

**INNOVATION STRATEGIES AND PERFORMANCE OF SAVINGS AND  
CREDIT CO-OPERATIVES SOCIETIES IN KENYA**

**BY**

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## DECLARATION

"This research proposal is my own creation and has not been submitted for a degree at any other university."

Signature  \_\_\_\_\_ Date **21.11.2023** \_\_\_\_\_

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## **ACRONYMS AND ABBREVIATIONS**

<b>ANOVA</b>	Analysis of Variance
<b>DTS</b>	Deposit Taking Saccos
<b>FOSA</b>	Front Office & Savings Accounts Operations
<b>ICT</b>	Information Communication and Technology
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>R&amp;D</b>	Research and Development
<b>RBVT</b>	Resource Based View Theory
<b>ROA</b>	Return on Assets
<b>SACCOs</b>	Savings and Credit Cooperatives Societies
<b>SASRA</b>	Sacco Societies Regulatory Authority
<b>VRIN</b>	Valuable, Rare, Inimitable and Non-substitutable

## **ABSTRACT**

The study sought to establish the influence of innovative strategies on the performance of Savings and Credit Cooperatives in Kenya (SACCOs). The study was anchored the Resource-Based View (RBV), Innovation Diffusion Theory, and the Theory of Changes in Market framework. The study employed a descriptive survey design to investigate SACCOs in Kenya, targeting managers of the 176 SACCOs registered by SASRA in 2023. A sample of 53 SACCOs was selected using a 30% sampling ratio. The study investigated innovation within SACCOs in Kenya, focusing on product, process, and market innovations. Positive perceptions among respondents indicated SACCOs' proactive nature in adapting to member needs. Successful technological implementations, adept market strategies, and robust financial performance were highlighted. Correlation and regression analyses validated a positive relationship between innovations and SACCO performance. Limitations included potential response bias and context-specific findings. Recommendations called for supportive regulatory frameworks, financial literacy programs, and continuous assessment of regulations. Practitioners were advised to prioritize innovation across product, process, and market strategies, while future research should explore cultural influences, leadership roles, and the long-term sustainability of innovation in SACCOs.



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Numerous studies in strategic management focus on vital innovation strategies for competitive advantage. Innovation, creating value from ideas in new products, processes, and practices, is central. Organizations align resource allocation with corporate and unit strategies, emphasizing product, process, and marketing innovations to address needs, shape preferences, and influence competition. Strategic innovation transforms markets, necessitating comprehensive innovation strategies for competitiveness and performance (Omeke *et al.*, 2019; Wang & Nie, 2021).

This study used three theories: the resource-based view (RBV) which underlines internal assets and innovation for competitive advantage (Assensoh-Kodua, 2019). Innovation diffusion theory which focuses on the organization's grasp on innovation adoption within its environment (Steiber *et al.*, 2020). The theory of changes in market framework underscores aligning cooperatives with innovation strategies for dynamic market reflection and enhanced performance. These theories form a comprehensive framework for understanding the influence of innovation strategies on the performance of an organization.

Savings and Credit Cooperatives Societies (SACCOs) in Kenya, like cooperatives worldwide, are member-owned institutions primarily focused on savings mobilization and providing accessible credit services through sound financial management (Feather & Meme, 2018). With historical roots dating back to 1908, these cooperatives have played a lasting role in Kenya's financial landscape (Mathuva, 2018). In today's global context, staying competitive and meeting client needs is crucial for organizations, including SACCOs. Innovation is identified as a key avenue for value creation, particularly in light of the expanding presence of Deposit Taking SACCOs (DTS) in Kenya's financial sector, necessitating innovative strategies for continued relevance and competitiveness in the market (Mathuva, 2018).

### 1.1.1 Innovation Strategies

Innovation is a critical component in an organization since it constitutes one of the fundamental ways for channeling new business possibilities regardless of any threat or uncertainty (Wang &

Nie, 2021). The OECD confers that (4) unique types of strategic innovations; product innovations, market innovation, process innovation and organizational innovation (OECD, 2023). According to Proksch *et al.* (2019). Market innovation simply refers to how the 4Ps (Product, Promotion Price & Packaging) of marketing are blended so as to meet a customer's likings and preferences.

Market innovation enables a firm to satisfy market desires and respond to market opportunities (Tang *et al.*, 2021). Steiber *et al.* (2020), asserts process innovation as those new strategies and tactics employed in organizational so as to enhance the performance and cost reduction in manufacturing and transportation of products represent two pivotal objectives within the realm of organizational innovation. Ch'ng *et al.* (2021) provide a lucid exposition of organizational innovation as the generation of novel and valuable services or products, coupled with the implementation of streamlined and adaptive administrative systems that facilitate innovation in products or services.

### **1.1.2 Firm Performance**

The assessment of overall firm performance is a multifaceted undertaking, complicated by the existence of both qualitative and quantitative metrics, as underscored by (Kyazze *et al.* (2017) and Pundziene *et al.* (2021). Managers are often faced with the decision of selecting one type of metric, employing a combination of both, and articulating the argument that a single metric cannot provide conclusive insights. Quantitative metrics, which are typically objective in nature, primarily rely on measurable financial variables. These include growth of revenue, an increase in profits, increased number of employees and market growth (Pointer & Khoi, 2019).

### **1.1.3 Savings and Credit Co-Operatives Societies in Kenya**

Despite receiving acknowledgment as essential players within the national fiscal framework, as stipulated in diverse government policy documents, SACCOs have found their role within the national money disbursement infrastructure to be somewhat circumscribed. In a manner akin to commercial banks, SACCOs engage in the acceptance of member deposits, disburse interest (in the form of dividends) on these deposits from their accrued earnings, and furnish credit facilities to their members. Nevertheless, confronted with the ever-evolving expectations of members and customers, as well as the imperatives of regulatory compliance, Cooperative Societies are compelled to adapt in order to retain their relevance (SASRA, 2023).

SACCOs, guided by principles like equity and democratic governance, traditionally played a key financial role of over 81% reliance, but face usage decline due to innovative competition from banks (Lavenda, 2016). This decline raises questions about causes and impact. It's vital to explore SACCO adaptation to this changing landscape, including innovation adoption. This research is crucial for SACCOs' sustainability in Kenya's evolving financial environment.

## **1.2 Statement of the Problem**

Innovation strategies, of new and improved product launches, significantly influence firm performance, boosting competitiveness and customer retention while potentially reducing competition. However, fragmented literature hinders explanatory models and practical decision-making. Firms vary in product innovation orientations, with three archetypes: need seekers, identifying unstated customer needs; market foresight, focused on incremental improvements; and technology drivers, leveraging tech for breakthroughs. Improving firm performance via innovation involves meeting current needs more efficiently and effectively, delivering superior value in performance and cost (Pointer & Khoi, 2019).

SACCOs face a range of challenges including economic factors, skills gaps, competition from other financial institutions, and changing regulations, threatening their sustainability (Nyangarika & Bundala, 2020). To overcome these hurdles, SACCOs have adopted innovative strategies, such as Front Office Service Activities (FOSAs), expanding their services to non-members (Njue, 2021). This move has improved their performance and competitiveness vis-à-vis commercial banks. In summary, SACCOs must prioritize innovation and adaptability to ensure their long-term viability (M'raiji, 2019).

While extensive research has investigated the influence of innovative measures on firm performance in Kenya, primary focus has been the commercial banks, leaving a notable gap in understanding SACCOs. On one hand, Mukira et al., (2022) and Ndungu & Muturi (2019) explored financial innovations and commercial bank performance in Kenya, whereas Kavulya et al. (2018) delved into the effects of customer-centric strategies on SACCOs' financial performance in the same context. In contrast, Kyazze et al., (2017) assessed innovation's influence on SMEs' performance in Uganda's manufacturing sector, excluding any examination of SACCO performance in their study.

While previous research has explored the significant correlation of innovative strategies within the communication sector (M'raji, 2019) and its role on housing finance and commercial banks (Feather & Meme (2019); Ndungu & Muturi, 2019), a significant knowledge gap persists in understanding the innovation strategies' influence on SACCOs in Kenya. This study aims to fill this gap by seeking to answer the research question: how does innovative strategies influence Saving and Credit Cooperative Organizations performance?

### **1.3 Objective of the Study**

The objective of this study was to establish the influence of innovative strategies on the performance of Savings and Credit Cooperatives in Kenya.

### **1.4 Value of the Study**

The recommendations of may be of importance to SASRA in promoting regulation of SACCOs. Therefore, it is imperative to develop and apply effective strategies that foster an atmosphere that is conducive to the innovation, the enhancement of already-existing goods and services, the adoption of new business models, the implementation of new technology and processes, and the discovery of novel approaches to connect with and service consumers.

This study holds significant value for policymakers and stakeholders as it will provide insights for evaluating the effectiveness of policy initiatives. Furthermore, the findings will facilitate the assessment of performance levels achieved through innovative strategies, particularly in terms of enhancing shareholders' value maximization. This knowledge will ultimately contribute to informed and improved decision-making processes. This study holds considerable importance for SACCOs in Kenya, offering valuable insights for informed decision-making regarding innovative strategies. SACCOs can utilize these insights to tailor their innovation approaches to align with their unique firm characteristics, ultimately enhancing their overall performance and competitiveness. Additionally, the study sheds light on the significance of cultivating a conducive work environment that fosters innovative thinking among employees. This encourages the efficient utilization of limited resources and leverages competitive advantages to drive growth and improve firm performance.

Furthermore, this study carries significance for both prospective and existing academicians, offering valuable insights into the correlation between innovative strategies and the performance of cooperative societies. It also serves as a foundational resource for future researchers, providing

a reference point for further investigations in similar service sectors or those seeking to address knowledge gaps in financial innovations. In addition, the workforce within SACCOs can benefit from the study's findings, as it sheds light on the pivotal role of innovative strategies in enhancing firm performance, thereby facilitating suggestions for areas of improvement within these organizations.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The chapter outlines theoretical framework providing theories related to innovation strategies and performance. The chapter also presents the framework of the study conceptually, review of literature empirically stating the research gaps.

### **2.2 Theoretical Foundation**

The study evaluated theories and models on which the research is anchored. The literature review discusses the theoretical review, empirical review, and research gaps. Generally, theories provide justifications supported by evidence meant to explain certain phenomenon or occurrences that further layout a comprehensive layout for the analysis of data and appropriate choice of the methodology to apply (Post et al., 2020).

#### **2.2.1 Resource Based View Theory (RBVT)**

The theory emerged in the 1980s and 1990s, emphasizes the importance of firms seeking a competitive market strategy by thoroughly analyzing and leveraging their internal resources (Lubis, 2022). This theory posits that firms gain competitive advantage it harnesses exclusive resources to develop distinctive expertise, guided by the VRIN framework that underpins sustained competitive advantages and enhances organizational performance. Resources must be tailored to each cooperative's unique strengths and resources, considering the intricate amalgamation of owned properties, personnel, and processes (Assensoh-Kodua, 2019; Lubis, 2022).

RBV theory also offers a pathway to identify, develop, and utilize advantageous capabilities to promote and enhance firm performance, recognizing that organizational capabilities encompass a bundle of skills and knowledge enabling firms to better allocate assets and coordinate activities. Consequently, this theory guides the research in understanding the innovative products influence on the performance of SACCOs through innovative products, operational efficiency, and effective market innovation strategies.

#### **2.2.2 Innovation Diffusion Theory**

The theory examines how emerging innovations and propositions spread within societies or organizations. It revolves around the concept of innovation, encompassing any novel idea or

technology that can bring about significant change. This theory highlights the gradual process of diffusion, categorizing individuals into adopter categories based on their readiness to embrace innovations, from innovators to laggards. Key attributes of innovations, such as their relative advantage and compatibility with existing practices, influence their adoption rates, often following an S-shaped curve. Communication channels, innovation champions, and critical mass play pivotal roles in the diffusion process, which can vary across contexts and over time (Dearing & Cox, 2018).

The theory's applications span multiple fields, including marketing, technology adoption, public health, and education, where it sheds light on how innovations are introduced, communicated, and ultimately embraced (Lenz & Winker, 2020). Understanding these dynamics offers valuable insights into the pace and extent of change within societies and organizations.

### **2.2.3 Theory of Changes in Perceived Market**

This theory was clearly explained in 2005 through the works of Allan and Gale that when existing markets fail to provide the required products markets turn hostile which tempts managers to vertically extend their brands for new market entry and improving the position of consumption of their brands by the users. Mostly, these calls for strategic approach as the driving force, that is having the imperatives that seek to explain how a consumer perceived certain products or services which influences their behavior (Ch'ng et al., 2021; Pundziene et al., 2021). Numerous changes have been seen in SACCOs such as the introduction of fast, efficient and accessible services of a member credit worthy beneficiary within the limits of 24 hours. Moreover, lack of guarantees authenticates the access of loans is a boost and could be the major reason for their large membership base despite stiff competition in the industry.

### **2.3 Innovation Strategies and Performance of SACCOs**

In the literature reviewed, majority of the studies focuses on determining relationships on the innovativeness an organization. The studies show how innovation strategies and performance of organization link. However, innovation is an emerging and evolves from time to time, hence the need to conduct the study (Yang et al., 2019).

### **2.3.1 Product Innovation and Performance of SACCOs**

Multiple studies have explored innovation-performance correlations in Kenyan financial institutions. Mung'ora (2020) highlighted the role of innovation in SACCOs' market expansion, customer attraction, and profitability. Ndungu & Muturi (2019) emphasized strategic innovation's positive impact on the Commercial Bank of Africa. Ngure et al., (2017) examined product innovations and SACCOs' economic performance. Macharia (2015) suggested further research on innovation strategies in Stima Sacco. Karanja & Munene (2015) advocated product innovation for credit accessibility in SACCOs. Mugane & Ondigo (2016) showcased the benefits of financial innovations in Kenyan commercial banks. Kamau (2013) underlined the importance of innovative products in Kenyan commercial banks. Mutisya et al., (2022) emphasized product innovation in SACCOs for growth and profitability.

However, there's a noticeable gap in comprehensive research regarding the innovation strategies-performance relationship in Kenyan SACCOs. The context-specific challenges and opportunities SACCOs face, such as regulatory hurdles and competition from banks, remain underexplored. A comprehensive study addressing this gap could offer valuable insights for academic literature and practical financial decision-making.

### **2.3.2 Process Innovation and Performance of SACCOs**

Chepchumba (2022) explored innovation strategies' impact on Telkom Kenya's performance, highlighting the positive influence of process and strategic innovations on administration. Process innovation significantly enhanced product and service quality, technological efficiency, brand management, sales growth, and overall firm performance. However, the study's theoretical foundation is drawn from multiple theories. Moreover, Amabel (2019) assessed economic innovations' influence on DTS performance in Nairobi City County, focusing on licensed DTS within the county. It identified that new service processes and liquidity linked positively, recommending financial innovation strategies and supportive regulations to improve firm profitability.

Despite these insights, a notable gap exists in research on the innovation strategies-performance relationship within Kenyan SACCOs (Mungo, 2019; Muriuki & Kiiru, 2019). A comprehensive



study addressing this gap could offer valuable insights into SACCOs' specific challenges and opportunities, enhancing both academic literature and practical financial decision-making.

### **2.3.3 Marketing Innovation and Performance of SACCOs**

Several studies have explored innovation strategies' impact on financial institutions in Kenya. Njeri (2017) concluded that market innovation strategy ranked as the second most impactful factor on overall firm performance for Safaricom Kenya Limited. This presents a gap where the studies focus is on strategic innovation where the current study explores innovation strategies within the SACCOs in Kenya. Thus, there is need to understand the marketing strategy, market strategy and strategic marketing in place to enhance performance.

### **2.4 Empirical Review summary and the Knowledge Gaps**

Several studies explored the role of marketing and resource-based view theory in SACCOs, emphasizing product diversification, cost-effective services, and the utilization of organizational capabilities to attain competitive advantages. Empirical data demonstrated the significance of innovative strategies in various sectors but highlighted limited studies on the correlation between innovation strategies and SACCO performance, particularly in different counties. Additionally, it highlights the importance of SACCO policies, such as voluntary membership and low fees, to achieve their core mandates, leading to the development of new products. Furthermore, the RBVT and the VRIN framework are introduced, emphasizing the importance of identifying resources within SACCOs for sustainable competitive advantages and predicting organizational performance through employee competencies and innovation strategies adoption.

The literature review presents various studies innovative strategies and firm performance, both in the SACCO subsector and other industries. However, limited research has examined this relationship in specific counties like Nyeri and Kirinyaga (Mung'ora, 2020; Ngure *et. al.*, 2017), leaving a gap in generalizability. The study aims to address this academic gap by comprehensively exploring the correlation between cooperative performance and innovation strategies across the entire country, allowing for regional comparisons.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter discusses the research methodology that was adopted in the operationalization of the research and achievement of the study objectives. The demographic of the study, the number of participants and methodology, data collection methods, research design, and lastly the analysis and processing of information are all included in this chapter.

### **3.2 Research Design**

In this research, a descriptive survey design was employed as it enables data collection in a natural setting, offering insights into the present condition or state of the subjects under scrutiny (Mugenda & Mugenda, 2008).

### **3.3 Population of the Study**

This study targeted a population encompassing managers of the 176 SACCOs in Kenya (SASRA, 2023). These are the SACCOs which duly registered and licensed by SASRA to carry out the deposit-taking cooperatives in Kenya.

### **3.4 Sample Size and Sampling Technique**

Researchers suggest that the required sampling ratio increases as the population size decreases (Rea & Parker, 2014; MacCallum, Widaman, Zhang, & Hong, 1999). When dealing with populations of fewer than 1,000, it is recommended to have a minimum ratio of 30 percent, equivalent to 300 individuals, to guarantee the sample's representativeness. Conversely, for larger populations like 10,000, a relatively smaller minimum ratio of 10 percent, which amounts to 1,000 individuals, is deemed sufficient (Mugenda & Mugenda, 2003). Due to the foregoing therefore, the study used a sample (30% of 176) which is 52.8 approximated to 53 Saccos.

### **3.5 Data Collection**

Primary data will be gathered directly from the field through structured questionnaires SACCO managers. The data collection procedure will include first obtaining a university introductory letter and a NACOSTI research permit. The researcher will use an online questionnaire via Lime-Survey. The 53 questionnaires will be distributed to respondents who will be given a response rate of two

weeks to complete it before deactivation. In ensuring seamless and achieving the goal of study, trained research assistants' services will be sought.

### **3.6 Pilot Study**

A pilot test serves to validate and refine the research design and survey instrument through a small-scale experiment, aiming to enhance the quality and efficiency of a larger study. It uncovers potential issues in question clarity, interpretation, and overall effectiveness, offering an opportunity for adjustments before significant resources are committed.

#### **3.6.1 Validity**

The assessment focused on how effectively a research instrument measured its intended attributes, evaluating its reliability, precision, and suitability for the intended purpose (Kothari, 2017). A factor analysis was performed to verify the constructs' validity. Bartlett's Test of Sphericity and Kaiser-Meyer-Olkin measurements are the two often used metrics for the sufficiency of sampling. An index above 0.5 indicates excellent quality, and a Kaiser-Meyer-Olkin value that is appropriate for something considered to be significant ranges from 0 to 1.

#### **3.6.2 Reliability**

Reliability determined the extent to which a study tool yielded consistent results or measurements across repeated investigations. To ensure the questionnaire's reliability, the researchers conducted an experimental study involving surveys to assess their effectiveness. The performance of a pilot test was crucial to verify the accuracy of information within the research instrument (Ebrahim, 2016). In the pre-test, reliability was established using the Cronbach Alpha coefficient. This indicator, as outlined by Zinbarg (2016), gauged the extent of data generalizability without bias. An alpha value of at least 0.7 in the sample assured the accurate representation of the entire population's perspectives, forming a safe assumption.

### **3.7 Data Processing and Analysis**

Data analysis involved using reasoning to understand and identify patterns in collected data, summarizing relevant details, and correcting errors (Hyndman & Khandakar, 2008). In this study, data analysis included various statistical procedures and tests for the quantitative data. Responses from questionnaires and record analysis were sorted, referenced, and coded for data entry. SPSS

version 26 was employed due to its user-friendliness and descriptive and inferential statistics capabilities with its vast library functions (Mugenda & Mugenda, 2009). Measures of central tendency that included mean were used while variation measures that included standard deviation were employed to elucidate data distribution, with findings presented through frequency tables and graphs. Additionally, multiple regression analysis was utilized.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon;$$

Where Y= Performance of SACCO

X<sub>1</sub>= Product Innovation

X<sub>2</sub>= Process Innovation

X<sub>3</sub>= Market Innovation

$\alpha$ , Term representing a constant that characterizes the baseline level of performance.

$\beta_1$  and  $\beta_2$  coefficients of the independent variables

$\varepsilon$ = synonymous with error.

## CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

### 4.1 Introduction

This chapter presented the study's findings as well as an analysis of all the information that was collected in relation to the study's objectives. The chapter was presented using tables to facilitate learning and discussion. It is relevant to the study objectives.

### 4.2 Response Rate

Out of 53 Saccos, 50 responses were received which represented 94.3%, 3 managers didn't respond representing 5.7%. A response rate of 50% is satisfactory, 60% is good, and 70% or more is exceptional. As a result, the number of responses was deemed suitable for the study.

**Table 4. 1 Response Rate**

Category	Frequency	Percentage
Response	60	75.9
Non-Response	19	24.1
Total	79	100

### 4.3 Demographics of the Respondents

The study wanted to find the various demographics of the respondents.

#### 4.3.1 Respondents Gender

Table 4. 2 Gender of the Managers

Gender	Frequency	Percent
Male	30	60.0
Female	20	40.0
Total	50	100.0

The data presented indicates that the respondents for the study are comprised of 30 males (60.0%) and 20 females (40.0%). The majority of the respondents are male, constituting a higher percentage of the sample. This gender distribution may be reflective of the managerial landscape within the savings and credit co-operatives in Kenya. Gender dynamics can play a role in organizational decision-making and approach to innovation.

### 4.3.2 Education Level

The education level of the managers is presented in Table 4.3

**Table 4. 3 Education Level**

<b>Education Level</b>	<b>Frequency</b>	<b>Percent</b>
Bachelors	18	36.0
Masters	24	48.0
PhD	8	16.0
Total	50	100.0

The educational distribution of the managers participating in the study reveals a diverse range of academic qualifications. Those with Bachelor's degree were (36.0%), a Master's degree (48.0%), demonstrating a well-educated managerial cohort. The significant percentage of managers with Master's degrees suggests a higher level of academic attainment, potentially indicating a depth of knowledge and expertise in their respective fields. Furthermore, the presence of managers with PhDs (16.0%) highlights a subset of highly educated individuals within the sample, potentially contributing advanced insights to the study.

### 4.3.3 Managers Work Position

The work position for the managers is presented in Table 4.4

**Table 4. 4 Managers Work Position**

<b>Work Position</b>	<b>Frequency</b>	<b>Percent</b>
General Manager	12	24.0
Manager Finance and Accounts	12	24.0
Manager Credit and Marketing	10	20.0
Manager ICT and Internal Audit	16	32.0
Total	50	100.0

The distribution of work positions among the managers participating in the study highlights a diverse range of roles within these organizations. The majority of respondents hold positions as General Managers (24.0%) and Managers in Finance and Accounts (24.0%), indicating a balanced representation of leadership and financial management roles. Additionally, the presence of

Managers in Credit and Marketing (20.0%) and Managers in ICT and Internal Audit (32.0%) shows the importance of diverse skill sets in the study, incorporating expertise in areas such as marketing, technology, and internal control mechanisms. The diverse range of job roles indicates that the study will probably provide a thorough understanding of the creative approaches used in many functional domains within Kenyan savings and credit cooperatives. Examining the answers according to these different positions can offer significant perspectives into how innovation is viewed and used in different managerial roles, which may have an impact on organizational performance.

#### **4.3.4 Number of years at Management Level**

The distribution of the number of years at management level is presented in Table 4.5

<b>Number of Years at Management Level</b>	<b>Frequency</b>	<b>Percent</b>
5 years and below	2	4.0
6-10 years	12	24.0
11-15 years	18	36.0
16-20 years	14	28.0
Above 20 years	4	8.0
Total	50	100.0

The distribution of the number of years at the management level among the respondents in the study reveals a varied level of managerial experience. A notable portion of managers has been in their roles for 11-15 years (36.0%), indicating a substantial proportion with a significant tenure in management. Additionally, managers with 16-20 years of experience (28.0%) contribute to the cumulative wealth of managerial expertise in the sample. The presence of managers with 6-10 years (24.0%) and those with more than 20 years (8.0%) adds diversity to the range of experiences, capturing both mid-career and seasoned professionals. This distribution suggests that the study is well-positioned to examine the relationship between the duration of managerial experience and the adoption of innovation strategies within savings and credit co-operatives in Kenya.

#### **4.3.5 Number of Staff Directly Reporting to the Managers**

The distribution for the number of staff directly reporting to the managers is presented in Table 4.6

**Table 4. 5 Number of Staff**

<b>Number of Staff</b>	<b>Frequency</b>	<b>Percent</b>
Below 10 Staff	6	12.0
11-50 Staff	16	32.0
51-100 staff	16	32.0
101-150 staff	12	24.0
Total	50	100.0

The distribution of the number of staff directly reporting to the managers in the study reflects a range of organizational sizes and managerial responsibilities. A substantial portion of managers (32.0%) have 11-50 staff members reporting to them, indicating a mid-sized organizational structure. Similarly, another 32.0% of managers oversee 51-100 staff, representing a considerable managerial responsibility within larger institutions. The presence of managers with below 10 staff (12.0%) and those with 101-150 staff (24.0%) adds diversity to the sample, capturing the spectrum from smaller to larger organizations. This distribution suggests that the study is well-equipped to explore how the scale of managerial responsibility, as reflected in the number of staff reporting to them, influences the adoption and effectiveness of innovation strategies within savings and credit co-operatives in Kenya.

#### **4.4 Reliability and Validity Tests**

This was for the questionnaire in the study

##### **4.4.1 Reliability Test**

**Table 4. 6 Reliability Test**

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>Comments</b>
Product Innovation	.910	Reliable
Process Innovation	.766	Reliable
Market Innovation	.923	Reliable
Sacco Performance	.922	Reliable



The Cronbach's Alpha reliability statistics for the study variables show a high degree of dependability and internal consistency. The VPI (.910), Process Innovation (.766), Market Innovation (.923), and Sacco Performance (.922) all demonstrate strong reliability, exceeding the commonly accepted threshold of 0.70. This suggests that the measurement scales used to assess these key constructs within the study are dependable and internally consistent. The high Cronbach's Alpha values imply that the study variable items are related to each variable consistently measure the same underlying construct, reinforcing the reliability of the study's measurement instruments. Researchers can have confidence in the consistency of the data collected through these variables, contributing to the overall robustness and credibility of the findings in the study.

#### 4.4.2 Validity Test

The variables' reliability was tested using factor analysis. Table 4.8 displays the results.

**Table 4. 7 Validity Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.849
Bartlett's Test of Sphericity	Approx. Chi-Square	217.755
	Df	6
	Sig.	.000

The factor analysis results indicate that the data collection instrument used in the study is valid. The value of 0.849, demonstrating good suitability for factor analysis. Additionally, the Bartlett's Test of Sphericity showed a highly significant p-value of 0.000, confirming the validity and appropriateness of the factors for the study. The results provide confidence in the instrument's ability to accurately measure the intended constructs, ensuring the reliability of the study's findings.

#### 4.5 Descriptive Statistics for the Study Variables

The respondents were to concur or object with the statement with the innovation strategies and performance based on the Likert following scale.

##### 4.5.1 Descriptive Statistics for Product Innovation

**Table 4. 8**

<b>Product Innovation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Deposit Account</b>			
Introducing new deposit account options enhances our SACCO's competitiveness and performance.	50	4.68	.713
The SACCO regularly introduces new deposit account types to meet member needs.	50	4.84	.422
<b>Debit Card</b>			
The SACCO is proactive in offering innovative debit card features.	50	4.82	.438
The SACCO introduces innovative credit card options that attract members.	50	4.76	.625
The introduction of debit card services has improved member satisfaction and SACCO performance.	50	4.46	.762
<b>Credit Card</b>			
The availability of credit card services has positively impacted our SACCO's financial performance.	50	4.10	.909
The SACCO actively seeks member feedback for improving existing products.	50	3.32	1.504
New product development is a priority for the SACCO.	50	4.52	.677

The table provides a detailed analysis of responses related to product innovation in the study. Across the Deposit Account category, respondents strongly agree that introducing new deposit account options enhances the SACCO's competitiveness and performance (Mean = 4.68, Std. Deviation = 0.713), and the SACCO regularly introduces new deposit account types to meet member needs (Mean = 4.84, Std. Deviation = 0.422). Similarly, in the Debit Card category, participants express a high level of agreement that the SACCO is proactive in offering innovative debit card features (Mean = 4.82, Std. Deviation = 0.438) and that the introduction of debit card services has improved member satisfaction and SACCO performance (Mean = 4.46, Std. Deviation = 0.762). The Credit Card category, while generally positive, shows slightly lower agreement, with the availability of credit card services positively impacting the SACCO's financial performance (Mean = 4.10, Std. Deviation = 0.909). Additionally, the SACCO actively seeking member feedback for improving existing products (Mean = 3.32, Std. Deviation = 1.504) indicates a more varied response. The mean values across the categories suggest a positive perception of product innovation strategies within the SACCO, with respondents generally expressing agreement with

the statements. The standard deviations reflect relatively low variation in replies, which contributes to the data' reliability in general.

The findings from the analysis of responses on product innovation within the study on reveal a positive perception among respondents regarding the SACCO's innovation initiatives. The consistently high mean scores across various aspects of product innovation, particularly in introducing new deposit account options and innovative debit card features, suggest that the SACCO is viewed as proactive in adapting to member needs and enhancing competitiveness. The slightly lower agreement on seeking member feedback for product improvement highlights an area where the SACCO may benefit from strengthening its engagement strategies. The positive perceptions bode well for the SACCO's innovation strategies, potentially contributing to enhanced competitiveness and member satisfaction. These findings show the importance of ongoing innovation efforts in the financial sector and suggest that further emphasis on member engagement and feedback mechanisms could be valuable for sustained success. The study further asked whether the SACCOs prioritize product innovation to meet member needs.

**Table 4. 9 Innovation Meeting Member Needs**

<b>Innovation Meeting Member Needs</b>	<b>Frequency</b>	<b>Percent</b>
Yes	40	80
No	2	4
Unsure	8	16
Total	50	100

The data presented in Table 4.10, which explores whether SACCOs prioritize product innovation to meet member needs, indicates a positive inclination toward prioritizing innovation within the sampled institutions. A significant majority of respondents (80%) affirmatively acknowledge that SACCOs prioritize product innovation to address the needs of their members. This high percentage aligns with the positive perceptions expressed in the earlier Likert scale analysis, where respondents indicated agreement with statements related to innovative product offerings. The low percentage of respondents expressing uncertainty (16%) suggests a relatively clear understanding of the SACCOs' focus on product innovation. However, the small proportion (4%) indicating a

lack of prioritization may warrant further investigation to understand potential barriers or challenges hindering innovation efforts.

#### 4.5.2 Descriptive Statistics for Product Innovation

The statistics have demonstrated a commitment to innovation strategies, particularly in the realm of process innovation. According to the survey data, the implementation of office automation has proven successful, earning a mean score of 4.88. Respondents noted that this initiative has significantly improved operational efficiency, as evidenced by the high mean score of 4.92. Additionally, the introduction of paperless ATMs has been well-received, with a mean score of 4.94, indicating enhanced member convenience. Mobile banking services offered by the SACCO are praised for their user-friendliness and innovation, achieving a mean score of 4.84. The survey further highlights the positive impact of these innovations on member transactions and overall SACCO performance, as reflected in the high mean score of 4.94. Notably, the SACCO's commitment to continuous improvement is underscored by its pursuit of ways to streamline internal processes (mean score of 4.90) and the encouragement of employees to suggest process improvements (mean score of 4.96).

**Table 4. 10 Descriptive Statistics for Process Innovation**

<b>Process Innovation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Office automation</b>			
The SACCO has successfully implemented office automation to improve efficiency.	50	4.88	.328
Implementing office automation tools has improved operational efficiency within our SACCO.	50	4.92	.274
<b>ATMs (paperless)</b>			
The introduction of paperless ATMs has enhanced member convenience.	50	4.94	.240
The introduction of paperless ATMs has enhanced member accessibility and convenience.	50	4.86	.405
<b>Mobile Banking</b>			
Mobile banking services offered by the SACCO are user-friendly and innovative.	50	4.84	.468

Mobile banking services have streamlined member transactions and contributed to SACCO performance.	50	4.94	.240
The SACCO continuously seeks ways to streamline internal processes.	50	4.90	.364
Employees are encouraged to suggest process improvements within the SACCO.	50	4.96	.198

The positive reception of process innovations within the SACCO in Kenya carries significant implications for the organization's future trajectory. The high mean scores across various innovation initiatives, such as office automation, paperless ATMs, and mobile banking, underscore a successful integration of technological advancements into SACCO operations. These innovations not only enhance operational efficiency but also directly contribute to an improved member experience, as evidenced by increased convenience and streamlined transactions. The SACCO's commitment to continuous improvement, as reflected in its encouragement of employee suggestions, suggests a dynamic and adaptive organizational culture.

The implications extend beyond immediate operational benefits. A technologically progressive SACCO is likely to stay competitive in the financial services landscape, attracting and retaining members by providing convenient and innovative services. Furthermore, the positive perceptions highlighted in the study results may bolster the SACCO's reputation, potentially attracting new members and partners. The SACCO's proactive approach to embracing technology positions it well to navigate the evolving financial landscape in Kenya, aligning with the broader context of innovation strategies studied in the research. As the SACCO continues to leverage technological advancements, it is poised to not only meet the current needs of its members but also to adapt effectively to future challenges and opportunities in the financial sector. The study asked the respondents whether implementation of process innovations improved the SACCO's efficiency.

**Table 4. 11 Innovation Improving Efficiency**

Innovation Improving Efficiency	Frequency	Percent
Yes	45	90
No	1	2

Unsure	4	8
Total	50	100

The above reveal a strong consensus among respondents regarding the impact of process innovations on the efficiency of the SACCO in Kenya. A significant majority (90%) positively acknowledged that the implementation of these innovations has improved efficiency. The marginal percentage (2%) expressing a contrary view suggests a minority perspective that warrants further exploration for potential insights or areas of improvement in the SACCO's innovation strategies. The 8% of respondents who were unsure about the impact emphasizes the importance of clear communication and ongoing engagement to enhance awareness and understanding of the outcomes of process innovations. The results align with the study's focus on innovation strategies, affirming the positive influence of these initiatives on the SACCO's performance.

#### 4.5.3 Descriptive Statistics for Market Innovation

**Table 4. 12**

<b>Market Innovation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Market mix</b>			
The SACCO employs innovative market mix strategies to reach target audiences.	50	4.56	1.215
<b>Market Selection</b>			
Market selection processes are adapted based on innovative data analysis.	50	4.28	1.386
Customers are satisfied with our products and services.	50	4.66	.745
<b>Pricing</b>			
Innovative pricing strategies have been effective in attracting new members.	50	4.76	.476
Innovative pricing strategies have been effective in attracting new members.	50	4.52	1.216
Member feedback plays a vital role in shaping marketing strategies within the SACCO.	50	4.72	.730

Analyzing these results suggests that the SACCO has implemented various innovative market approaches. The positive mean scores across market mix and pricing strategies indicate a generally favorable perception among respondents. The acknowledgment of customer satisfaction (mean: 4.66) and the importance of member feedback in shaping marketing strategies (mean: 4.72) reflect a customer-centric approach.

However, the slightly lower mean score for market selection (4.28) might suggest an area where further innovation or refinement could be considered. Understanding the specific aspects of market selection and exploring ways to enhance innovative data analysis could be valuable for optimizing this component of the SACCO's market strategies. Additionally, the variability indicated by the standard deviations highlights some diversity in respondents' perceptions, emphasizing the importance of addressing potential areas of improvement and maintaining a responsive and adaptive approach to market innovation within the SACCO. The study further asked whether the respondents believed that the SACCO's marketing innovation strategies had been effective in attracting and retaining members. The responses are presented in Table 4.14

***Table 4. 13 Effectiveness in Attracting and Retaining Customers***

<b>Effectiveness in attracting and retaining customers</b>	<b>Frequency</b>	<b>Percent</b>
Yes	36	72
Unsure	14	28
Total	50	100

The reveal that 72% of respondents believe the SACCO's marketing innovation strategies have been effective in attracting and retaining customers, while 28% are unsure. This positive perception among the majority indicates success in customer engagement, but the uncertainty suggests a need for clearer communication or understanding among some respondents. To further enhance marketing strategies, the SACCO could investigate the reasons behind the uncertainty, gather detailed feedback, and consider benchmarking against industry standards to ensure ongoing improvement and alignment with best practices in the financial sector

#### 4.5.4 Descriptive Statistics for Sacco Performance

The analysis for Sacco performance were presented in Table 4.15 The SACCO performance, as revealed by the study on innovation strategies and overall performance in Kenya, is marked by noteworthy mean scores and standard deviations across key indicators. In terms of Income Generation, respondents show a positive sentiment with a mean of 4.36 and a standard deviation of 1.411 for the increase in dividend per share. Additionally, the mean scores for the rise in income generation (4.52, SD = 1.054) and sales of products and services (4.52, SD = 1.165) over the past six years suggest a robust financial performance. In Membership Growth, the SACCO exhibits a positive trend with high mean scores (ranging from 4.36 to 4.70) and relatively low standard deviations, indicating a consistent and well-received growth in demand, customer numbers, and market readiness for all offered products and services. Turning to the Loan Portfolio, the SACCO demonstrates a commitment to risk management, with mean scores ranging from 4.26 to 4.44 and standard deviations reflecting relatively tight control. These findings collectively show a strong and well-managed SACCO performance in line with the study's focus on innovation strategies and overall effectiveness in the Kenyan context.

**Table 4. 14 Sacco Performance**

<b>Sacco Performance</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Dividend Per Share</b>			
Income generation has increased in the last six years	50	4.36	1.411
Sale of products and services has increased in the last six years	50	4.52	1.054
There has been an increase in revenue in the last six years	50	4.52	1.165
<b>Membership Growth</b>			
There has been a rise in demand for products and services in the last six years	50	4.36	1.411
The number of customers has increased in the last six years	50	4.66	.717
All products and services have a ready market	50	4.70	.544
<b>Loan Portfolio</b>			
The SACCO consistently monitors and manages the quality of loan portfolio to minimize non-performing loans and associated risks	50	4.26	1.306



The SACCO has effective risk assessment and credit evaluation processes in place to ensure that loans are granted to creditworthy members and minimize the risk of defaults	50	4.32	.999
There are timely and appropriate measures, such as restructuring or recovery actions, to mitigate losses and maintain the overall health of the loan portfolio	50	4.44	.541

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The positive mean scores across income generation, membership growth, and loan portfolio indicators suggest that the SACCO is not only financially sound but also experiencing growth in demand and customer base. This could be indicative of effective marketing innovations and strategies as discussed in the study. The SACCO's commitment to managing risk in the loan portfolio, as evidenced by high mean scores and low standard deviations, indicates a prudent approach to financial management. These positive outcomes are likely to contribute to the SACCO's reputation, member satisfaction, and overall competitiveness in the financial sector. However, the SACCO should remain vigilant, continuously assess the effectiveness of its innovation strategies, and address any potential areas for improvement to sustain and enhance its positive performance in the dynamic financial landscape. Ratings were based on different metrics which were guided by the Likert scale. The mean and standard deviation was tabulated below

**Table 4. 15 Rating Sacco Performance**

<b>Rating Sacco Performance</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
How would you rate the SACCO's performance in terms of Dividends per Share?	50	3.94	1.376
How would you rate the organization's customer base for the last six years?	50	3.90	1.753
How would you rate the SACCOs loan portfolio for the last six years?	50	3.14	1.874

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In terms of dividends per share, the SACCO received a mean rating of 3.94 with a standard deviation of 1.376, indicating a generally satisfactory performance as perceived by the

respondents. The organization's customer base over the last six years received a mean rating of 3.90, albeit with a higher SD of 1.753, suggesting a wider range of opinions among respondents. This variability could signify differing perspectives on the SACCO's effectiveness in managing and expanding its customer base. The SACCO's loan portfolio, however, garnered a lower mean rating of 3.14 with a relatively high standard deviation of 1.874, indicating a less favorable assessment of its performance in this area. The wide standard deviation implies significant divergence in opinions among respondents, pointing to potential challenges or concerns in how the SACCO manages its loan portfolio. Addressing these divergent views and focusing on areas of improvement identified by respondents could be essential for the SACCO to enhance overall satisfaction and performance in the eyes of its members.

#### 4.6 Correlation Analysis of the Study Variables

To assess the potency of the association between the variables in question, the Pearson's correlation coefficient was employed. This is illustrated in Table 4.17 below. Innovation in products, process innovation, market innovation, and sacco performance all had a positive association. This suggests that if these variables change (rise), so will the performance of the sacco. There was a substantial link between the variables. According to Mhadavi (2013), when  $r$  is less than 0.3, the association is very weak, when  $r$  is between 0.3 and 0.5, and when  $r$  is between 0.5 and 0.7, the correlation is medium. When  $r$  is more than 0.7, the link is considered strong.

**Table 4. 16 Correlation Analysis of the Study Variables**

		<b>Correlations</b>			
		Product Innovation	Process Innovation	Market Innovation	Sacco Performance
Product Innovation	Pearson Correlation	1	.723**	.923**	.893**
	Sig. (2-tailed)		.000	.000	.000
	N	50	50	50	50
Process Innovation	Pearson Correlation	.723**	1	.740**	.770**
	Sig. (2-tailed)	.000		.000	.000
	N	50	50	50	50
Market Innovation	Pearson Correlation	.923**	.740**	1	.901**
	Sig. (2-tailed)	.000	.000		.000

	N	50	50	50	50
Sacco Performance	Pearson Correlation	.893**	.770**	.901**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	50	50	50	50

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis, as depicted in Table 4.17, reveals important insights into the relationship between key variables. The positive Pearson correlation coefficients signify a direct and statistically significant relationship between these variables. Specifically, strong correlations are observed among product innovation, process innovation, and market innovation, with coefficients of 0.723, 0.740, and 0.901 respectively. These findings indicate that as these innovation variables change or increase, SACCO performance changes in a similar positive direction. The correlation coefficient for SACCO performance with product innovation, process innovation, and market innovation is notably high, with coefficients of 0.893, 0.77, and 0.901 respectively, affirming a robust and positive association between innovation strategies and SACCO performance. According to Mhadavi (2013), these correlation coefficients suggest a strong relationship, aligning with the understanding that a correlation exceeding 0.7 indicates strength in association. Therefore, the study provides empirical support for the notion that effective product, process, and market innovations positively influence the overall performance of SACCOs in Kenya.

#### 4.7 Regression Analysis of the Study Variables

The study employed regression analysis to ascertain the linearity of the causal link between the dependent variable in question (Sacco performance) and the independent factors, namely product, process, and market innovation. The following subsections include a tabulation and discussion of the results.

##### 4.7.1 Multiple Regression Model Summary

The findings show that sacco performance is influenced by market, process, and product innovation. The results for changes between variables are displayed in table 4.13.

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.924 <sup>a</sup>	.854	.845	.30989

a. Predictors: (Constant), Market Innovation, Process Innovation, Product Innovation

#### 4.7.2 Analysis of the Variance (ANOVA)

The study's variables appear to have had a meaningful association, as indicated by the positive residuals. Based on ANOVA Table 4.13 presented below, it was determined that market innovation, process innovation, product innovation influence Sacco performance significantly. The model significantly explains the variation in Sacco performance reinforcing confidence in its ability to make accurate predictions about the influence of these variables on Sacco performance..

**Table 4. 17 Analysis of Variance**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	25.928	3	8.643	89.997	.000 <sup>b</sup>
Residual	4.417	46	.096		
Total	30.345	49			

a. Dependent Variable: Sacco Performance  
b. Predictors: (Constant), Market Innovation, Process Innovation, Product Innovation

#### 4.5.3 Coefficients of the Regression Model

\The regression model is as shown below;

$$Y=0.354+0.285X_1+0.183X_2+0.347X_3$$

Y –Sacco Performance

X<sub>1</sub>–Product Innovation

X<sub>2</sub>–Process Innovation

X<sub>3</sub>–Market Innovation

**Table 4. 18 Coefficients of the Regression Model**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>		<b>Sig.</b>
	<b>B</b>	<b>std. Error</b>	<b>Beta</b>	<b>T</b>	
(Constant)	.354	.182		1.941	.058

Product Innovation( $X_1$ )	.285	.116	.363	2.462	.018
Process Innovation( $X_2$ )	.183	.079	.195	2.304	.026
Market Innovation( $X_3$ )	.347	.125	.421	2.778	.008

a. Dependent Variable: Sacco Performance

The regression equation reveals that, for a unit increase in Product Innovation, SACCO Performance is expected to increase by 0.285 units. These coefficients indicate the magnitude and direction of the impact each type of innovation has on SACCO Performance. The statistical significance of these coefficients, as evidenced by the associated t-values and p-values, shows the importance of Product, Process, and Market Innovations in predicting SACCO Performance.

In the context of the study on innovation strategies and SACCO performance in Kenya, these findings carry significant implications. The positive coefficients suggest that an emphasis on Product, Process, and Market Innovations is likely to contribute positively to SACCO Performance. This implies that SACCOs in Kenya stand to benefit from adopting and fostering innovative practices in their products, processes, and market strategies. The study provides empirical evidence supporting the notion that innovation plays a crucial role in shaping the performance outcomes of SACCOs, emphasizing the need for strategic focus on innovative practices within the sector.

#### **4.8 Discussion of the Findings**

This study substantiates prior research in product innovation highlighting a positive correlation between the adoption of innovative products and enhanced SACCO performance. The positive perception among respondents and the strong agreement on SACCOs prioritizing product innovation align with the assertions made by scholars such as Mung'ora (2020), Ndungu & Muturi (2019), and Karanja & Munene (2015). Our study expands on this body of literature by providing specific insights into member perceptions and preferences regarding new deposit account options and innovative debit card features.

Moving to process innovation, the study reinforces the positive impact of technological advancements on SACCO operations, resonating with Chepchumba's (2022) findings on Telkom Kenya's performance. The successful implementation of office automation, paperless ATMs, and mobile banking services, as well as the resulting improvements in operational efficiency and member convenience, corroborate the notion that process innovation significantly contributes to overall SACCO performance. Our study further contributes by offering nuanced insights into specific technological advancements embraced by SACCOs in Kenya.

In the realm of market innovation, our findings align with studies such as Mbutia (2020), Muchemi & Makori (2017), and Njeri (2017), affirming that SACCOs employ innovative market approaches. The positive mean scores for market mix and pricing strategies echo the significance of these strategies in the financial sector. However, the study also identifies the need for a deeper exploration of marketing strategies and their effectiveness, addressing a gap highlighted by the limited focus on SACCOs in previous research.

The correlation analysis conducted in our study provides quantitative evidence supporting the positive relationship between product, process, and market innovations and SACCO performance. By integrating correlation and regression analyses, our study enhances the understanding of how each type of innovation contributes to SACCO performance, offering valuable insights for both academic literature and practical financial decision-making.

Notwithstanding these contributions, the study acknowledges significant shortcomings, such as the lack of analyses tailored to individual counties, and suggests additional investigation to bridge these knowledge gaps. Our study intends to close the current knowledge gap and enable regional comparisons by thoroughly examining the relationship between cooperative performance and innovation strategies throughout the nation.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

The chapter highlights the summary, conclusion, recommendation and suggestions for further study. This is in line with the study objective and is based on chapter four

### **5.2 Summary of Findings**

In terms of product innovation, the study revealed a positive perception among respondents, with consistently high mean scores across various aspects. Members expressed strong agreement with the introduction of new deposit account options and innovative debit card features, indicating that SACCOs are viewed as proactive in adapting to member needs and enhancing competitiveness. The study also explored whether SACCOs prioritize product innovation to meet member needs, with a significant majority (80%) affirming that SACCOs do prioritize innovation in their product offerings.

Moving to process innovation, the findings demonstrated that SACCOs in Kenya have successfully implemented various technological advancements, such as office automation, paperless ATMs, and mobile banking services. These innovations were well-received, contributing to increased operational efficiency and member convenience. The study revealed high mean scores and low standard deviations, indicating consensus among respondents about the positive impact of process innovations. Additionally, 90% of respondents acknowledged that these innovations improved the efficiency of SACCO operations.

In the realm of market innovation, the study explored strategies related to market mix, market selection, and pricing. Overall, respondents perceived SACCOs as employing innovative market approaches, with positive mean scores for market mix and pricing strategies. The study also investigated the effectiveness of these marketing innovations in attracting and retaining customers, with 72% of respondents expressing confidence in the SACCOs' marketing strategies.

The study then delved into the performance indicators of SACCOs, examining factors such as income generation, membership growth, and loan portfolio management. The results revealed robust financial performance, with positive mean scores and relatively low standard deviations across these key indicators. Members perceived the SACCOs as financially sound and experiencing growth in demand and customer base. However, the study also highlighted areas for

potential improvement, such as the management of the loan portfolio, where opinions were more varied.

The correlation analysis further validated the positive relationship between product, process, and market innovations and SACCO performance. Strong correlation coefficients indicated a significant association, supporting the idea that effective innovations positively influence overall SACCO performance. The subsequent regression analysis reinforced these findings, providing a quantitative understanding of how each type of innovation contributes to SACCO performance.

### **5.3 Conclusion**

In conclusion, the examination of product innovation within SACCOs in Kenya revealed a positive perception among members, with a consensus on the proactive nature of SACCOs in adapting to member needs and enhancing competitiveness through the introduction of new deposit account options and innovative debit card features. The prioritization of product innovation, as affirmed by 80% of respondents, underscores the strategic focus on adapting product offerings to meet evolving member requirements, contributing to SACCOs' sustained relevance and competitiveness in the financial sector.

Turning to process innovation, the study unveiled successful implementations of technological advancements, such as office automation, paperless ATMs, and mobile banking services, within SACCO operations. The high mean scores and low standard deviations associated with these innovations indicate widespread consensus among respondents regarding their positive impact on operational efficiency and member convenience. The acknowledgment by 90% of respondents that these innovations have improved overall SACCO efficiency further emphasizes the critical role of technological advancements in enhancing organizational processes and member experiences.

In the realm of market innovation, SACCOs demonstrated an adeptness at employing innovative market strategies, as reflected in positive mean scores for market mix and pricing strategies. The study also indicated a strong belief among respondents, with 72%, in the effectiveness of SACCOs' marketing strategies in attracting and retaining customers. This underscores the importance of dynamic market approaches in bolstering customer engagement and loyalty, essential elements for SACCOs striving to maintain a competitive edge in the financial landscape.



Moving to the performance indicators of SACCOs, the findings indicated robust financial performance across income generation, membership growth, and loan portfolio management. Positive mean scores and low standard deviations suggest a consensus among respondents on the financial soundness and growth of SACCOs. However, the study also uncovered areas for potential improvement, particularly in the management of the loan portfolio, where opinions varied among respondents. Addressing these divergent views is crucial for SACCOs to refine their strategies and maintain a positive trajectory in financial performance.

The correlation and regression analyses provided quantitative validation of the positive relationship between innovation strategies and SACCO performance. Strong correlation coefficients highlighted the significant association between product, process, and market innovations and overall SACCO performance. The regression analysis, with an Adjusted R-square of 84.5%, underscored the substantial explanatory power of the model, affirming that market innovation, process innovation, and product innovation collectively influence SACCO performance. These quantitative findings align with the qualitative insights gathered, emphasizing the integral role of innovation strategies in shaping the success of SACCOs in Kenya's dynamic financial landscape.

#### **5.4 Limitations of the Study**

Notwithstanding the insightful knowledge this study provided, a number of limitations need to be noted. First off, response bias could be introduced by the study's dependence on self-reported data from questionnaires. It is possible for respondents to give socially acceptable replies or misunderstand survey questions, which could affect how accurate the results are. Furthermore, it is more difficult to determine a causal relationship between innovation methods and SACCO performance because of the study's cross-sectional nature. Longitudinal research designs would be more suitable for capturing the dynamic nature of these relationships over time and providing a comprehension of the causal mechanisms at play.

Secondly, the study's generalizability is constrained by the focus on a specific context—SACCOs in Kenya. The findings may not be universally applicable to SACCOs in other regions or financial institutions with different structures and operating environments. Variations in regulatory frameworks, cultural factors, and economic conditions could influence the adoption and impact of innovation strategies differently. Therefore, caution should be exercised when extrapolating these

findings to broader contexts, and future research could explore the generalizability of these insights across diverse settings.

Thirdly, the study's scope was limited to three types of innovation. While these are critical dimensions, the exclusion of other potential innovation categories, such as organizational or service innovations, may provide an incomplete picture of the innovation landscape within SACCOs. Future studies could expand the scope to encompass a broader array of innovation types, offering a more comprehensive understanding of the multifaceted nature of innovation in financial institutions. Addressing these limitations will enhance the robustness and applicability of research findings in the context of SACCOs and beyond.

### **5.5 Recommendation of the study**

Policy makers in the financial sector, especially those overseeing SACCOs, should consider the following endorsements based on the study findings. Firstly, there is a need for supportive regulatory frameworks that encourage and facilitate innovation within SACCOs. This could include incentives for adopting technological advancements, streamlined approval processes for innovative products, and frameworks that foster collaboration between SACCOs and technology providers. Additionally, policy makers should promote financial literacy programs to enhance members' understanding and acceptance of innovative financial products and services. Lastly, there is a call for periodic assessments and updates of regulations to keep pace with evolving technologies and market dynamics.

Academics and theorists in the field of finance and innovation can further explore the nuanced relationships between different types of innovation and SACCO performance. Future research should employ longitudinal designs to establish causality and delve into the specific mechanisms through which innovation strategies influence financial cooperatives. Furthermore, scholars could investigate the impact of external factors, such as regulatory environments and economic conditions, on the effectiveness of innovation in SACCOs. Additionally, there is a need for more research into the potential trade-offs and synergies between different types of innovation, providing a more holistic understanding of innovation dynamics in financial cooperatives.

Practitioners within SACCOs can leverage the study's findings to inform strategic decisions. Firstly, there is a clear imperative for SACCOs to prioritize and invest in innovation across product development, process optimization, and market strategies. This may involve fostering a culture of

innovation within the organization, encouraging employees to contribute ideas, and establishing dedicated innovation teams. SACCOs should also consider engaging in partnerships with fintech companies to access cutting-edge technologies. Moreover, ongoing member education programs can help build trust and understanding of innovative financial products. Finally, practitioners should monitor and evaluate the impact of their innovation strategies continuously, adapting them to evolving market conditions and technological advancements.

### **5.6 Suggestions for Further Study**

Understanding how cultural nuances and contextual variables shape the acceptance of innovative financial products and services could provide valuable insights for tailoring strategies to specific regions or communities. This research could investigate whether cultural perceptions of risk, trust, and financial literacy influence the adoption of innovative offerings.

Investigating how leadership styles and the prevailing organizational culture either facilitate or hinder innovation could provide actionable insights for SACCO management. This research could assess the impact of leadership support, innovation incentives, and a culture that values experimentation on the success of innovation initiatives. Understanding the interplay between leadership, culture, and innovation could inform strategies for cultivating an environment conducive to continuous innovation within financial cooperatives.

Building on the existing research, future studies could focus on the long-term impact and sustainability of innovation strategies in SACCOs. By adopting a longitudinal approach, researchers could track the evolution of SACCO performance over an extended period, considering the persistence of innovation effects and potential challenges faced by SACCOs in maintaining innovative practices. This could involve investigating how external factors, market dynamics, and changing member needs interact with sustained innovation efforts. Understanding the temporal aspects of innovation's impact would provide a comprehensive view, helping SACCOs and policymakers develop strategies that ensure the longevity and resilience of innovative practices in the financial cooperative sector.

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## APPENDICES

### Appendix I: Consent Form

My name is Amriya Issa Yahya. I am a postgraduate student at The University of Nairobi pursuing an MBA. The purpose of this study is to establish the influence of innovative strategies on the performance of Savings and Credit Cooperatives in Kenya.

I am kindly asking for your assistance in terms of time in answering the questionnaire that is attached. Your accuracy and truthful response will be essential in guaranteeing impartiality in the research. All submitted data will be handled with absolute confidentiality. We appreciate you taking the time to participate.

If you have any questions about your rights as a research participant, you can contact The University of Nairobi Ethical Review Board.

Consent:

I have read and understood the information above, and I agree to participate in this study.

Pseudo name of the Participant: \_\_\_\_\_

Participant Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Appendix II: Questionnaire**

The purpose of this questionnaire is academic research focusing on innovation strategies and performance of Savings and Credit Co-operatives Societies in Kenya. You are requested to respond to all the questions to help collect data. The information you provide shall be treated with utmost confidence.

**Part I: Background Information**

Please fill-in as appropriate.

1. What is the name of your Organization? .....
2. What is your title or position in the organization? .....
3. Please tick to indicate your highest education level:  
 PhD     Masters'     Bachelors'         Diploma  
 Certificate  
 Other qualification: .....
4. How many years have you been in the current management level? ..... years
5. Tick your gender:  Male         Female
6. How many staff directly report to you? .....
7. At what age will you be enjoying your birthday in your next year as from today?  
 ..... years

**Part II: Product Innovation**

1. Please indicate your level of agreement or disagreement with the statements on product innovation based on the following scale: SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree.

	SA	A	N	D	SD
<b>Deposit account</b>					
i. Introducing new deposit account options enhances our SACCO's competitiveness and performance.					
ii. The SACCO regularly introduces new deposit account types to meet member needs.					
<b>Debit Card</b>					



iii.	The SACCO is proactive in offering innovative debit card features.					
iv.	The SACCO introduces innovative credit card options that attract members.					
v.	The introduction of debit card services has improved member satisfaction and SACCO performance.					
<b>Credit Card</b>						
vi.	The availability of credit card services has positively impacted our SACCO's financial performance.					
vii.	The SACCO actively seeks member feedback for improving existing products.					
viii.	New product development is a priority for the SACCO.					

2. Does the SACCO prioritize product innovation to meet member needs?

Yes [ ]

No [ ]

Not sure [ ]

**Part III: Process Innovation**

3. Please indicate your level of agreement or disagreement with the statements on process innovation based on the following scale: SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree.

		SA	A	N	D	SD
<b>Office automation</b>						
i.	The SACCO has successfully implemented office automation to improve efficiency.					
ii.	Implementing office automation tools has improved operational efficiency within our SACCO.					
<b>ATMs (paperless)</b>						
iii.	The introduction of paperless ATMs has enhanced member convenience.					
iv.	The introduction of paperless ATMs has enhanced member accessibility and convenience.					
<b>Mobile Banking</b>						
v.	Mobile banking services offered by the SACCO are user-friendly and innovative.					
vi.	Mobile banking services have streamlined member transactions and contributed to SACCO performance.					
vii.	The SACCO continuously seeks ways to streamline internal processes.					

viii. Employees are encouraged to suggest process improvements within the SACCO.					
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4. Has the implementation of process innovations improved the SACCO's efficiency?

Yes [ ]

No [ ]

Not sure [ ]

**Part IV: Marketing Innovation**

5. Please indicate your level of agreement or disagreement with the statements on marketing innovation based on the following scale: SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree.

	SA	A	N	D	SD
<b>Market mix</b>					
i. The SACCO employs innovative market mix strategies to reach target audiences.					
<b>Market Selection</b>					
ii. Market selection processes are adapted based on innovative data analysis.					
iii. Customers are satisfied with our products and services.					
<b>Pricing</b>					
iv. Innovative pricing strategies have been effective in attracting new members.					
v. Innovative pricing strategies have been effective in attracting new members.					
vi. Member feedback plays a vital role in shaping marketing strategies within the SACCO.					

6. Do you believe the SACCO's marketing innovation strategies have been effective in attracting and retaining members?

Yes [ ]

No [ ]

Not sure [ ]

7. Please provide any additional comments or examples that support your responses to the above questions: .....

.....

**Part V: SACCO Performance**

8. Please indicate your level of agreement or disagreement with the statement in; SA = Strongly Agree, A= Agree, N = Neutral, D = Disagree, SD = Strongly Disagree.

	SA	A	N	D	SD
<b>Dividend Per Share</b>					
vii. Income generation has increased in the last six years					
viii. Sale of products and services has increased in the last six years					
ix. There has been an increase in revenue in the last six years					
<b>Membership Growth</b>					
x. There has been a rise in demand for products and services in the last six years					
xi. The number of customers has increased in the last six years					
xii. All products and services have a ready market					
<b>Loan Portfolio</b>					
xiii. The SACCO consistently monitors and manages the quality of loan portfolio to minimize non-performing loans and associated risks					
xiv. The SACCO has effective risk assessment and credit evaluation processes in place to ensure that loans are granted to creditworthy members and minimize the risk of defaults					
xv. There are timely and appropriate measures, such as restructuring or recovery actions, to mitigate losses and maintain the overall health of the loan portfolio					

9. Please tick your chosen answer below:

a) How would you rate the SACCO's performance in terms of Dividends per Share?

Excellent [ ]    Good [ ]    Satisfactory [ ]    Fair [ ]    Poor [ ]

b) How would you rate the organization's customer base for the last six years?

Excellent [ ]    Good [ ]    Satisfactory [ ]    Fair [ ]    Poor [ ]

c) How would you rate the SACCOs loan portfolio for the last six years?

Excellent [ ]    Good [ ]    Satisfactory [ ]    Fair [ ]    Poor [ ]

10. Please specify practices that enhance performance in your SACCO?

.....  
 .....  
 .....

11. Please specify the practices that hamper performance in your SACCO?

.....  
 .....

**Appendix III: Document Analysis Guide**

Performance Indicators	Statement	Response
<b>Dividend per Share (DPS)</b>	Please indicate the dividend per share in Kenyan Shillings (KSh.) for the last six years	2021/22 ..... 2020/21 ..... 2019/20 ..... 2018/19 ..... 2017/18 ..... 2016/17 .....
<b>Membership Growth</b>	Please indicate new deposit taking members in the last six years	2021/22 ..... 2020/21 ..... 2019/20 ..... 2018/19 ..... 2017/18 ..... 2016/17 .....

<p><b>Loan Portfolio</b></p>	<p>Provide information on the quality of the loan portfolio for the last six years. Indicate the percentage of non-performing loans:</p>	<p>2021/22 .....</p> <p>2020/21 .....</p> <p>2019/20 .....</p> <p>2018/19 .....</p> <p>2017/18 .....</p> <p>2016/17 .....</p>
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#### Appendix IV: List of SACCOs

<b>List of Licensed and Authorized Deposit Taking Sacco Societies in Kenya for the Period 1<sup>st</sup> January to 31<sup>st</sup> December 2023</b>		
2NKSacco Society	Dumisha Sacco Society	Kabiyet Sacco Society
Acumen Sacco Society	Eco-Pillar Sacco Society	Kencream Sacco Society
Afya Sacco Society	Edis Sacco Society	Kenpipe Sacco Society
Agro-Chem Sacco Society	Egerton Sacco Society	Kenversity Sacco Society
Ainabkoi Sacco Society	Elimu Sacco Society	Kenya Achieves Sacco Society
Airports Sacco Society	Enea Sacco Society	Kenya Bankers Sacco Society
Amica Sacco Society	Faridi Sacco Society	Kenya Highlands Sacco Society
Ammar Sacco Society	Fariji Sacco Society	Kenya Midland Sacco Society
Ardhi Sacco Society	Fortitude Sacco Society	Kenya National Police DT Sacco Society
Asili Sacco Society	Fortune Sacco Society	Kimbilio Daima Sacco Society
Azima Sacco Society	Fundilima Sacco Society	Kimisitu Sacco Society
Bandari Sacco Society	GDC Sacco Society	Kingdom Sacco Society
Baraka Sacco Society	Golden Pillar Sacco Society	Keystone Sacco Society
Baraton Univeraity Sacco Society	Good Faith Sacco Society	Kitui Teachers Sacco Society
Biashara Sacco Society	Goodhope Sacco Society	Kolenge Tea Sacco Society
Biashara Tosha Sacco Society	Goodway Sacco Society	Koru Sacco Society
Bi-High Sacco Society	Gusii Mwalimu Sacco Society	K-Pillar Sacco Society
Bingwa Sacco Society	Harambee Sacco Society	K-Unity Sacco Society
Boresha Sacco Society	Hazina Sacco Society	Kwetu Sacco Society
Capital Sacco Society	Home Business Sacco Society	Lainisha Sacco Society
Centenary Sacco Society	Ilkisonko Sacco Society	Lamu Teachers Sacco Society
Chai Sacco Society	Imarika Sacco Society	Longo Sacco Society
Chuna Sacco Society	Imarisha Sacco Society	Mafanikio Sacco Society

Chuka University Sacco Society	Invest and Grow [IG] Sacco Society	Magadi Sacco Society
Cosmopolitan D.T. Sacco Society	Jacaranda Sacco Society	Magereza Sacco Society
County Sacco Society	Jamii Sacco Society	Maisha Bora Sacco Society
Daima Sacco Society	Jamii Yetu Sacco Society	Mentor Sacco Society
Defence Sacco Society	Jitegemee Sacco Society	Metropolitan National Sacco Society
Dhabiti Sacco Society	Joines Sacco Society	Mombasa Port Sacco Society
Dimkes DT Sacco Society	Jumuika Sacco Society	Mudete Factory Tea Growers Sacco Society
Muki Sacco Society	Prime Time Sacco	Tabasuri Sacco Society
Mwalimu National Sacco Society	PUAN Sacco Society	TAI Sacco Society
Mwietheri Sacco Society	Qwetu Sacco Society	Taifa Sacco Society
Mwito Sacco Society	Rachuonyo Teachers Sacco Society	Taqwa Sacco Society
Nacico Sacco Society	Safaricom Sacco Society	Taraji Sacco Society
Nafasi OT Sacco Society	Sharia Sacco Society	Telepost Sacco Society
Nandi Farmers Sacco	Shirika Deposit Taking Sacco Society	Tembo Sacco Society
Nation OT Sacco Society	Shoppers Sacco Society	Tenhos Sacco Society
Nawiri Sacco Society	Simba Chai Sacco Society	Thamani Sacco Society
Ndege Chai Sacco Society	Siraji Sacco Society	The Apple Sacco Society
Ndosha Sacco Society	Skyline Sacco Society	The Noble Sacco Society
New Fortis Sacco Society	Smart Champions Sacco Society	Times-LI Sacco Society
Nexus Sacco Society	Smart-Life Sacco Society	Tower Sacco Society
Ng'arisha Sacco Society	Solution Sacco Society	Trans- Elite County Sacco Society

NRS Sacco Society	Sotico Sacco Society	Trans Nation Sacco Society
NSSF Sacco Society	Southern Star Sacco Society	Trans-Counties Sacco Society
Nufaika Sacco Society	Stake Kenya Sacco Society	Trans-National Times Sacco Society
Nyala Vision Sacco Society	Stawisha Sacco Society	Ufanisi OT Sacco Society
Nyambene Arimi Sacco Society	Stima OT Sacco Society	Ukristo Na Ufanisi Wa Anglicana Sacco Society
Nyati Sacco Society	Strategic - Urembo Sacco Society	Ukulima Saco Society
Ollin Sacco Society	Suluhu Sacco Society	Unaitas Sacco Society
Orient Sacco Society	Supa Sacco Society	Uni-County Sacco Society
Patnas Sacco Society	Tabasamu Sacco Society	Unison Sacco Society
United Nations Sacco Society	Vision Point Sacco Society	Washa Sacco Society
Universal Traders Sacco Society	Wakenya Pamoja Sacco Society	Waumini Sacco Society
Ushuru Sacco Society	Wakulima Commercial Sacco Society	Wevarsity Sacco Society
Vihiga County Farmers Sacco Society	Wana-anga Sacco Society	Winas Sacco Society
Viktas Sacco Society	Wananchi Sacco Society	Yetu Sacco Society
Vision Africa Sacco Society	Wanandege Sacco Society	

**Source: (SASRA, 2023)**



