

**THE RELATIONSHIP BETWEEN FINANCIAL INNOVATION AND  
FINANCIAL PERFORMANCE AMONG SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETIES IN MOMBASA COUNTY KENYA**

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## DECLARATION

This research project report is my original work and has not been submitted to any other university for award of a degree.

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## **DEDICATION**

This research project is dedicated to my loving wife Elizabeth and my children Lilian,  
Davis and Joshua.

## ABSTRACT

Financial innovation is defined as the creation or designing of new financial products, better process, efficient systems and institution alliances. It also entails the constant improvement of the existing products and activities of financial institutions in order to meet the emerging needs of the stakeholders. All financial innovation strategies are implemented using a few basic techniques such as increasing or reducing risk, pooling risk, swapping income streams, splitting income streams and converting long-term obligations into short-term ones. Innovation strategy is a determinant of SACCO financial performance and provides additional insight into the indirect contribution of the individual dimensions of innovation strategies to SACCO performance. The objective of this study was to determine the relationship between financial innovation and financial performance among SACCOs in Mombasa County Kenya. The study aimed at establishing whether institutional innovation, process innovation and product innovation influence the financial performance of SACCOs in Mombasa County. The study used a descriptive research design. This study aimed at collecting and analyzing data on the influence of financial innovation variables on the financial performance of SACCOs in Mombasa County. The population of the study was 165 SACCOs based in Mombasa County. The study used a random sample of 36 SACCOs. Data was collected from both primary and secondary sources. The primary data was collected using a semi-structured questionnaire while secondary data was collected from the SACCOs annual reports. Primary data collected was mainly on the extent to which the SACCOs applied financial innovation while the secondary data collected was on the financial performance. The data was analyzed using a multivariate regression analysis with the help of SPSS version 21. The results indicated that there was a positive relationship between financial innovation and financial performance of the SACCOs in Mombasa County. The regression analysis revealed that all financial innovation variables had a positive effect on the financial performance of the SACCOs in Mombasa County. The most influential variable was product innovation followed by process innovation and lastly institutional innovation. The coefficient of determination ( $R^2$ ) showed that that 23.2% of the financial performance of SACCOs in Mombasa County was influenced by financial innovation. The study concluded that financial innovation is a predictor of financial performance of SACCOs in Mombasa County. The SACCOs in Mombasa County employed all the three types of financial innovation to a great extent and all had a positive effect on the financial performance. The study recommended that the SACCO management boards should apply more product innovation as this had the greatest impact on financial performance followed by process innovation. The study further recommended that the government should pass legislation that will support the SACCOs to adopt more innovation in order to improve performance. This will help them move from the traditional products to more innovative products that are tailored to meet members' needs.

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## **ABBREVIATIONS AND ACRONYMS**

<b>DOI</b>	Diffusion of Innovation
<b>EPS</b>	Earnings per Share
<b>FOSA</b>	Front Office Service Activity
<b>KUSCCO</b>	Kenya Union of Savings and Credit Co-operatives
<b>RBV</b>	Resource-Based View
<b>SACCO</b>	Savings and Credit Co-operative Society
<b>SME</b>	Small and Medium Enterprises

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Financial innovation is defined as the creation or designing of new financial products, better process, efficient systems and institution alliances. It also entails the constant improvement of the existing products and activities of financial institutions in order to meet the emerging needs of the stakeholders (Tufano, 2002). In today's global and dynamic competitive environment, financial innovation is becoming more and more relevant mainly as a result of three major trends: intense international competition, fragmented and demanding markets, and diverse and rapidly changing technologies (Clark & Wheelwright, 1992). Competitive advantage is increasingly derived from knowledge and technological skills and experience in the creation of new products (Tece, 2003).

This study is based on four main theories: diffusion of innovation theory, regulation innovation theory, resource based theory and advanced constraint induced financial innovation theory. The diffusion of innovation (DOI) theory is a popular model used in information systems research to explain user adoption of new technologies. The theory is relevant because it explains the reason why financial institutions adopt technical innovations. Davis and Scylla (1982) put forward the regulation innovation theory and propose that financial innovation connects with social regulation and is a regulation transformation which has mutual influence and has mutual causality with economic regulation. Under the resource based theory, innovation has been broadly identified as a

response to market and technological changes, including the attitude taken and adjustments made in an organization (Garcia & Calantone, 2002). Silber (1983) in the advanced constraint induced financial innovation theory pointed out that the purpose of profit maximization of financial institutions is the key reason for financial innovation.

Savings and Credit Co-operative Societies (SACCOs) are started locally and have solid bases of small saving accounts constituting a stable and relatively low-cost source of funding and low administrative costs. More so, SACCOs are able to advance loans at interest rates lower than those charged by other financial providers. In addition, SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks, such as rural or poor areas. This has made SACCOs more attractive to customers, thus deeply entrenching themselves in the financial sectors of many countries. Financial institutions such as SACCOs must play a catalytic function to develop technologically innovation-driven economy. The experience of developed countries has evidently demonstrated that a shift of government's industrial policy-making towards a technological innovation driven economic strategy is absolutely critical.

### **1.1.1 Financial Innovation**

Financial innovation can be defined as a positive change in financial intermediation or financial system. Financial innovation can also be referred as a process of creating and marketing of new types of securities. It is the life blood of efficient and responsive capital market (Russo, 1991). According to Akhtar (1984) financial innovations lower the transaction cost of transferring funds from lower yielding money balances to higher yielding alternatives. Therefore, with financial innovation markets participants attempt to

minimize risk and to maximize returns. Financial innovation is further promoted when the financial authorities recognize the obsolescence of the existing statutory framework. Frame and Lawrence (2001) contend that there are three types of financial innovations which include; institutional innovations, process and product innovations.

Institutional Innovations are innovations in financial system as a whole such as changes in the structure of the financial sector, changes in business structures, changes to the establishment of new types of financial intermediaries, or to changes in the legal and supervisory framework. Important examples include the use of the group mechanism to retail financial services, formalizing informal finance systems, reducing the access barriers for women, or setting up a completely new service structure (Frame & Lawrence, 2001).

Process innovation refers to the introduction of new business processes leading to increased efficiency or market expansion. Examples of process innovation include office automation and use of computers with accounting and client data management software. Process innovation is associated with downsizing, restructuring, automation, more use of technology, de-layering, flattening the hierarchy, reorganizing and total quality management while related to some of these terms. Cumming (1998) notes that process innovation is important in both the supply of the core product as well as in the support part of any offer. Both components of an offer require quality standards, to be met and maintained.

Product innovations are new or modified financial services such as the introduction of new deposit accounts, credit card, debit card, insurance, leasing, hire purchase, and other financial products. Product innovations are introduced to respond better to changes in market demand or to improve the efficiency of work and deregulate the essential part of it, (Suzuki, 1986).

### **1.1.2 Financial Performance**

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregate. Financial performance measures how well a firm is generating value for the owners. It can be measured through various financial measures such as Profit after Tax, Return on Assets and Return on Equity, EPS and any market value ratio that is generally accepted. Generally the financial performance of many financial institutions has been measured using a combination of financial ratios, analysis, benchmarking, measuring performance against budget or a mix of these methodologies (Ahmad et. al., 2011).

A basic tool of evaluation of financial performance of a business entity is financial analysis. Financial analysis, as a system of standard methods of financial assessment of procedures in a company, is constantly an integral part of the company's financial management. Nevertheless, this system is reprehended in many aspects while the most important critics are directed to the fact that traditional approaches of the financial

analysis do not respect a range of factors which are supposed as more or less important according to various authors (Kaplan & Norton, 2008).

The financial performance of a SACCO is measured through the ability of the institution to meet the financial demands of its members taking consideration of economic status of the members. The SACCO is expected to give better and cheaper services to its members as compared to the main stream banks because SACCOs understand the needs of the members because they are the owners of the SACCO (Wanyama, 2009).

### **1.1.3 Financial Innovation and Financial Performance**

All financial innovation strategies are implemented using a few basic techniques such as increasing or reducing risk, pooling risk, swapping income streams, splitting income streams and converting long-term obligations into short-term ones. Much of the research on innovation focuses on the new ideas but what is more important is the adoption and spread of an innovation and its diffusion across an industry. Indeed, faster diffusion means a higher social return on the underlying investments in the innovation (Walson et. al., 2001).

Innovation strategy is a determinant of SACCO financial performance and provides additional insight into the indirect contribution of the individual dimensions of innovation strategies to SACCO performance. The financial performance of SACCOs and other financial institutions is usually measured using a combination of financial ratios, analysis, benchmarking, measuring performance against budgets or a mix of these methodologies. The common assumption which underpins much of the financial performance research

and discussion is that increasing financial performance will lead to improved functions and activities of the organization. It can be argued that there are three principal factors to improve financial performance of financial institutions; the institution's size, its asset management and the operational efficiency (Bijker et. al., 2007).

In a broad sense, financial innovation affects the nature and composition of monetary aggregates through new financial involvements or changes in old instruments as well as the terms and conditions of debt or credit arrangements. However, financial innovation comes with risks which include systematic risk. Markets almost always produce a variety of new products hoping to earn higher profits and they may not consider the risks involved. Innovations of new products may begin with only a few participants then quickly spread across the SACCOs. There is a need for the regulators to prepare for system-wide consequences resulting from the new innovative products. This means that for SACCOs to meet their objectives they have to innovate regularly otherwise they would have to close down due to stiff competition (Mudibo, 2005).

#### **1.1.4 SACCOs in Mombasa County**

SACCOs have distinguished themselves as convenient vehicles for savings mobilization and credit extension to members for both personal and enterprise development. The prudential regulation is aimed at improving financial condition and soundness of these SACCOs, thereby protecting members' deposits. This will enhance public confidence and increase the level of savings and credit to members and SMEs, a key goal of Vision 2030 blueprint. A strong and well governed SACCO subsector will also be better prepared to

compete with the other players in the financial sector providing wider choices for savers and borrowers (SACCOs Review, 2012).

The main principles of cooperation according to KUSCCO website ([www.kuscco.com](http://www.kuscco.com)) are: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training, and participation. Mombasa thrives in the cooperative movement sector activities. According to the district co-operative office, Mombasa County has a total of 260 active Co-operative Societies out of which 6 operate Front Office Service Activities (FOSAs). The foregoing gives more reasons why it is an economic hub worth studying at this point in time.

The institutional mission of the financial cooperatives is the provision of efficient, competitively priced financial products. Cooperative societies especially in the urban areas take deposits and provide loans based on savings in the back office or salary availability in the Front Office Service Activity (FOSA). Cooperative societies specialize in consumer savings and loans market and operate under a preferential but restricted legal status. The major source of revenue for the cooperative society is interest paid on loans (Mathenge, 2008).

SACCOs are member-owned financial institutions that offer savings and credit services to their members. The majority of the urban based SACCOs (such as those found in Mombasa County) draw their membership from salaried employees of the government, industries, government state owned corporations and the informal sector. They have a



regular saving system through monthly salary deductions from employees, unlike the rural SACCOs where the saving pattern is irregular and depends on earnings from the sale of the farmers' crop (Njanja & Pelissier, 2010).

## **1.2 Research Problem**

The concept of financial innovation is critical as it spurs the growth of firms. Financial innovation affects the nature and composition of monetary aggregates through new financial involvements or changes in old instruments as well as the term and conditions of debt or credit arrangement. However financial innovation comes with risks, the risks include systematic risk. Innovation embraces the firm that is the first to introduce it and the subsequent spread to others. Innovation by firms is an important determinant of financial performance and growth. There is evidence in theory that small firms find it relatively costly to finance innovation and recent empirical work suggests that depositing development encourages innovation by small firms (Benfratello et. al., 2006).

The complex and dynamic environment that SACCOs operate in has contributed to the collapse of some of them and deteriorating performance for those that survived. This is due to numerous challenges that are unique and specific to the sector. In general its micro and macro economic factors like deficiency in contemporary skills, stiff competition from their competitors, economic liberalization and regulation of business have posed a great challenge to their operations. These challenges call for better ways of managing and running of the SACCOs through financial innovation. Some of the innovations in the sector include institutional innovation, product innovation and process innovation (Frame & Lawrence, 2001).

Peter and Amit (1995) in their study on Australian banks found no evidence that the propensity to move first into new initiatives has significant impact on finance performance. This view is contrary with Singh and Chandra (1992) who are of the opinion that early adopters of financial innovation have improved financial performance. They performed a survey on the use of automated teller machines in early adoption and found positive relationship to the SACCO performance. Gichura (2011) did research on the determinants of financial performance of microfinance institutions (MFIs) in Kenya and found that there was a positive relationship between the determinants and performance. He recommended that a further research to be done on MFIs especially the ones that are currently not regulated. Kihumba (2008) did a study on the relationship between financial performance and corporate governance of savings and credit cooperatives. He found that there is a positive relationship between financial performance and corporate governance in SACCOs. He recommended that research should be done on other SACCOs outside Nairobi to find out whether the same findings could hold. Onduko (2013) did a study on the relationship between financial innovation and financial performance among SACCOs in Nairobi County. The study concluded that SACCOs adopted various types of financial innovations that led to improved financial performance. These included process innovation, product innovation, and institutional innovation. Institutional innovation had greatest impact on financial performance, followed by product innovation and last was process innovation. The study further concluded that there was a positive relationship between financial innovation and financial performance among SACCOs in Nairobi County.

Although extensive studies have been done mostly in developed countries on financial innovation and financial performance, literature and data on Kenya's financial innovation and financial performance is limited. This study differs from the above studies in that the focus will be on SACCOs in Mombasa County. SACCOs in Mombasa County differ to a great extent from those in Nairobi in terms of size, management structures, pace of innovation and the savings culture. It is therefore necessary for a study to be conducted to establish whether findings will be the same or will differ. This study sought to determine the relationship between financial innovation and financial performance among SACCOs in Mombasa County. The study attempted to answer the following research question: To what extent does financial innovation influence financial performance of the SACCOs in Mombasa County?

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

The objective of this study was to determine the relationship between financial innovation and financial performance of SACCOs in Mombasa County.

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

The study is expected to generate new knowledge which enables cooperatives to be innovative and remain competitive in the global market. Furthermore, it is noted that there is limited research undertaken by cooperatives, government or training institutions leading to limited reliable data on cooperatives hence there is need to utilize the research findings from this study for their growth and progress.

This study will give insight to the government and policy makers to understand the nature and uniqueness of the cooperatives as there is a need to introduce tax regime that is fair and just to cooperative societies. According to International Cooperative Alliance (ICA) (2012), statistics indicate that 1 out of 5 Kenyans is a member of a cooperative society. Twenty million Kenyans directly or indirectly derive their lives from the cooperatives movement.

Future researchers and scholars may use the findings of this study as a source of reference for further research on the same area. Financial innovations and inventions depend on the surveys carried out in such areas. It is important to document the research findings for future reference. Scholars will be keen to understand relationship between financial innovations and financial performance in SACCOs.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter summarizes the literature that is already in existence regarding financial innovations and financial performance and their relationship. It presents an overview of previous work on related topics that provides the necessary background for the purpose of this research. The topic is divided into theoretical review, determinants of financial performance of SACCOs, empirical review and summary of the literature.

### **2.2 Theoretical Review**

Today we need theories discussing about innovation more than any other time before due to globalization, migration, technological and knowledge revolutions, and climate change issues that affect every organization and business. Therefore these theories would try to explain the measures or steps taken to overcome these issues in the economy. These theories include the adoption and diffusion theory, constraint-induced financial innovation theory, resource based theory and regulation innovation theory.

#### **2.2.1 The Adoption and Diffusion Theory**

The adoption and diffusion theory propagates acquired rather than radically new financial innovativeness. The adoption and usage behavior theory employs two prevalent approaches; the reasoned action model and the technology acceptance model (Davis et. al., 1989). In the theory of reasoned action framework, behavioral intention is the key dependent variable (usually, intention to adopt the innovative product): it is determined by attitude (perhaps the entire attitudinal belief structure) and subjective norm (normative

belief structure). This framework suggests that the proximal cause of behavior is intention to engage in this behavior (Harmancioglu, 2009).

The basic assumption of the technology acceptance model, on the other hand, is that two beliefs in particular; perceived usefulness and perceived ease of use; influence technology adoption through attitudes and intentions. According to Davis et al (1989), other external variables (such as social net, system/product, or individual variables) can also influence use; however, no study scrutinizes these variables collectively to determine which type of external factor has the most influence on acceptance, and how it influences acceptance.

### **2.2.2 Constraint Induced Financial Innovation Theory**

Silber (1983) advanced Constraint induced financial innovation theory. This theory pointed out that the purpose of profit maximization of financial institutions is the key reason of financial innovation. There are some restrictions (including external handicaps such as policy and internal handicaps such as organizational management) in the process of pursuing profit maximization. Though these restrictions not only guarantee the stability of management, they reduce the efficiency of financial institutions so financial institutions strive towards casting them off.

Constraint-induced innovation theory discussed financial innovation from microeconomics, so it is originated and representative. But it emphasized “innovation in adversity” excessively. So it can express the phenomenon of financial innovation increasing in the trend of liberal finance commendable (Silber, 1983)

### **2.2.3 Resource-Based Theory**

The resource-based view (RBV) is a paradigm backed by a vast amount of research from scholars from diverse areas (Peteraf, 1993). According to the RBV, firms gain competitive advantage if their resources and internal capabilities are matched appropriately to environmental opportunities (Day, 1994). The basic assumption of the RBV is that resources and capabilities are heterogeneous across firms, and the firms that have superior resources (i.e. rare, non-imitable and non-substitutable) gain sustainable competitive advantages. Firms utilize their capabilities to cultivate these rent-generating resources and match them to external conditions to generate supra-normal profits (Harmancioglu, 2009).

The RBV takes into account the influential internal and external factors on the conduct of firms' business and competitive actions. In this theory, innovation has been broadly identified as response(s) to market and technological changes, including the attitude taken and adjustments made in an organization (Garcia & Calantone, 2002). To be more innovative and develop products that are new to both the firm and the market, more learning and change is required, the right resource mix is necessary, and more uncertainty is involved. This uncertainty can be reduced through external orientation and market information processing. Despite these challenges, the innovating firm has a higher likelihood of achieving a differentiated position and success than its less innovating competitors. In this stream, conceptualizations of innovation are built mainly on the degree of familiarity organizations or users have with a product, process and/or actions (Harmancioglu, 2009).

#### **2.2.4 Regulation Innovation Theory**

Scylla et al (1982) is credited with pioneering Regulation Innovation Theory. This theory explains financial innovation from the perspective of economy development history. The theory proposes that financial innovation connects with social regulation closely, and it is a regulation transformation which has mutual influence and has mutual causality with economic regulation.

Scylla (1982) thought that it is very difficult to have space of financial innovation in the planned economy with strict control and in the pure free-market economy, so any change brought about by regulation reform in financial system can be regarded as financial innovation. Innovative activities can only appear in the market economy controlled by government. When government's intervention and the management have hindered the finance activities, there will be many kinds of financial innovation which intend to circumvent or get rid of government controls. The game between the market and government finally form the spiral development process, namely, control-innovate, controls again-innovates again.

This theory expanded the scope of financial innovation; government activity is also regarded as the origin of financial innovation. But it regards regulation innovation as one part of financial innovation. Especially, it regards rules and regulations which are used to control as financial innovation. The financial control is the obstructive force of financial innovation, so rules and regulations which are regarded as the symbol of financial control should be the direction of financial reform and innovation (Scylla, 1982).



## **2.3 Determinants of Financial Performance of SACCOs**

The various determinants of financial performance of SACCO's include investment regulation, management practices, capital adequacy and credit classification and loan-loss provisioning.

### **2.3.1 Investment Regulation**

According to SASRA, the regulations are meant to improve the competitiveness of SACCOs by setting financial and operating standards commensurate to the deposit taking business conducted by SACCOs. This is ultimately expected to drive efficiency and improve the level of savings in the SACCOs as envisaged in the financial sector strategy in vision 2030. SACCOs regulations and performance relate in that the regulations are meant to set specific requirements on the tools used to measure performance leading to a direct relationship (Ngui, 2010).

### **2.3.2 Management Practices**

According to Cole (2004) there is no generally accepted definition of "Management" as an activity, although the classical definition is still held to be that of Henri Fayol. His general statement about management is as follows: "To manage is to forecast and plan, to organize, to command, to coordinate and to control. Management is a social process. The process consists of planning, control, coordination and motivation. Managing is an operational process initially best dissected by analyzing the managerial functions. The five essential managerial functions are: Planning, Organizing, Staffing, Directing and controlling (Koontz & O'Donnell, 1984)

### **2.3.3 Capital Adequacy**

Capital adequacy refers to a relative measure which establishes the maximum level of leverage that a financial institution is allowed to reach on its operations. It is measured by the ratio of risk-weighted assets relative to regulatory equity, which has been internationally recommended to be equal to 12.5 times, or commonly known as a capital adequacy ratio of 8% (Christen & Rosenberg, 2000). Nonetheless, it has to be remembered that this prudential standard proposed by the Basel Committee was intended to be applied to international and large banking institutions from developed countries, and that it has been translated to several financial systems in developing countries despite the well-known differences in institutional risk profile, scale of operations and national economic environments (Guidotti et. al., 2004).

### **2.3.4 Credit Classification and Loan-loss Provisioning**

Perhaps more than any other prudential standards, the ones regarding credit risk are suggested to be tailored as close as possible to the specific characteristics of the microfinance lending. These requirements should be applied to every institution engaged in microfinance operations; regardless of their institutional form. In addition, it is suggested that these regulations be as simple as possible, in order to be compatible with possibly future innovations in the SACCOs (Jansson et. al., 2004).

## **2.4 Empirical Review**

Subramanian and Nilakanta (1996) in their study on organisational innovativeness sought to examine the relationship between organisational determinants of innovation, types of innovation and measures of organisational performance. The domain of the sample was

the banking industry specifically, banks in the mid-west region of the United States. They used survey design and found out that substantive relationship do exist between organisational factors, organisational innovativeness and organisational performance. These relationships however, are complex and can be detected if only innovativeness is measured as a multidimensional construct.

Kagan et al (2005) in their study on whether internet banking affects the performance of community banks found that banks that provide extensive online banking services tend to perform better. They further found out that online banking helps community banks improve their earning ability as measured by return on equity and improved asset quality by reducing the proportion of overdue and underperforming assets.

Lerner (2006) investigated the origins of innovation by 15,309 US financial service firms between 1990 and 2002, using Wall Street Journal articles as an innovation indicator. The analysis focuses on the nature of the financial institutions that undertake the innovations. He estimates both pool and random effects panel data models under different specifications (e.g. negative binomial, Poisson). He finds that smaller firms account for a disproportionate share of the innovations, as do less profitable firms though their profitability increases significantly in subsequent years. Older, less leveraged firms and those located in regions with more financial innovation are more innovative. Firms filing patent applications are found to be significantly older and less leveraged, though the dominance of less profitable firms and local spillover effects is no longer apparent.

Mwangi (2007) carried out a study on factors influencing innovation of companies listed of the Nairobi Securities Exchange. The findings concluded that the laws protecting investors was the major factor influencing financial innovation. He also observed that the absence of automated trading system as a technical factor was found to have influence on innovation. In addition, he postulated that financial competition and integration had an influence on financial innovation with increased financial competition amongst financial institution influencing innovation the most.

Akello (2011) in assessing the determinants of financial innovation and its impact on financial performance of microfinance institutions in Nairobi Kenya studied 16 MFIs registered by the CBK. He used conceptual model to show factors influencing financial innovation in MFIs and its impact on financial performance and an analytical model to determine the strength of the relationship between variables. Analysis of the data confirmed that new technology, macroeconomic conditions (e.g. interest rates, inflation), demand for financial services and client's ability to use innovation, cost reduction, and increase in financial risk, had the greatest importance in influencing MFI innovation.

Gitau (2011) sought to determine the relationship between financial innovation and financial performance of commercial banks in Kenya. The study adopted a Quasi-experimental research design. Qualitative and quantitative analysis techniques were used. The study used descriptive statistics and multiple linear regressions to analyze the data. The study found that commercial banks had adopted process, product and institutional innovation. Product innovation strategies adopted by the commercial banks were Credit cards, business club and unsecured loans. Institutional innovations adopted were

Insurance services, credit reference bureau and Islamic banking. Process innovation adopted were RTGS, mobile and internet banking. The study showed that financial innovation resulted in strong financial results of commercial banks.

Njeri (2012) while testing the effects of financial innovation on the financial performance of deposit taking Sacco's in Nairobi County sampled 44 deposit taking Sacco's in Nairobi County. Secondary data on performance was sourced from the Sacco's annual financial reports and Sacco Societies Regulatory Authority (SASRA) supervisory reports for the period 2008 to 2012. This study established that Sacco's have started embracing the use of money transfer services such as M-pesa, Airtel money, Orange Money and Yu cash, but they were yet to link them with their back office financial databases. The study concluded that there is a positive relationship between technology and financial performance of SACCOs in Nairobi County.

Nyathira (2012) sought to assess the effect of financial innovation on commercial banks financial performance as the key players in the banking sector over a period of 4 years. A causal research design was used. The population of study was all the 43 commercial banks in Kenya as at 30th June 2012. The study used secondary data from published central banks' annual reports. Study results indicated that financial innovation indeed contributed to and was positively correlated to profitability in the banking sector particularly that of commercial banks.

## **2.5 Summary of Literature and Knowledge Gap**

This chapter has reviewed literature on financial innovation and its impact on financial performance in the Sacco subsector. Different researchers have had different views on how financial innovation has contributed to financial success of many firms while other researchers have been skeptical and could not establish a relationship between financial innovation and financial performance. Most of the studies done relating innovation and financial performance find a positive relationship between the two. Financial innovation indeed contributes to and is positively correlated to profitability in the banking particularly that of commercial banks (Ngigi, 2012).

There is limited research that has been carried out on SACCO's sector in Kenya on the relationship between financial innovation and financial performance. The studies which have been done on SACCOs show that there is a positive relationship between the variables considered in the study. Based on the above evaluation, there is a gap in empirical literature review that motivates the researcher to conduct the research on establishing the relationship between the financial innovation and financial performance among SACCOs in Mombasa County. This study therefore sought to establish the relationship between the financial innovations and financial performance among SACCOs in Mombasa County.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the research design and methodology that was used to conduct the study. It presents the research design, the study population, data collection and data analysis.

### **3.2 Research Design**

The study used a descriptive research design. The purpose of a descriptive research design is to describe the state of affairs as it is at present. According to Mugenda and Mugenda (2003) a descriptive research is the process of collecting and analyzing data in order to describe the specific phenomenon in its current trends, current events and linkages between different factors at the current time. Therefore descriptive research matches with the purpose of this study as its intention was to determine the relationship between financial innovation and financial performance among SACCOs in Mombasa County.

### **3.3 Population of Study**

The study population consisted of all the 165 SACCOs that are registered under Co-operative societies Act in Mombasa County (see appendix 3). This is according to the Ministry of industrialization and co-operative development.

### **3.4 Sampling procedures**

A random sample of 36 SACCOs was used from which data was collected. Mugenda and Mugenda (2003) indicate that a sample size of 30 and above of the population is

sufficient sample size for such a study. Data was therefore collected from 36 SACCOs in Mombasa County as the study sample.

### **3.5 Data Collection**

The study used both primary and secondary data. Primary data was collected using a semi-structured questionnaire (see appendix 1). This was considered appropriate as it provided a standard set of questions for all respondents. The questionnaire had two sections. Section A sought to collect general information on the respondents and SACCOs while section B focused on financial innovation aspects. The targeted respondents were management and staff of the SACCOs. ‘Drop and pick later’ method was used.

Secondary data was collected from SACCOs audited financial statements containing information on annual earnings of the SACCOs in Mombasa County. These statements were available at the SACCOs registered offices and the District Co-operative office. The study period was five years from 2010 to 2014.

### **3.6 Data Analysis**

The data was analyzed by the use of descriptive statistics to summarize and relate variables. The data was classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables while tables and were used for presentation of findings. However, before final analysis was performed data was cleaned to eliminate discrepancies and thereafter classified on the basis of similarity and tabulated.



The study used multivariate regression analysis to examine the relationship between financial innovation and financial performance among SACCOs and it was aided by the Statistical packages for Social Sciences (SPSS) version 21. Multiple regression attempts to determine whether a group of variables together predict a given dependent variable. In this study financial performance was regressed against three independent variables: institutional, process and product innovations. The regression equation that was used in this study is:

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

Where:

Y = The dependent variable that measures financial performance of the SACCOs

$\alpha$  = Constant term indicating the level of performance in the absence of any independent variables

$\beta_1$ ,  $\beta_2$ , and  $\beta_3$  are the coefficient functions of the independent variables

$X_1$  = Represents the independent variable that measures institutional innovation

$X_2$  = Represents the independent variable that measures product innovation

$X_3$  = Represents the independent variable that measures process innovation

$\epsilon$  = Error term representing other factors other than the above financial innovation variables which are not defined in the model.

### **3.6.1 Operationalization of Variables**

Financial performance was measured using Return on Equity (ROE). The Return on Equity (ROE) is considered to be one of the profitability performance ratios. Financial innovation was measured and quantified in terms of its variables which are institutional,

product and process innovation. Institutional innovation was measured using mobile banking technology, restructuring, investment banking service and insurance services. Product innovation was measured by new deposit accounts, credit cards, debit cards, and other financial products such as business clubs concepts, personal unsecured loans, money transfer services and products tailored to favour certain groups. Process innovation was measured through office automation, use of computers, electronic money transfers, internet banking transactions, ATM transactions and clients' data management software.

### **3.6.2 Test of Significance**

Significance of innovation variables as predictors of financial performance was tested using the t-test. The significance of the overall model in explaining performance through the independent variables was measured through the F-test. A correlation analysis was also performed to find how the variables are related to each other in the model.

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

### 4.1 Introduction

The objective of this study was to determine the relationship between financial innovation and financial performance of SACCOs in Mombasa County. Out of the targeted 36 SACCOs, 34 (94%) responded to the questionnaire. This was considered adequate for the objectives of this study. In this chapter, the analyzed data is presented together with the relevant interpretations. Findings have been presented in three parts: General information on the SACCOs, information relating to the financial innovation and the relationship between financial innovation and financial performance.

### 4.2 General Information

#### 4.2.1 Gender of Respondents

**Table 4.1: Gender of Respondents**

	<b>Frequency</b>	<b>Percentage (%)</b>
Male	19	56
Female	15	44
<b>Total</b>	<b>34</b>	<b>100</b>

Source: Research data (2015)

From table 4.1 above it is evident that 19 (56%) out of the 34 respondents that participated in the study were male while 15 (44%) were female. This implies that the gender of respondents was balanced.

#### 4.2.2 Ownership of the SACCO

**Table 4.2: Ownership of the SACCO**

<b>Range</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Government employees	11	32
Teachers	8	24
State corporation employees	6	18
Private sector employees	9	26
<b>Total</b>	<b>34</b>	<b>100</b>

Source: Research data (2015)

Table 4.2 shows that 11 (32%) of the SACCOs surveyed are owned by government employees, 8 (24%) owned by teachers, 6 (18%) owned by state corporation employees while 9 (26%) are owned by private sector employees. The results indicate that ownership of SACCOs was well distributed.

#### 4.2.3 Years of Operation

**Table 4.3: Years of Operation**

<b>Range</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Less than 5 years	3	9
5 to 10 years	6	18
11 to 15 years	9	26
16 to 20 years	6	18
Over 20 years	10	29
<b>Total</b>	<b>34</b>	<b>100</b>

Source: Research data (2015)

Table 4.3 above shows that 3 (9%) of the SACCOs have been in operation in Kenya for less than 5 years, 6 (18%) for 5 to 10 years, 9 (26%) between 11 and 15 years, while 6 (18%) for 16 to 20 and 10 (29%) have operated for more than 20 years. This implies that majority of the SACCOs surveyed have been in operation for more than 5 years.

### 4.3 Financial Innovation

The study also investigated the level of financial innovation among the SACCOs in Mombasa County. Financial innovation was assessed in three institutional, process and product innovation. The data was analyzed using mean scores and standard deviations. A mean score of less than 1.5 implies that the SACCO has not applied the innovation at all in the last five years. A mean score of 1.5 to 2.5 implies low extent, 2.5 to 3.5 moderate extent and 3.5 to 4.5 implies great extent. A mean score of more than 4.5 implies very great extent. Standard deviation of less than 1 means that there were no significant variations in the responses while greater than 1 implies that there were significant variations in the responses.

#### 4.3.1 Institutional Innovation

The respondents were first required to rate the extent to which their SACCO applied various aspects of institutional innovation.

The findings of the mean scores and standard deviation are shown in table 4.4 below.

**Table 4.4 Institutional Innovation**

<b>Institutional Innovation</b>	<b>Mean</b>	<b>Std. Deviation</b>
Mobile Banking Technology	3.20	0.49
Restructuring Institutions	4.12	0.81
Insurance Services	3.06	0.69
Investment banking service	3.41	0.93
<b>Overall</b>	<b>3.45</b>	<b>0.73</b>

Source: Research data (2015)

Table 4.4 shows that the SACCOs have applied mobile banking technology (3.20) to a moderate extent, restructuring institutions (4.12) to a great extent, insurance services (3.06) to a moderate extent and investment banking (3.41) to a moderate extent. The

overall mean score of 3.45 indicate that the SACCOs in Mombasa County have applied institutional innovation to a moderate extent. The overall standard deviation of 0.73 indicates that there were no significant variations in the responses.

#### 4.3.2 Process Innovation

The respondents were then required to rate the extent to which their SACCO applied various aspects of process innovation. The findings of the mean scores and standard deviation are shown in table 4.5 below.

**Table 4.5 Process Innovation**

<b>Process Innovation</b>	<b>Mean</b>	<b>Std. Deviation</b>
Office Automation	3.87	0.327
Electronic Money Transfer	4.26	0.239
Internet Banking Transactions	3.21	0.783
Clients' data management software	3.62	0.604
ATM deposits and withdrawals	3.34	0.597
Use of computers	4.18	0.327
<b>Overall</b>	<b>3.75</b>	<b>0.480</b>

Source: Research data (2015)

Table 4.5 shows that the SACCOs in Mombasa County have applied office automation (3.87) to a great extent, electronic money transfer (4.26) to a great extent, internet banking transactions (3.06) to a moderate extent and clients' data management software (3.62) to a great extent. ATM deposits and withdrawals (3.34) have been applied to a moderate extent while use of computers (4.18) to a great extent. The overall mean score of 3.75 indicate that the SACCOs in Mombasa County have applied process innovation to a great extent over the last five years. The overall standard deviation of 0.48 indicates that there were no significant variations in the responses as this is less than 1.

### 4.3.3 Product Innovation

The study further required the respondents to rate the extent to which their SACCO applied various aspects of product innovation for the last five years. The findings of the mean scores and standard deviation are shown in table 4.6 below.

**Table 4.6 Product Innovation**

<b>Product Innovation</b>	<b>Mean</b>	<b>Std. Deviation</b>
New deposit accounts	4.02	0.387
Credit cards	3.12	0.686
Debit cards	3.71	0.462
Personal unsecured loans	4.74	0.327
Money transfer services	4.38	0.567
Products tailored to meet certain groups	4.62	0.521
<b>Overall</b>	<b>4.10</b>	<b>0.492</b>

Source: Research data (2015)

Table 4.6 indicates that the SACCOs in Mombasa County introduced new deposit accounts (4.02) to a great extent, credit cards (3.12) to a moderate extent, debit cards (3.71) to a great extent and personal unsecured loans (4.74) to a very great extent. Money transfer services have been applied to a great extent (4.38) tailored products to meet certain groups (4.62) to a very great extent. The overall mean score of 4.10 implies that the SACCOs in Mombasa County have applied product innovation to a great extent over the last five years. The overall standard deviation of 0.492 indicates that there were no significant variations in the responses as this is less than 1.

### 4.4 Regression Analysis

In order to understand the relationship between financial innovation and financial performance among SACCOs in Mombasa County a regression analysis was performed.

The dependent variable was financial performance of the SACCOs as measured by Return on Equity (ROE) while the independent variables were institutional innovation, process innovation and product innovation. The results are presented below.

**Table 4.7 Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.482 <sup>a</sup>	.232	.155	2.79797
a. Predictors: (Constant), Product Innovation, Process Innovation, Institutional Innovation				

Source: Research data (2015)

Table 4.7 shows that the coefficient of correlation (R) is positive 0.482. This means that there is a positive correlation between financial innovation and financial performance of SACCOs in Mombasa County. The coefficient of determination (R Square) indicates that 23.2% of the financial performance of SACCOs in Mombasa County is influenced by financial innovation. The adjusted R<sup>2</sup> however, indicates that 15.5% of the financial performance of SACCOs in Mombasa County is influenced by financial innovation leaving 84.5% to be influenced by other factors.

**Table 4.8: ANOVA**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.916	3	23.639	3.020	.045 <sup>a</sup>
	Residual	234.859	30	7.829		
	Total	305.774	33			
a. Predictors: (Constant), Product Innovation, Process Innovation, Institutional Innovation						
b. Dependent Variable: Financial Performance						

Source: Research data (2015)



Table 4.8 shows the Analysis of Variance (ANOVA). The p-value is 0.045 which is < 0.05. This implies that the independent variables are predictors of the dependent variable. This means that product, process and institutional innovation influence financial performance of SACCOs in Mombasa County.

**Table 4.9 Regression Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.205	6.649		.933	.358
	Institutional Innovation	.707	.943	.122	.750	.459
	Process Innovation	1.322	.849	.250	1.557	.130
	Product Innovation	2.247	.972	.374	2.311	.028
a. Dependent Variable: Financial Performance						

Source: Research data (2015)

From the Coefficients table (Table 4.9) the regression model can be derived as follows:

$$Y = 6.205 + 0.707 X_1 + 1.322X_2 + 2.247X_3 + \epsilon$$

The results in Table 4.9 indicate that all the independent variables have a positive effect on financial performance. The most influential variable is product innovation with a regression coefficient of 2.247 and a p-value of 0.028. Process innovation follows with a regression coefficient of 1.322 and a p-value of 0.130 and lastly institutional innovation with a regression coefficient of 0.707 and p-value of 0.459.

According to this model when all the independent variables values are zero, the financial performance of the SACCOs will be 6.205. A unit increases in institutional innovation will result in a 0.707 increase in financial performance of the SACCO while a unit increase in product innovation will lead to a 2.247 increase in the financial performance. A unit increase in process innovation will lead to a 1.322 increase in financial performance of the SACCO.

At 5% level of significance and 95% level of confidence, institutional innovation had a 0.459 level of significance; process innovation showed a 0.130 level of significance and product innovation showed a 0.028 level of significance. Hence the most significant factor is product innovation. The significance value is .045 which is less than 0.05 thus the model is statistically significant in predicting how financial innovation affects the financial performance of SACCOs in Mombasa County. The F critical at 5% level of significance was 2.5. Since F calculated is greater than the F critical (value = 3.020), this shows that the overall model was significant.

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

### **5.1 Introduction**

This chapter presents a summary of findings to the study and draws conclusions based on the findings. The chapter subsequently, makes recommendations arising from the conclusions of the study and makes suggestions for further research in connection with certain specific areas of this study.

### **5.2 Summary**

Results on institutional innovation indicated that SACCOs in Mombasa County have applied mobile banking technology to a moderate extent, restructuring of the institutions to a great extent, insurance services to a moderate extent and investment banking to a moderate extent. The overall mean score of 3.45 indicated that the SACCOs in Mombasa County have applied institutional innovation to a moderate extent. There were no significant variations in the responses as the overall standard deviation was less than 1.

Findings on process innovation indicated that the SACCOs in Mombasa County have applied office automation to a great extent, electronic money transfer to a great extent, internet banking transactions to a moderate extent and clients' data management software to a great extent. ATM deposits and withdrawals had increased to a moderate extent while the use of computers had increased to a great extent. The overall mean score of 3.75 indicated that the SACCOs in Mombasa County have applied process innovation to

a great extent over the last five years. There were no significant variations in the responses as the overall standard deviation was less than 1.

Results on product innovation indicated that the SACCOs in Mombasa County introduced new deposit accounts to a great extent, credit cards to a moderate extent, debit cards to a great extent and personal unsecured loans to a very great extent. Money transfer services have been applied to a great extent while they tailored products to meet certain groups to a very great extent. The overall mean score of 4.10 implied that the SACCOs in Mombasa County have applied product innovation to a great extent over the last five years. There were no significant variations in the responses as the standard deviation was less than 1.

The regression analysis revealed that all financial innovation variables have a positive effect on the financial performance of the SACCOs in Mombasa County. The most influential variable is product innovation followed by process innovation and lastly institutional innovation. The coefficient of determination ( $R^2$ ) showed that that 23.2% of the financial performance of SACCOs in Mombasa County is influenced by financial innovation.

### **5.3 Conclusions**

Based on the findings above, it can be concluded that financial innovation is a predictor of financial performance of SACCOs in Mombasa County. The SACCOs in Mombasa County employ all the three type of financial innovation to a great extent. These

variables have a positive effect on the financial performance. The most influential of them all is product innovation followed by process innovation and institutional innovation.

These findings are similar to those established by other researchers such as Onduko (2013) who found a positive relationship between financial innovation and financial performance among SACCOs in Nairobi County. However the results differ in that product innovation has more effect among SACCOs in Mombasa County rather than institutional innovation. In fact institutional innovation has the least impact on the financial performance of SACCOs in Mombasa County. This study therefore concludes that SACCOs in Mombasa County apply all the three types of financial innovation. The study also concludes that institutional, process and product innovation positively influences the financial performance of SACCOs in Mombasa County.

#### **5.4 Recommendations**

The study recommends that the management boards of the SACCOs focus more on product innovations as they more positive effect on financial performance. They can do this by offering a variety of new products tailored to meet the needs of specific groups and also more unsecured personal loans. This will help improve the financial performance to a great extent.

This study also recommends that more process innovation be undertaken with the aim of improving efficiency. They can do this by downsizing, restructuring, automation, more

use of technology, de-layering, flattening the hierarchy, reorganizing and total quality management. This will cut down the costs of operation thereby improving profitability of the SACCOs.

In terms of institutional innovation SACCOs in Mombasa County seem to be lagging behind. This study recommends that the SACCO management should consider adopting mobile banking technology, restructure their institutions and provide investment banking services to improve financial performance.

The study further recommends that the government should support SACCOs to offer a wider variety of products and services to their members other than just simple deposits and credit to encourage higher savings rates. Implementing new products can give new life to SACCOs and renewed interest from the public and their members and the government should make better legislation which protects member's savings and prudential supervision of the industry.

### **5.5 Limitations of the Study**

The study was limited to the perspective of the SACCOs found in Mombasa County Kenya. Most of the SACCOs are based outside Mombasa County. Out of the targeted 36 SACCOs 34 filled and returned the questionnaires. The response rate was therefore 94% with a none-response rate of 6%. Some respondents did not also fill in some of the key data that was essential in coming up with the findings and conclusions.

## **5.6 Suggestions for Further Research**

The study was conducted on SACCOs in Mombasa County only. The findings can be verified by conducting a similar study on SACCOs based in other regions or the entire Country as well. This will help to identify if results from other regions will be similar or different. The study findings are according to the SACCO staff and management point of view. The scope of the study may also be extended to cover other financial institutions as well as other variables that may affect the financial performance of the SACCOs. A study can also be conducted on the relationship between financial innovation and organizational performance.

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# APPENDICES

## Appendix 1: Questionnaire

**Declaration:** This is an academic research project aimed at establishing the relationship between financial innovation and financial performance. Any information given will be held in confidence for academic use only.

### PART A: GENERAL INFORMATION

1. Name of SACCO: .....
2. Position held by respondent: .....
3. Gender of respondent  
Male            ( )                                  Female            ( )
4. Please tick the ownership category that best describes your SACCO  
Government employees                                  [ ]  
Teachers    [ ]  
Private Sector employees                                  [ ]  
Farmers    [ ]  
Others (Please specify).....
5. For how long has your SACCO operated in Kenya?  
Less than 5 years    [ ]  
6-10 years    [ ]  
11-15 years    [ ]  
16-20 years    [ ]  
Over 20 years    [ ]

**PART B: FINANCIAL INNOVATION**

**6. Institutional Innovation**

*Institutional Innovations are innovations in the financial system as a whole such as changes in the structure of the financial sector, changes in business structures, changes to the establishment of new types of financial intermediaries, or to changes in the legal and supervisory framework.*

Please indicate the extent to which your SACCO has applied the following institutional innovations over the last 5 years.

5 – Very great extent 4 – Great extent 3- Moderate extent 2 – Low extent 1- Not at all

<b>Institutional Innovations</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Mobile banking technology					
Restructuring of the institutions					
Insurance services					
Investment banking service					
Others: please specify					

**7. Process Innovation**

*Process innovation refers to the introduction of new business processes leading to increased efficiency or market expansion.*

Please indicate the extent to which your SACCO has applied the following process innovations over the last 5 years.

5 – Very great extent 4 – Great extent 3- Moderate extent 2 – Low extent 1- Not at all

<b>Process Innovations</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Office automation					
Electronic money transfers					
Internet banking transactions					
Clients data management software					

ATM deposits and withdrawals					
Use of computers					

**8. Product Innovation**

*Product innovations are new or modified financial services introduced to respond better to changes in market demand or to improve efficiency.*

Please indicate the extent to which your SACCO has applied the following product innovations over the last 5 years.

5 – Very great extent 4 – Great extent 3- Moderate extent 2 – Low extent 1- Not at all

<b>Product Innovations</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
New deposit accounts					
Credit card					
Debit card					
Personal unsecured loan					
Money transfer services					
Product tailored to favor certain groups					

**9. To what extent do you agree that financial innovations have improved the financial performance of your SACCO?**

- 5 – Strongly agree ( )
- 4 – Agree ( )
- 3 – Neutral ( )
- 2 – Disagree ( )
- 1 – Strongly disagree ( )

***Thank you for your time and co-operation***

## Appendix 2: Letter to Respondents



# UNIVERSITY OF NAIROBI MOMBASA CAMPUS

Telephone: 020-2059161  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsities  
Our Ref: D61/61701/2013

Tel: 020 2059161  
Mombasa, Kenya

**DATE:** 23<sup>RD</sup> SEPTEMBER, 2015

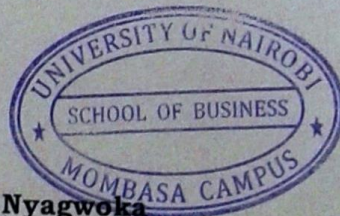
### **TO WHOM IT MAY CONCERN**

The bearer of this letter, **Simon M. Muteke** of Registration Number **D61/61701/2013** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on ***Relationship Between Financial Innovation and Financial Performance Among SACCOS in Mombasa County***. We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.



**Zephaniah Ogero Nyagwoka**  
*Administrative Assistant, School of Business-Mombasa Campus*

### Appendix 3: List of SACCOs in Mombasa County

1. Aboo Cs&Cs Ltd.	39. Hardwares Cs&Cs Ltd.
2. Africa Chai Cs&Cs Ltd.	40. Hatua Cs&Cs Ltd.
3. Airport Taxi Drivers Cs&Cs Ltd.	41. Hewani Cs&Cs Ltd.
4. Alarms Cs&Cs Ltd.	42. Highway Cs &Cs Ltd.
5. Alico Agents Mombasa Cs&Cs Ltd.	43. Hotel Sapphire Cs&Cs Ltd.
6. Alumex Sacco Ltd	44. Idime Cs&Cs Ltd.
7. Appolasure Cs&Cs Ltd.	45. Imani Cs&Cs Ltd.
8. Asa Cs&Cs Ltd.	46. Inchcape Cs&Cs Ltd.
9. Avaso Cs&Cs Ltd.	47. Jitegemee Cs&Cs Ltd.
10. A-Z Transporters Cs&Cs Ltd.	48. Jocham Cs&Cs Ltd.
11. B.O.G Cs&Cs Ltd	49. Jongeto Cs&Cs Ltd.
12. Bagging Cs&Cs Ltd.	50. Kachra Sacco Society Ltd
13. Bahari Cs&Cs Ltd.	51. Kartasi Cs&Cs Ltd.
14. Baicomsa Msa Cs&CsLtd.	52. Kasa Cs&Cs Ltd.
15. Bakarani Sacco Ltd	53. Kemfri Cs&Cs Ltd
16. Bakimatra Cs&Cs Ltd.	54. Ken-Kazi Cs&Cs Ltd.
17. Bamburi Curio Cs&Cs Ltd.	55. Kensalt Cs&Cs Ltd.
18. Bamburi Wananchi Cs&Cs Ltd.	56. Kenya Coast Fields Cs&Cs Ltd.
19. Bandari Cs&Cs Ltd.	57. Kenya Meli Cs&Cs Ltd.
20. Benz Cs&Cs Ltd.	58. Kikwaco Cs&Cs Ltd.
21. Bilal Cs&Cs Ltd.	59. Kivuko Cs&Cs Ltd.
22. Brokenya Cs&Cs Ltd.	60. Lido Cs&Cs Ltd.
23. Bro-Kenya Cs&Cs Ltd.	61. Likoni Tailors Cs&Cs Ltd.
24. Buzeki Cs&Cs Ltd.	62. Macdal Cs&Cs Ltd.
25. Camsacco Cs&Cs Ltd.	63. Madafu Cs&Cs Ltd.
26. Castle Cs&Cs Ltd.	64. Madawa Cs&Cs Ltd.
27. Cda Cs&Cs Ltd.	65. Maersk Cs&Cs Ltd.
28. Chenda Cs&Cs Ltd.	66. Mallory Cs&Cs Ltd.
29. Choice Cs&Cs Ltd.	67. Manufaa Cs&Cs Ltd.
30. Chui Chai Cs&Cs Ltd.	68. Maritime Cs&Cs Ltd.
31. Coast Projects Cs&Cs Ltd.	69. Matatu Owners Mombasa Cs&Cs Ltd.
32. Compact Cs&Cs Ltd.	70. Matunda Cs&Cs Ltd.
33. Cotts Cs &Cs Ltd.	71. Mavueni Cs&Cs Ltd.
34. Eib Sacco Cs&Cs Ltd.	72. Mawaidha Cs&Cs Ltd.
35. Extraco Cs&Cs Ltd.	73. Mchecheto Cs&Cs Ltd.
36. Fahari Cs&Cs Ltd.	74. Milly Workers Cs&Cs Ltd.
37. Gala Sacco Cs&Cs Ltd.	75. Miritini Jua Kali Cs&Cs Ltd.
38. Galu Cs&Cs Ltd.	76. Miritini Tiles Cs&Cs Ltd.



77. Grain Bulk Cs&Cs Ltd.	116. Mitungi Cs&Cs Ltd.
78. Gso Cs&Cs Ltd.	117. Mlinzi Cs&Cs Ltd.
79. Mombasa Parents Cs & Cs Ltd.	118. Royal Court Cs&Cs Ltd.
80. Mombasa Port Cs&Cs Ltd.	119. Safari Cs&Cs Ltd.
81. Mombasa Teachers Cs&Cs Ltd.	120. Safe Freight Sacco Ltd
82. Monflo Cs&Cs Ltd.	121. Sambusa Cs&Cs Ltd.
83. Monflow Cs&Cs Ltd.	122. Sentry Cs&Cs Ltd.
84. Mospoc Cs&Cs Ltd.	123. Serena Workers Cs&Cs Ltd.
85. Msaidizi Cs&Cs Ltd.	124. Severe Cs&Cs Ltd.
86. Mukuyu Cs&Cs Ltd.	125. Shanzu Undugu Cs&Cs Ltd.
87. Mumi Sacco Ltd	126. Sheikh Khalifa Cs&Cs Ltd.
88. Mvita Beer Cs&Cs Ltd.	127. Siginon Cs&Cs Ltd.
89. Mwamba Cs&Cs Ltd.	128. Sisi Kwa Sisi Cs&Cs Ltd.
90. Mwangaza Cs&Cs Ltd.	129. Slapper Cs&Cs Ltd.
91. Mwenge Cs&Cs Ltd.	130. Socks Cs&Cs Ltd.
92. Mzalendo Cs&Cs Ltd.	131. Span Cs&Cs Ltd.
93. New Tumaini Bombolulu Cs&Cs Ltd.	132. Stacot Cs&Cs Ltd.
94. Ngea Multipurpose Cs&Cs Ltd.	133. Steel Cs&Cs Ltd.
95. Ngea Workers Cs&Cs Ltd.	134. Swifin Cs&Cs Ltd.
96. Ngomeni Cs&Cs Ltd.	135. Stima Cs&Cs Ltd.
97. North Coast Sec. Cs&Cs Ltd.	136. Taifa Bahari Cs&Cs Ltd.
98. Nyali Golf Cs&Cs Ltd.	137. Tamarind Cs&Cs Ltd.
99. Nyumba Cs&Cs Ltd.	138. Tatizo Cs&Cs Ltd.
100. Ocean Bora Cs&Cs Ltd.	139. Tei Cs&Cs Ltd.
101. Ocean Distributors Cs&Cs Ltd.	140. Tewa Cs&Cs Ltd.
102. Ocean Freighters Cs&Cs Ltd.	141. Torch Cs&Cs Ltd.
103. Oceana Cs&Cs Ltd.	142. Tramom Cs&Cs Ltd
104. Oceanside Cs&Cs Ltd.	143. Transpares Cs&Cs Ltd.
105. Pambazuko Cs&Cs Ltd.	144. Travellers Cs&Cs Ltd.
106. Pcea Makupa Parish Cs&Cs Ltd.	145. Tuna Cs&Cs Ltd.
107. Pembe Moja Cs&Cs Ltd.	146. Uchongaji Cs&Cs Ltd.
108. Petrol Cs&Cs Ltd.	147. Umeme Cs&Cs Ltd.
109. Pil Sacco Cs&Cs Ltd.	148. Umoja Cs&Cs Ltd.
110. Pipa Cs&Cs Ltd.	149. Uniforms Cs&Cs Ltd.
111. Poly Cs&Cs Ltd.	150. Usiku Cs&Cs Ltd.
112. Private Health Practitioners Cs&Cs Ltd.	151. Utenzi Sacco Ltd
113. Raffia Cs&Cs Ltd.	152. Uvumbuzi Cs&Cs Ltd.
114. Rafiki Cs&Cs Ltd.	153. Voda Taxi Cs&Cs Ltd.
115. Reef Sacco Cs&Cs Ltd.	154. Voyager Cs&Cs Ltd.

155. Retread Cs&Cs Ltd.	163. Vyakula Cs&Cs Ltd.
156. Roadtainers Cs&Cs Ltd.	164. Washa Cs&Cs Ltd.
157. Rodlitho Cs&Cs Ltd.	165. Washonaji Cs&Cs Ltd.
158. Watamu Cs&Cs Ltd.	
159. Wec Cs&Cs Ltd.	
160. Wellsfargo Cs&Cs Ltd.	
161. Zayed Cs&Cs Ltd.	
162. Zoghoi Cs&Cs Ltd.	

**Source:** *Ministry of Industrialisation & Co-operative Development(2014)*