to evaluate the

business policies and strategies that can enhance the fintech sector's competitiveness in Rwanda due to its strategic importance to Rwanda's financial inclusion and economic development goals. While previous research has highlighted some of the challenges within the fintech sector (Munyaneza et al., 2023; Kimenyi & Mukarugira, 2021), there is limited empirical evidence on the specific strategic approaches that fintech firms in Rwanda can adopt to gain a sustainable competitive advantage. This study seeks to fill this gap by conducting a detailed evaluation of the policies and strategies that can drive competitiveness within Rwanda's fintech sector, using a case study approach to offer practical insights for business leaders and policymakers.

General Objective

This study was carried out with the general objective of evaluating the business policies and strategies employed by fintech companies in Rwanda in order to gain and sustain a competitive advantage in the market. By focusing on the extraordinary challenges and opportunities in the fintech sector in Rwanda, this study aimed at identifying key strategic practices that can enhance firm performance and contribute to the sector's long-term growth and success. Ultimately, the goal is to provide actionable insights for business leaders and policymakers to strengthen the competitiveness of fintech companies in Rwanda.

Specific Objectives

1. To find out the current business policies and regulatory frameworks affecting the competitive positioning of the fintech companies in Rwanda
2. To examine the strategies fintech companies in Rwanda are employing to differentiate themselves and achieve sustainable competitive advantage in the market
3. To assess the challenges and opportunities fintech companies face in implementing these strategies, and provide recommendations for improving their competitive edge in Rwanda's fintech sector.

Theoretical Framework

Competitive Advantage Theory

This theory was introduced by Michael E. Porter in 1985 and the theory states that firms can achieve a competitive advantage or superior performance in the market due to cost leadership or differentiation (Porter, 1985). In relation to cost leadership, this is the advantage a firm enjoys by offering services and goods at the lowest cost while differentiation is the ability of the firm to provide unique goods and services that are valued by customers, and thus allowing the firm to charge a premium price. The relevance of this theory in this study is that fintech companies must navigate a complex regulatory environment and technological advancements to attract and retain customers. Therefore, by putting emphasis on the importance of strategic positioning and market analysis, the theory provides a foundation and framework for fintech companies to assess their competitive environment thus making informed decisions. Further, this theory is important since it highlights the necessity of ongoing innovation and responsiveness to market changes, which are crucial in the fast growing fintech sector in Rwanda and rest of the World. (Bessant & Tidd, 2015).

There are some criticisms that have been advanced towards the competitive advantage theory. One of the criticisms is that the theory is a somewhat simplistic binary approach to competitive strategies. Accordingly, Morris et al., (2005) argues that this theory may not adequately put into place the complexities of contemporary markets where firms often integrate hybrid strategies that bring together elements of cost leadership and differentiation. Furthermore, the theory does not account for the dynamic capabilities that firms must develop to adapt to changing market conditions, which is especially pertinent in the rapidly evolving fintech landscape (Teece, 2007). However, despite the few incidences of criticism leveled against this theory, it remains applicable in this study and many other studies as it provides a foundational understanding of how fintech companies in Rwanda can strategically position themselves in order to gain a competitive advantage. By examining their business strategic practices and policies through the lens of this theory, the study aims to uncover practical insights for achieving competitive advantage and firm's performance in this competitive market.

Resource-Based View (RBV)

The Resource-Based View put forward by Jay Barney in the latest 1980s (Barney, 1991) and it posts that the competitive advantage of a firm is derived from the unique resources and capabilities that the firm has, which are valuable, rare, inimitable, and non-substitutable. Therefore, according to this theory, companies that their distinctive resources effectively can outperform competitors and achieve sustainable success (Barney, 1991). RBV has a number of strengths with one of them being its focus on internal factors, and highlighting the significance of a firm's unique capabilities and resources in achieving competitive advantage. This perspective encourages firms to invest in building and maintaining resources such as skilled personnel, proprietary technologies, and strong brand reputation, all of which are essential in the fintech sector where trust and security are paramount (Amit & Schoemaker, 1993). Another strength of RBV is that it aligns well with the dynamic nature of the fintech industry, where rapid and faster technological advancements and changes necessitate constant resource re-evaluation and adaptation.

Despite the strengths associated with the RBV, it has received criticism for being overly focused on internal resources while ignoring the external market factors. Critics like Dyer & Singh (1998) argue that it may lead firms to overlook competitive dynamics, market trends, and the importance of partnerships and alliances in achieving competitive success. Also, the operationalization of the VRIN criteria can be challenging due to the fact that firms may struggle to identify and measure their unique resources effectively. This theory is applicable in the current study in that it emphasizes on the internal abilities of fintech firms in Rwanda in that through the examination of how these fintech firms leverage their unique resources and competencies, the study can provide insights into the strategic practices that contribute to their competitive advantage. This focus on internal capabilities complements Porter's Competitive Advantage Theory, allowing for a comprehensive understanding of the factors influencing competitiveness in the fintech sector.

Literature Review

Current Business Policies and Regulatory Frameworks

The country's business policies and regulatory frameworks significantly influence the growth of fintech sector in Rwanda. The Rwandan government has recognized the importance of fintech in enhancing financial inclusion, promoting innovation, and driving economic growth. Due to this, a number of initiatives have been implemented with the aim of creating a conducive environment for the fintech industry. In the work of Munyaneza et al. (2023), some of the efforts done by the Rwandese government such as establishing a national digital transformation strategy and putting in place laws that govern financial technologies, whose aim is to streamline operations for the fintech companies have gained momentum and have been associated to competitive advantage of fintech firms. The establishment of regulatory bodies, such as the National Bank of Rwanda (NBR), has been crucial in overseeing the compliance of fintech firms with the legal framework while fostering innovation (Nkurunziza & Kayitesi, 2022).

The enactment of the Law N^o 44/2016 of 16/12/2016 governing the electronic messages and electronic transactions is a significant regulatory development in the Rwandan fintech landscape. This law is very crucial since it provides a comprehensive legal framework for electronic transactions and digital signatures, thereby promoting confidence among consumers and businesses alike (Rwanda National Bank, 2023). In addition, the National Cyber Security Policy which was established in 2021 whose aim was to enhance the security of digital financial services, thus addressing the critical concerns associated with data privacy and cybersecurity (Republic of Rwanda, 2021). It has been found out by a number of documented research documents that such policies protect consumers besides empowering fintech companies to innovate without the fear of legal repercussion. This later on enhances these fintech firms' competitive positioning in the market.

However, while these regulations create a robust framework for operation, challenges remain that affect the competitive positioning of fintech companies in Rwanda. Critics argue that the regulatory landscape can be overly complex and burdensome, particularly for startups and smaller firms that may lack the resources to navigate the compliance requirements effectively (Kimenyi & Mukarugira, 2021). The licensing process, for

example, has been cited as a potential barrier to entry for new fintech firms, which may stifle innovation and limit competition in the sector (Nkurunziza & Kayitesi, 2022). Moreover, the dynamic nature of technology often outpaces regulatory frameworks, leading to gaps that could undermine the intended protective measures for consumers and businesses alike. Despite the elements of criticism witnessed, it is paramount to conclude that the interplay between business policies and regulatory framework in Rwanda plays a crucial role in shaping the competitive positioning of fintech companies. Therefore, while the government has been credited for being committed to fostering a supportive environment that has facilitated growth and innovation of the fintech firms, there are some ongoing challenges related to compliance and regulatory complexity which must be addressed to ensure that all firms, particularly startups, can thrive in the sector.

Strategies Fintech Companies in Rwanda are Employing to Differentiate Themselves

Companies in Rwanda's revolutionizing fintech landscape are adopting numerous strategies aimed at differentiating themselves and achieve a sustainable competitive advantage in the market (Kasebele & Li, 2022; Mashamba & Gani, 2023; Daily Finance, 2024). According to Mashamba & Gani (2023), the fintech sector's competitive nature steered by technological innovation and ever-changing consumer preferences, necessitates that firms not only offer innovative products but also cultivate unique value propositions that resonate with their target markets. In a study documented by various scholars, it is evident that product innovation is one of the main strategies adopted and implemented by various fintech firms in Rwanda. Many firms focus on developing cutting-edge solutions tailored to the unique needs of the local market, particularly in areas such as mobile payments, digital banking, and micro-lending (Kimenyi & Mukarugira, 2021). For example, a report by Daily Finance (2024) has shown that fintech companies like M-Pesa run by Safaricom, and YAPILI have successfully captured market share by offering user-friendly mobile applications that facilitate seamless transactions and financial services. Accordingly, as noted by Nkurunziza & Kayitesi (2022) who have looked at the start-up fintech firms in Kigali, this emphasis on innovative products not only addresses the needs of the unbanked and underbanked populations but also sets these companies apart from traditional financial institutions that may be slower to adapt to technological advancements. By prioritizing product development that leverages local insights and consumer feedback, fintech companies can create offerings that enhance customer engagement and loyalty.

According to World Bank Group (2024), fintech companies in Rwanda have adopted and utilized another critical strategy in order to gain competitive advantage and that is differentiation strategy. According to this study that sampled 55 fintech firms in Rwanda and compared them to neighboring fintech firms with pronounced performance like those in Kenya, as competition intensifies, firms are investing in user-centric design and customer support to build strong relationships with their clients. This is exemplified by companies are employing data analytics to gain insights into customer behavior, allowing them to tailor their services and provide personalized experiences. Ekaterina & Ryabova (2023) aver that by ensuring that customers receive prompt support and tailored solutions, fintech firms can foster trust and satisfaction, which are vital for long-term customer retention. This focus on customer experience not only differentiates these companies from traditional banks but also positions them as more responsive and adaptive to client needs.

Another practice that is seen as strategic that has been evident among the fintech firms in Rwanda is the strategic partnerships and collaborations. Strategic alliances are becoming more and more important for fintech companies looking for competitive advantage in Rwanda, claims Kimenyi and Mukarugira (2021). Working with other companies—including banks, tech companies, and telecoms providers—allows fintech companies to use complimentary resources and increase their range of services. For example, while working with established banks might help access a larger customer base and improve credibility, partnerships with telecom companies can improve mobile payment services. By means of complete financial solutions addressing different customer pain points, such alliances help fintech companies to improve their competitive positioning in the market. For fintech businesses striving for sustainable competitive advantage,

also a strategic focus is compliance with legal obligations. Navigating Rwanda's complicated regulatory environment calls for proactive compliance, which can set a differentiator in the fintech industry (Rwanda National Bank, 2023). Businesses who give compliance top priority not only reduce their legal risk but also improve their standing among customers and investors. Attracting and keeping consumers in a competitive environment depends on trust and credibility, which fintech companies can develop by proving adherence to regulatory frameworks. This emphasis on compliance helps fintech companies to maintain their strategic orientation and operate successfully inside the changing regulatory environment. Finally, in the words of Agarwal & Zhang (2023), the several ways fintech companies in Rwanda use to stand out and get sustainable competitive advantage are product innovation, customer experience enhancement, strategic alliances, and regulatory compliance. These strategies help companies to establish a strong competitive position in the fast changing fintech scene and respond properly to consumer preferences and market needs. Understanding and applying these ideas will be essential for fintech businesses to flourish and support Rwanda's more general economic development goals as the industry develops.

Challenges and Opportunities Fintech Companies Face in Implementing These Strategies

For companies that seek to implement strategies aimed at ensuring a competitive advantage have shown that the dynamic fintech landscape in Rwanda presents both challenges and opportunities. According to AfDB (2023), One of the most significant challenges faced by fintech companies in Rwanda is navigating the regulatory environment. While the Rwandan government has made strides in creating a favorable regulatory framework for fintech, the evolving nature of technology often outpaces regulatory developments, leading to ambiguity and uncertainty. Fintech firms have to constantly adjust to evolving rules, which can call for large amounts of money and knowledge. Startups and smaller companies who might lack the financial and human resources required to negotiate complicated regulatory requirements may also find the compliance load especially taxing (Kimenyi & Mukarugira, 2021). This complexity of regulations can stifle creativity and slow down the introduction of fresh goods and services, so influencing the competitive posture of these businesses.

Access to funding is another critical challenge for fintech companies in Rwanda (African Financial and Economic Data, 2024). Many startups struggle to get the required money to scale their operations and compete successfully even if fintech investment is becoming more and more interesting (African Center for Economic Transformation, 2024). Because of perceived risks and ignorance of the technology involved, traditional banks could be reluctant to support fintech startups. This financing gap can impede the creation and application of creative ideas meant to set these companies apart on the market. Moreover, the limited availability of venture capital and angel investors in the area can aggravate the financial restrictions experienced by fintech companies even more (Digital Financial Services, 2023). Therefore, developing a dynamic and competitive fintech ecosystem in Rwanda depends on addressing funding issues.

According to Azhar et al. (2022) The Rwandan fintech sector has its challenges, including a small national market, hindering competitiveness regionally. Data localization requirements from the National Data Revolution Policy incur high costs and reveal inadequate infrastructure. Low financial and digital literacy, a limited senior IT workforce, and a skills gap among recent graduates pose obstacles. Licensing complexities and integration with traditional finance add strain, marked by unclear processes, limited tech capacity, and low technology adoption rates. Overcoming these challenges necessitates strategic initiatives to foster growth and innovation in the Rwandan fintech landscape.

Despite fact that the fintech sector in Rwanda is facing a number of challenges, the Rwandan fintech sector is poised to capitalize on several opportunities that can enhance the competitive edge of fintech companies. The increasing penetration of mobile technology presents a significant opportunity for fintech firms to reach underserved populations and promote financial inclusion (Rwanda National Bank, 2023). With a young and tech-savvy population, there is a growing demand for digital financial services that cater to the unique needs of consumers. Fintech companies that can leverage this demographic advantage by offering user-friendly, accessible solutions stand to gain a substantial market share. Furthermore, the government's commitment to

promoting digital financial services and economic growth through initiatives such as the *National Financial Inclusion Strategy* creates a conducive environment for innovation and investment in the fintech sector (Republic of Rwanda, 2021). Van Boekel (2024) avers that the Rwandan fintech sector presents opportunities across various domains. In insurance tech, the digitization of traditional sectors, particularly agriculture, is expected to expand the offering of insurance products. While wealthtech aligns with Kigali International Financial Center (KIFC) goals. Growing adoption of digital tech creates demand for regtech and cybersecurity. Increasing financial data in the economy opens avenues for data analytics. Capacity building addresses skill gaps, and business process outsourcing (BPO) is set to grow. Fintech in agriculture, including payment and lending solutions, presents untapped potential.

Fintech firms in Rwanda have to use strategic approaches that solve the found issues and take use of the present chances if they are to strengthen their competitive edge. Establishing strong alliances with reputable financial institutions and technology companies will improve resource, funding, and knowledge access (World Bank, (2022)). Investing in compliance and regulatory knowledge will also help companies negotiate the legal terrain more successfully, so lowering the risks connected with non-compliance. Furthermore, emphasizing customer-centric innovation—that is, improving user experience and personalizing services—will not only draw in fresh business but also inspire loyalty among current consumers. Fintech firms can set themselves for long-term success in Rwanda's changing market by adopting these tactics.

In summary, even if Rwandan fintech businesses struggle with regulatory restrictions and funding access, there are also major prospects to be seized, especially with regard to technology developments and government policies supporting them. Through careful evaluation of these elements and application of focused plans, fintech companies can strengthen their competitive edge and help Rwanda's fintech industry to expand. Knowing these dynamics will help businesses to properly negotiate the complexity of the market, so promoting a strong and creative fintech ecosystem.

Research Methodology

The research design that was adopted for this study was a descriptive research design because it is widely used in business and social research to make sure that there is an understanding of the existing conditions, relationships, and practices within industries such as the fintech in Rwanda (Creswell & Creswell, 2017). Descriptive research design was best suited for this study since it enabled a comprehensive evaluation of the current business policies, competitive strategies and challenges fintech companies face in Rwanda. The study's target population comprised of fintech employees in Rwanda's fintech companies. Only those employees involved in key decision-making process in the fintech companies were the only ones who were considered adding to 150 employees picked from the departments (operations, marketing, and compliance). In the study, a sample size was calculated using the Slovin's formula which is commonly applied when the

population is finite gives as $n = \frac{N}{1+N(e^2)}$, where N= target population, n=sample size, e= is the error margin (0.05). A total of 108 sample size was arrived at. In order to ensure that all the respondents were brought onboard, a stratified random sampling was employed with the sampling frame was created using a list of all the fintech firms operating in Rwanda. This allowed for proportional representation based on company's market share and size.

A questionnaire that was structured and rated in a likert scale was used as the instrument of collecting data. This data collection instrument was meant to collect quantitative data relating to the three objectives outlined. Two methods of data distribution were used whereby the questionnaires were distributed manually to the employees of fintech companies' offices while others were sent through emails. The data collection exercise took only four weeks while frequent follow ups were conducted to ensure maximum response. Descriptive and inferential statistical methods were used to analyse the quantitative data collected. Descriptive statistics including the means, frequencies and SD were calculated to summarize the data, while inferential statistics comprising of correlation and regression analyses were adopted in order to determine the relationship between the variables as shown in the table herein.

Table 1: Data Analysis Methods

Analysis Method	Purpose
Descriptive Statistics	Summarizing data (mean, frequency, standard deviation)
Correlation Analysis	Identifying relationships between variables
Regression Analysis	Assessing impact of independent variables on outcomes

In research, it is important to consider ethical issues. In relation to this study, all the respondents were informed of the purpose of the study, with their participation being voluntary while anonymity and confidentiality were ensured. In order to ensure that the participants/respondents understood their rights and the nature of the study, consent forms were provided. Other approvals from other relevant bodies in Rwanda and other institutions of learning were sought.

Results of the Study

In the study, a 89% response rate was achieved meaning that only 96 research questionnaires were dully signed and returned. The high response rate was tied to the frequent follow-ups and constant reminders sent to the respondents, besides utilizing physical and electronic distributions.

Table 2: Demographic Profile of the Responds

Respondents	Category	Frequency	Percentage %
Gender	Male	57	59.4%
	Female	39	40.6%
Age	18-29 yrs	26	27.1%
	30-39 yrs	45	46.9%
	40-49 yrs	18	18.8%
	Over 50 yrs	7	7.3%
Education Level	Bachelor's degree	61	63.2%
	Master's degree	29	30.2%
	Diploma	6	6.3%
Working Experience	Less than 5 yrs	34	35.4%
	5-10 yrs	47	49.0%
	Over 10 yrs	15	15.6%
Department	Operations	35	36.5%
	Marketing	21	21.9%
	Compliance	19	19.8%
	IT & Development	21	21.9%

From table 2, majority of the respondents were male (59.4%), while ages 30-39 years translating to 46.9% were the majority. In relation to academic qualifications, those with a bachelor's degree (63.5%) were the majority while those with 5-10 years of work experience were the majority (49%). Finally, the operations department gave the largest number of respondents of 35 (36.5%).

In relation to the first objective that touched on current policies and regulatory framework, the results were as shown in table 3:

Table 3: Descriptive Statistics on Current business policies and Regulatory Frameworks

Item	Mean	SD
The current regulatory framework supports fintech innovation	3.62	0.91

Existing policies are favorable for fintech growth	3.48	0.89
Regulatory compliance is a burden to fintech companies	4.12	0.76
Policies for data privacy and security are well established	3.55	0.87
Government policies encourage fintech to enhance financial inclusion	3.87	0.82
Combined mean	3.728	0.85

A combined mean of 3.728 suggest that majority of the respondents generally agree that the current business policies and regulatory frameworks impact the competitive positioning of fintech companies in Rwanda.

In relation to the second objective that touched on strategies for differentiation and sustainable competitive advantage, results were as shown in table 4 below:

Table 4: Strategies for Differentiation

Item	Mean	SD
The company invests in innovation to stand out in the market.	4.20	0.68
Marketing strategies focus on customer retention and loyalty.	3.95	0.78
The company's product differentiation is clear to customers.	3.77	0.83
We have adopted digital solutions to improve customer experience.	4.35	0.71
Strategic partnerships are vital for the company's growth.	4.05	0.74
Combined mean	4.064	0.748

From table 4 above, a combined mean of 4.064 indicates that majority of the respondents agree with the idea that there are strategies for differentiation that fintech companies in Rwanda have adopted in order to gain sustainable competitive advantage.

In relation to the third objective that touched on challenges and opportunities fintech companies face when implementing their strategies, results were as shown in table 5 below:

Table 5: Challenges and Opportunities

Item	Mean	SD
Lack of adequate funding is a major challenge for fintech companies.	4.25	0.72
There is strong competition from traditional financial institutions.	4.10	0.75
Regulatory changes create uncertainty in strategic planning.	3.98	0.81
High mobile penetration is a significant opportunity for fintech growth.	4.30	0.69
Government support for digital innovation provides growth opportunities.	4.18	0.77
Combined mean	4.162	0.748

A combined mean of 4.162 indicates that majority of the respondents were in strong agreement that there are challenges and opportunities fintech companies face when implementing their strategies with lack of adequate funding scoring the highest with a mean of 4.25 as the major challenge while high mobile penetration scored highest as the most significant opportunity for fintech companies.

Inferential Statistics were conducted to compliment the descriptive statistics including correlation analysis and regression analysis were used to assess the relationship between variables and results were given as given in tables 6 and 7 below:

Table 6: Pearson Correlation Coefficients

Variable	Current policies and Regulations	Strategies for Differentiation	Challenges and Opportunities	Competitive Advantage
Current business policies and regulatory framework	1	0.62**	0.45**	0.54**
Strategies for differentiation	0.62**	1	0.51**	0.70**
Challenges and opportunities	0.45**	0.51**	1	0.60**
Competitive advantage	0.54**	0.70**	0.60**	1

Note: $p < 0.01$

From the results in the table 5 above, there is a significant positive correlation between current business policies and regulatory frameworks and competitive advantage ($r = 0.54$, $p < 0.01$). This indicates that favorable regulatory policies contribute to a competitive edge for fintech companies. Further, the results have confirmed a strong positive relationship between strategies for differentiation and competitive advantage ($r = 0.70$, $p < 0.01$). This positive correlation indicates that fintech companies that invest in differentiation strategies, such as innovation and digital solutions, are more likely to achieve sustainable competitive advantage. There was also a positive correlation between challenges and opportunities and competitive advantage ($r = 0.60$, $p < 0.01$), meaning that companies able to overcome challenges, like funding constraints, and seize opportunities, such as high mobile penetration, are better positioned to compete effectively in the market.

Table 7: Multiple Regression Analysis Results

Variable	B	Std. Error	Beta	t	P-Value
Constant	1.245	0.352		3.54	0.001**
Current business policies and regulatory frameworks	0.321	0.087	0.276	3.69	0.000**
Strategies for differentiation	0.465	0.072	0.426	6.46	0.000**
Challenges and opportunities	0.384	0.355	0.355	4.13	0.001**

Note: $p < 0.001$

With an R-squared value of 0.69, the regression model was statistically significant ($F=21.34$, $p < 0.001$). This indicates that approximately 69% of the variance in competitive advantage can be explained by the three independent variables. Accordingly, Current Business Policies and Regulatory Frameworks ($\beta = 0.276$, $p < 0.01$) had a positive and significant effect on competitive advantage. This suggests that favorable regulatory policies and frameworks positively contribute to the competitiveness of fintech companies in Rwanda. Strategies for Differentiation ($\beta = 0.426$, $p < 0.01$) had the strongest positive influence on competitive advantage. Companies that invest in innovation, customer retention, and digital solutions are more likely to achieve sustainable competitive advantage. Challenges and Opportunities ($\beta = 0.355$, $p < 0.01$) also had a significant positive effect on competitive advantage. Overcoming challenges such as lack of funding, while leveraging opportunities like government support for digital innovation, enhances the competitive edge of fintech firms.

Discussion of the Results

The research findings agree with the literature reviewed. For example, the correlation and regression analysis did confirm that the current regulatory frameworks have a significant positive influence on competitive advantage ($r = 0.54$, $p < 0.01$; $\beta = 0.276$, $p < 0.01$). In their study, Mwaura and Ndung'u (2022) highlighted that favorable regulatory environments promote innovation and growth in fintech. Their work

also has indicated that there are potential burdens of compliance similar to the current study which did find a moderately strong positive perception of the regulatory frameworks. This does suggest that despite the challenges, Rwanda's policies form a conducive environment for fintech growth. The role of the government in fostering the financial inclusion via regulatory support also validates the positive perceptions held by fintech professionals. There is also agreement of the findings with the literature when strategies for differentiation emerged as the most critical factor influencing the competitive advantage of firms ($r=0.70$, $p<0.01$; $\beta = 0.426$, $p < 0.01$). In a study conducted by Kamau & Wambua (2021) focusing on strategies, it was noted that customer-focused solutions, and strategic partnerships as vital for fintech firms to stand out in an increasingly competitive market. This study's results agree with this literature since they show that investment in digital solutions and innovation significantly increase competitive positioning. As the results concur with the literature review whereby there is an emphasis on customer retention strategies and strategic partnerships reflects the trends identified in the literature, where differentiation is achieved not only through technology but also through tailored customer engagement and collaboration with other market players. Finally, in relation to the challenges and opportunities related to fintech companies in Rwanda, funding remains a critical challenge as indicated ($\beta = 0.355$, $p < 0.01$). This agrees with the findings of Mugambi & Otieno (2023) who outlined that lack of funding for the fintech companies is a significant challenge that needs to be addressed urgently. In Nonetheless, chances like high mobile penetration and government support for digital innovation were seen as crucial enablers of development, which is in line with past studies stressing the part of mobile technology and government support in extending fintech services (Ndung'u & Were, 2020). The findings underline how fintech businesses have to negotiate these difficulties while grabbing chances to keep their competitive edge in the Rwandan market.

Conclusions

The study has a conclusion that business policies and regulatory frameworks in Rwanda, have an impact that is positive on the fintech firms' competitiveness. Differentiation strategies that have centered on digital transformation and innovation are the most influences of sustainable competitive advantage of fintech firms. The study also concludes that despite the fact that there are challenges that befall the fintech firms like the shortage of funding and stiff competition from the traditional financial institutions, they can leverage opportunities like high mobile penetration and government support to strengthen their market position. The study underscores the importance of aligning regulatory policies with fintech innovation and providing fintech firms with the resources needed to implement their growth strategies effectively.

Recommendations

Based on the findings, it is recommended that the Rwandan government continue to refine and enhance regulatory policies to further support innovation in the fintech sector. Simplifying regulatory compliance and providing incentives for digital transformation could enable fintech companies to grow more effectively. Fintech firms should also invest heavily in innovation and adopt customer-centered strategies, as these have proven to be the most effective means of gaining a competitive edge. To overcome funding challenges, it is recommended that fintech companies explore alternative financing mechanisms, such as partnerships and venture capital, while taking full advantage of Rwanda's growing digital infrastructure and government initiatives aimed at supporting digital finance.

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