

# **CORPORATE GROWTH STRATEGIES AND FINANCIAL PERFORMANCE OF DEPOSIT-TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN NAIROBI CITY COUNTY, KENYA**

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## **ABSTRACT**

In today's complex global world, corporate governance has become a significant factor in monitoring partnerships. SACCO has gradually become a basic part of economic and social events. SACCO has the ability and freedom to contact customers in areas that are not attractive to banks. Millions of people across Kenya have been able to access formal financial services from saving and credit cooperative societies. Nevertheless, the demand for the service continues to exceed the supply significantly due to the myriad of potential clients who have remained unattended. The survey aimed to explore the impact of corporate growth strategies on the financial performance of deposit-taking SACCOS in Nairobi City County, Kenya. The survey specifically sought to determine the effect of; managerial capabilities, technology innovation, market penetration and capital adequacy on their financial performance. The survey was guided by the resource-based view theory, agency theory and stakeholder theory. This study adopted a descriptive research design. The survey target 102 respondents from 34 registered and active deposit SACCOS in Nairobi County. The study used census sampling techniques to intentionally select executive directors, marketing managers, and members of the SACCO executive committee to form a sample size of 102 respondents. The questionnaires were utilized to gather data. The pre-test was done to enhance the validity and reliability of research tools. The collected data was analyzed

descriptively and inferentially. The analyzed data was displayed by frequency tables, bar charts and pie charts. The results established that coefficient of correlation  $R$  was 0.918 an indication of strong correlation with the variables. The findings also established that coefficient of adjusted  $R^2$  was 0.843 which translates to 84.3%. This explains that 84.3% changes of financial performance of SACCOS can be explained the following variables; managerial capabilities, technology innovation, market penetration and capital adequacy. The findings also revealed that there is a significant relationship between corporate governance practices (managerial capabilities, technology innovation, market penetration and capital adequacy) and financial performance of deposit-taking SACCOS since  $P$ -value is less than 0.05. The study concluded that corporate governance practices affect the financial performance of deposit-taking SACCOS. The deposit-taking -SACCOS should always employ competence staff and there should be continuous training need assessment among employees so as to improve their skills. The SACCO should also ensure that all employees are well trained about the policies governing the SACCOS to enlighten the employees on their knowledge about SACCO and their profitability. Deposit-taking -SACCOS should continuously train their members to the concept of saving for prosperity so as to create SACCO members' ownership.

## **INTRODUCTION**

The Savings and Credit Co-operative Societies (SACCOs) are associations which are formed locally based on small savings accounts. SACCOs have minimal running cost and are subjected for development of society. SACCOs give loans to the members at a lower cost different from other financial providers (Mumanyi, 2014). Globally, SACCOs are established to meet the basic needs of citizens to obtain loans and save in today's friendly atmosphere (Kagonia, 2017). They support people through savings, thus providing them with a reasonable credit bureau. People deliberately come together and understand their normal social, social and financial aspirations and needs through jointly owned and fairly supervised companies (Muriuki, 2010).

In Africa, SACCO was initially started in Ghana year 1959. The other African nations followed in 1960s and it took a significant effect in 1970s. This has resulted to formation of ACCOSCA (Association of Cooperative Associations of Savings and Credit) in year 1965. The aim of the association was to provide SACCO insurance, educate members on issues related to associations. However, only the members who are beneficial and decision makers. Moreover, the lifestyle of SACCO members has improved due to the substantial increase in income and assets (Obure & Muturi, 2015). SACCOs contribute 45% of the Kenya's GDP. So far, the sub sector has prepared more than 200 billion Kenyan shillings in shops and resources, for a total of one billion (MCD and M 2010). These huge assets should make SACCO competitive in a liberalized environment.

The corporate growth strategies are activities designed to allocate a small amount of assets to meet clear objectives. It shows how the company will achieve its objectives. If the organization deteriorates and explores growth options, it may not be able to cultivate large numbers of investors. Since most managers often compare development with progress, the company's growth strategy is especially well known. Most independent companies intend to grow their business and increase transactions and revenue. However, organizations must use certain technologies to implement growth strategies. The strategy an organization uses to grow its business usually depends on its currency conditions, competition, and even government regulation (Skalik, 2016).

AlMatari, AlSwidi, and Fadzil (2014) pointed out that performance measurement is essential to persuade and manage any type of business process. This is an important situation based on the cyclic update that can only be imagined when the association can understand the result. Penman (2007) pointed out that the assessment of the financial performance condition permits leaders to predict the consequences of the endeavor or procedures in target financial terms. Different ratios have been used to determine the performance of the SACCOs such as Return on Investment (ROI) Efficiency Ratios like Operating Margin (OM), Return on Equity (ROE) and Return on Assets (ROA).

Savings and credit cooperatives are a form of cooperation whose goal is to raise investment funds for individuals, thereby providing them with credit bureaus (UN-Habitat, 2010). SACCO's overall goal is to promote its personal monetary interests and general government assistance. Currently, Kenya's SACCO is one of the main sources of cooperative credit for financial transition (Uluma, 2013). The SASRA (2017) noted that many SACCOs have failed to meet capital adequacy ratios, together with core capital to total deposit liabilities and core capital to total assets. A study by Mugo, Muathe, and Waithaka (2018) showed that low capital adequacy ratios can have a negative effect on profitability of organization SACCO, which accepts deposits, also faces the challenge of the past due portfolio. The past due portfolio was 4.5% and 5.61% in 2017 and 2018, respectively.

### **Statement of the problem**

Recently, the SACCOs organization in Kenya has witnessed increased competition, forcing the company to start over, looking for new ways to expand its business and more comprehensively enter new markets. Other challenges come from government regulation of product industry prices, as well as the threat of entry and merger of local and international companies, which together increase the level of commercial risk for companies. As the level of competition increases, the locally owned SACCO have had to adopt a growth strategy and adjust to fill a new market or retain its existing market share.

A study by Chege (2017) on the efficiency of strategies that are competitive with the business performance of Kenyan gaming companies. Research shows that everyone in the company needs to be detailed in the management organization to improve brainstorming and meetings along the simple basic leadership style. However, the focus of this study is Kenyan gambling, so it cannot be used to our present research. Another study by Kinyuira (2014) on the impact of porters' general competitive strategy on the performance of SACCOs in Murang'a. The result indicated that various companies have documented strategies for achieving reputation, and the study also found that numerous participants agree with the fact that corporate reputation management strategies are an important measure of company success.

However, insufficient funding is the most serious problem for Kenya's SACCO (Gamba and Komo, 2014). SACCO's assets are insufficient to meet the individual's prerequisites, for example, their credit needs are neglected and therefore generally weaken the individual. Furthermore, insufficient capital will weaken SACCO's ability to support commercial banking credit, hire qualified and trained employees, and will result in loss of value of member shares and lack of additional losses due to low income, low board of directors and low income as reported by Gweyli (2014).

A report recently completed have explored the dynamics of SACCO, which considered sustainability, investment resource mobilization, poverty alleviation, socio-economic growth and development of the poor. Obviously, there is still a lot of work to be done in the research of the development system and its subsequent impact on the execution of the company. The

research also revealed methodological gaps, context-oriented gaps, as well as experimental gaps that the proposed research would fill. However, few scholars have explored the effect of corporate growth strategies on the performance of SACCOS Kenya, which means filling this gap.

## **Research Objectives**

The specific objectives included;

- i. To find out the effect of managerial capabilities on performance of deposit-taking SACCOs in Nairobi City County, Kenya.
- ii. To determine the effect of technology innovation on performance of deposit-taking SACCOs in Nairobi City County, Kenya.
- iii. To analyze the effect of market penetration on performance of deposit-taking SACCOs in Nairobi City County, Kenya.
- iv. To find out the effect of capital adequacy on performance of deposit-taking SACCOs in Nairobi City County, Kenya.

## **Significance of the study**

The results of this study will help the Ministry of Finance, Government, and Cooperatives to develop methods for depositing SACCO and other financial institutions to further develop Kenyan monetary and banking management. In fact, SACCO wants to distinguish those systems developed successfully and deal with those systems that have not chosen to position themselves as the SACCO model, with a stable vision. The deposit-taking SACCO will be able to find and implement a compelling extension system to assist in the registration and entry of financial exchange services.

The results of research will provide extraordinary value for strategy makers to formulate rules that ensure the development of financial backers' assets while protecting interests, all things considered. Discovery will also provide incredible value to foundations that provide consulting and management to SACCO stores like KUSCCO. Exact facts about best practices in business development methods will be provided. Finally, research provides direction and value for future scholars and researchers.

## **LITERATURE REVIEW**

### **Theoretical review**

#### **Resource Based View (RBV) Theory**

This hypothesis was proposed by Penrose in 1959, but was later developed by Wernerfelt (1984). The theory emphasizes that when we have a group of human resources that cannot be replaced by competitors, we can obtain the most sustainable competitive advantage. The

hypothesis professes to perform various capacities on novel inward and outside assets that can't be imitated or moved. Assets are put resources into the organization's assembling cycle, like capital, gear, individual representatives, licenses, funds, and capable directors. Resources are unmistakable or elusive in nature. As productivity expands, the pool of assets accessible to the business will in general increment. Baker and Sinkula, (2005) stated that the corporate RBV affects the specific resources and capacities of the company. Resource-based views (RBV) perform the opportunity for companies to earn a competitive advantage by innovating customers who innovate their customers. The resources act as catalyst for a firm to compete in market. Studies are important to be particularly interested in the determination of the relative impact on the impact and performance of the intensive growth strategies used by SACCOS.

Resources are the most basic point for an organization to formulate and maintain the ability to win strategies, a factor that consolidates the importance of the theoretical research in question. With regards to SACCO and the examination approach, the RBV system is especially appropriate to SACCO's capacity to utilize its interior assets (like worker abilities and information base) to figure winning development techniques and afterward rely upon the assets of the organization in the long haul, like the picture of the organization, to guarantee the accomplishment of the methodology. With sufficient resources at the enterprise level, the enterprise has the ability to develop successful products, promote its success in the marketplace, and maintain its momentum.

### **Stakeholder Theory**

The theory was established by Freeman in 1984. The theory addresses morality and values in the management of organizations. Donaldson and Preston (1995) pointed out that this theory shows three dimensions; descriptive, instrumental and regulatory dimensions. The descriptive dimensions reveal that companies use models to express and understand their relationships and their roles in their internal and external environments. If the model is used as administrative administration tool, the instrumental dimension is evidenced; and the normative dimensions appear when management recognizes the benefit of all stakeholders who have gained their own importance.

Deposit-taking SACCOs assumes that it has multiple stakeholders that may not be able to meet the entire request. The management of interested parties is a tailor to reduce the adverse effects of interest between interested parties that can suppress Sacco's significant performance. According to Freeman (1984), SACCO, which builds a better relationship with its main stakeholders, can get a larger return. For example, SACCOS, which is considered social, has a high capacity to adopt skilled workers (Miles, 2017). SACCOS with responsible social activity builds moral capital between stakeholders that promote certain types of security for the loss of reputation for a problem in the question (Godfrey 2000).

Freeman and Dmytriyev (2017) pointed out that all groups took part in a company to gain benefits. This infers that all SACCO individuals pool their assets for their shared additions, and these assets should be well monitored by the boss. Miles (2017) noted that this group is concerned about management decisions and interests, taking into account all aspects. Subsequently, the SACCO managers who took over the store must see the value of their decision-making work, so that the choice made must take into account the interests of the partners.

### **Agency Theory**

Jensen and Meckling proposed this theory in year 1976. This theory replaces the agent relationship with one or more persons (directors) participating in the contract of another person (agent). Some decisions are given to agents. In this theory, owner Nicolas (Mitnick, 2006) acts as an agent when electing the board of directors (Mitnick, 2006). The principal delegates the management of the business to the management committee, which exercises management power and rewards (Clark 2004). This theory simplifies the company into two participants (owner) and an agent (manager). Therefore, shareholders expect to take action and make decisions (Padilla 2002).

Deposit-taking SACCOs has a diversity of mechanisms that can be utilized to align agent's interest with the directors, and the main measures of character and administer their behavior of the agent, and strengthens confidence in the agent, there are several mechanisms to enable. However, if there is little confidence, it is in the agent. Directors are likely to choose payroll and incentives related to a specific performance that will be interested. In such a scenario, depositing the SACCOs can launch a basic wage at a comparatively low level, but this is a package with packages with other benefits that may include bonus options and share. However, such a mechanism creates possible new institutional problems related to performance measurement. These institutional problems can cooperate with the performance of Sacco, which guarantees the need for strategies to reverse this trend (Wangui, 2019). Because this theory is an internal control mechanism used by SACCOs, a corporate strategy is an internal control mechanism used in SACCO to affect the director's overall performance, reducing the cost of the director applies to.

In the context of current research, the theory allows you to inform you that the company's growth strategy pursues the decision of corporate growth strategy (stakeholders). Therefore, the theory is important to analyze the purpose of managerial capabilities, technology innovation, market penetration and capital adequacy. Moreover, the management of deposit-taking SACCOs are expected to work on the investor interests, rather than your own interest.

## **Empirical Review**

### **Managerial capabilities and financial performance of SACCOs**

Lwanga, Hafizah, and Zuraini (2014) led an investigation to survey the effect of the board capacities on SACCO execution in a locale of Uganda. Quantitative exploration strategies were utilized. The exploration discoveries illustrate that there is a solid link between administration capacity and monetary execution. Through business management strategies, management skills in turn affect SACCO's financial performance. This study is limited to Busoga, Uganda, and its financial environment is incomparable to Kenya. Thus, the discoveries of the survey may have nothing to do with the business environment in Nairobi County.

Kirimi, Muema and Mengo, (2016) considered the factors that influence the information on the behavior of executives of financial institutions; overview of SACCO in Meru County, Kenya. The exam used a clear curriculum and statistical tests from 44 SACCOS in Meru County. The survey depends on secondary and primary data. The discoveries of the survey show that directory information has a significant impact on SACCO's performance. However, research focuses on overall performance, while current research focuses on financial performance.

Chung, Wang, Huang and Yang (2016) The most important reason that can arouse this interest is the widespread belief that management skills can affect organizational performance. Additionally, different management capabilities are performance-related and have a significant impact on performance because managers provide direction, implement plans, and motivate employees at SACCO. According to Hugill and Helfat (2016), the correlation between management skills and organizational performance is parasitic, and management skills will determine the market share, growth and performance of the organization.

### **Technology innovation and financial performance of SACCOs**

Akingbade (2011) evaluated the link between currency development and performance of commercial banks, showing that there is a solid link innovation advance and bank performance. This relationship is believed to improve bank welfare and consumer loyalty. Malhotra and Singh (2013) found in their exploration of online banking that compared to traditional banks, these banks can save money and work more efficiently. It is also found that online banking is negatively correlated with the dangerous situation of the bank. Heffernan (2008) tracked the progress of the currency that led to the expansion of monetary institutions. The review, promotion and participation are part of the main factors that promote the development of the currency, and are estimated based on the level of development of the transaction.

Beck, Chen and Song (2012) tracked that the undeniable level of monetary progress is closely related to the opening up and capital improvement of a country, while the development of the currency is related to the high level of development within the organization. Technological progress has made a positive commitment to the organization of bank management and the ultimate improvement of financial operations in Ghana. Magali (2015) found that 70% of non-metropolitan SACCOS suffer from a lack of reliable innovation and currency development to prevent credit opportunities. In addition, credit risk management hinders the profitability of rural SACCO.

### **Market Penetration and financial Performance of SACCOs**

Ahmed and Rugami (2019) researched on corporate governance savings and cooperative trade compliance in Kilifi County, Kenya. The survey results show that advertising is closely related to the business results of advertising measures, especially for companies dealing with clients' goods. The survey results show that this relationship is strong when the total advertising cost is compared with the advertising resistance used to measure advertising variables. This is true even if the hard size is controlled. This study also clarifies the casual relationship by observing that companies that must be promoted by the companies that promote them, it is likely that new methods of adopting trustees have been promoted.

A study by Thal and UNAR (2018) on capital management of the titrant sector and corporate performance factors in Pakistan. This survey studied the impact of advertising expenditure in the performance of companies in three different properties industries. These industries contained the textile industry, the automotive industry and the food industry. The discoveries of the survey showed the presence of solid link between the advertising force and the performance of sales. However, this study established statistically significant adverse effects of profitability ads. However, this was true only if the three industries were considered together. When the analysis was isolated, the advertising force has been established to have a positive impact on the profitability and sales performance of the automotive industry. Nevertheless, the advertising strength showed an insignificant effect on fiber and food industry.

### **Capital adequacy and financial performance of SACCOs**

Ngeno (2019) research on the capital allocation strategy, capital adequacy ratio framework and Deposit-SACCO's financial performance in Kenya shows that the capital/asset ratio and profitability are statistically significant. Kapaya and Raphael (2016) studied the macroeconomic, industry-specific which determine the profitability of banks in Tanzania. The survey revealed that the coefficient of the capital variable is significant and highly significant, reflecting the strong financial status of the bank.

Kivuvu and Olweny (2014) utilized the Altman Z scoring model of company bankruptcy to study the SACCO's financial performance in Kenya, focusing on SACCO's bankruptcy

predictors and financial stability. The study found that liquidity and leverage are important to SACCO's financial performance. According to this research, financial stability is also important for economic performance. The study concluded that SASRA should advocate for SACCO to provide an additional capital base. If SACCO is to continue to operate and reach the capitalization threshold, it must improve its liquidity, profitability, operational efficiency and total asset turnover.

Kahuthu (2016) considered the impact of prudential supervision on the currency execution of the Kenya Credit Association and found that central capital strongly influenced the currency execution of the Kenyan store SACCO. Measurable inference results such as exchange research show that core capital and SACCO's currency show a great positive correlation. Barus, Muturi, Kibati, and Koima (2017) infer that the capital adequacy list affects the currency execution of the Kenya Credit Cooperative. Their findings can be clarified by recurring results, which shows that the effect is positive and also shows the extent of the impact of the capital adequacy list on the currency display of credit cooperatives.

Conceptual framework as shown below discussed independent and dependent variables and their measurements.

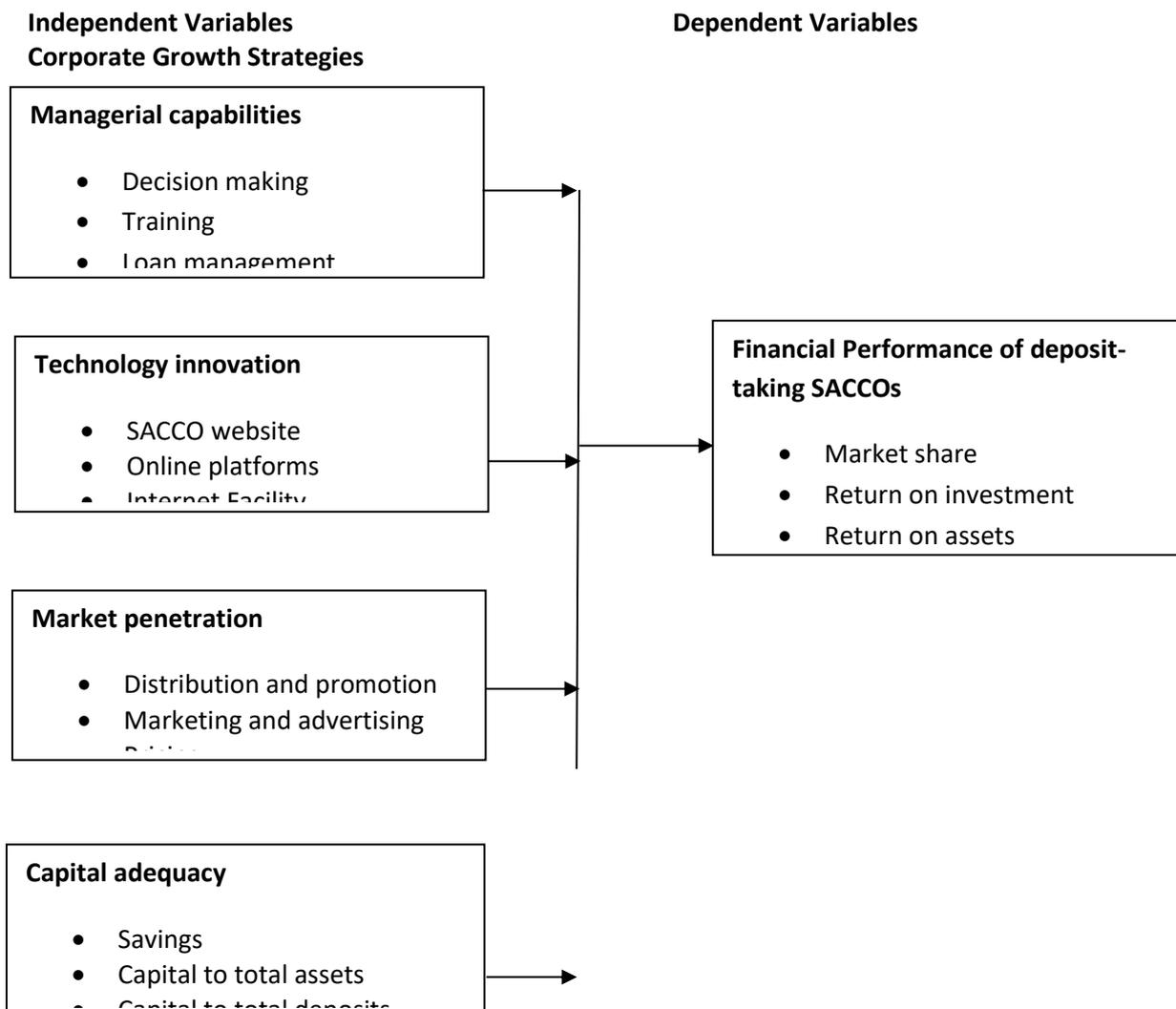


Figure 1 Conceptual Framework

Source: Researcher, 2021

## **RESEARCH METHODOLOGY**

### **Research design**

The survey utilized a descriptive research design. Cuneen and Tobar (2017) pointed out that descriptive survey is a technology that collects data by gathering or conducting a survey on a sample of individuals. This design was utilized to gather information on the mindset, evaluation, trend or some other social issues.

### **Target Population**

The survey targeted 34 SACCOs (SARSA, 2018) that are registered operating effectively in Nairobi City County. The targeted group consists of all CEOs, marketing managers, and one executive from each SACCO company's executive body, because they are the people who are given relevant information about the corporate strategies.

### **Sampling techniques and sample size**

The survey embraced census sampling method to choose the sample size. The survey conducted a census to all 102 targeted populations (CEOs, marketing managers and executive managers) involved in governance of deposit-taking SACCOs in Kiambu County. Table 3.2 displayed the sample size distribution.

**Table 1: Sample Size**

<b>Respondent's</b>	<b>Targeted Population</b>	<b>Sample Ratio</b>	<b>Sample Size</b>
CEOs	34	1	34
Marketing managers	34	1	34
Executive members	34	1	34
<b>Total</b>	<b>102</b>	<b>1</b>	<b>102</b>

*Source: SARSA, 2019*

### **Data Collection Instrument**

Data was gathered through the utilization of questionnaires. Patton (2002) believes that the advantage of utilizing questionnaires is that data can be gathered from a large example; privacy is protected, you save money on time, and you have no chance to talk freely. The survey has closed ended and open-ended questionnaires.

### **Data Analysis and Presentation**

Quantitative data was gathered. Data was analyzed inferentially and descriptively with the aid of Statistics Package for Social Science (SPSS) version 23. Descriptive statistics were performed to determine gauge central tendency, percentage, mean and frequency distribution.

The discoveries were displayed through frequency distribution tables, pie charts, and bar charts. Pearson correlation analysis and multiple linear regression were used for inferential statistics

The multiple regression equation is;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where;

Y= Financial performance of deposit-taking SACCOs

B<sub>0</sub> - intercept coefficient

X<sub>1</sub> – Managerial Capabilities

X<sub>2</sub>– Technology Innovation

X<sub>3</sub>– Market Penetration

X<sub>4</sub>– Capital Adequacy

β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>andβ<sub>4</sub> = regression coefficients

ε<sub>i</sub> - error term

## RESULTS

### Descriptive statistics

#### Managerial Capabilities and Financial Performance of SACCOs

Participants were asked to indicate the extent of their agreement with each statement in regard to managerial capabilities and how it has influenced financial performance of SACCOs. The results were displayed in Table 2

**Table 1: Descriptive Statistics for Managerial Capabilities**

Statements	n	Min	Max	Mean	Std Dev	CoV
Employee training has fostered the work performance which reduces wastage of SACCO resources	90	1.00	5.00	3.74	0.69	0.14
Highly experienced managers within the SACCO leads to reduction of financial errors in the accounting statements	90	1.00	5.00	3.62	0.55	0.13
Financial competency of the personnel has enhanced financial reporting of the SACCO	90	1.00	5.00	3.59	0.67	0.12
Continuous performance evaluation has enhanced employee performance leading to productivity in the SACCO	90	1.00	5.00	3.88	0.56	0.17
Technical expertise of manager has reduced financial fraud within the SACCO	90	1.00	5.00	3.53	0.65	0.15
Average scores				<b>3.67</b>	<b>0.62</b>	<b>0.14</b>

**Source: Field Data (2021)**

The results presented in Table 2 established that majority of the respondents agreed that employee training has fostered the work performance which reduces wastage of SACCO resources as supported by a mean of 3.74 with standard deviation of 0.69. Respondents agreed that highly experienced managers within the SACCO leads to reduction of financial errors in the accounting statements as supported by a mean of 3.62 with standard deviation of 0.55. Respondents agreed that financial competency of the personnel has enhanced financial reporting of the SACCO as supported by a mean of 3.59 with standard deviation of 0.67. The participants agreed that continuous performance evaluation has enhanced employee performance leading to productivity in the SACCO as supported by a mean of 3.88 and standard deviation of 0.56. Also, respondents agreed that technical expertise of manager has reduced financial fraud within the SACCO as supported by a mean of 3.53 with standard deviation of 0.65. Knowledge management and employee training improves performance of the employee and general financial performance of SACCO. The findings of this research concur with a study by Lwanga, Hafizah and Zuraini (2014), who established that there is a positive relationship between managerial competency and financial performance. Through corporate management strategies, managerial capabilities in turn influence financial performance of SACCOs. Also, the findings were supported by Chung, Wang, Huang and Yang (2016) who revealed that different managerial capabilities have relationship with performance and significant influence on performance because managers provide direction, implement plans and motivate employees in the SACCOs.

**Technology innovation and financial performance of SACCOs**

Respondents were asked to indicate the extent of their agreement with each statement in regard to technology innovation and how it has influenced performance of SACCOs. The findings were tabulated in Table 3.

**Table 2: Descriptive Statistics for Technology Innovation**

Statements	n	Min	Max	Mean	Std Dev	CoV
Adoption of technology systems has increased the efficiency of SACCO service provision	90	1.00	5.00	3.73	0.67	0.14
The technology innovation systems have enhanced the financial recording and reporting within the SACCO	90	1.00	5.00	3.65	0.64	0.11
Adoption of ICT systems has enhanced the security of the SACCO assets and customers' data	90	1.00	5.00	3.69	0.59	0.16
Technology innovation enhanced the monitoring and evaluation of employee work performance within the SACCO	90	1.00	5.00	3.95	0.52	0.13
Adoption of ICT has led to automation of SACCO	90	1.00	5.00	3.64	0.60	0.15

services

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Average scores	3.73	0.60	0.14
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**Source: Field Data (2021)**

The findings present in Table 3 established that majority of the respondents agreed that adoption of technology systems has increased the efficiency of SACCO service provision as supported by a mean of 3.73 with standard deviation of 0.67. Respondents agreed that technology innovation systems have enhanced the financial recording and reporting within the SACCO as shown by a mean of 3.65 with standard deviation of 0.64. Respondents agreed that adoption of ICT systems has enhanced the security of the SACCO assets and customers’ data as supported by a mean of 3.69 with standard deviation of 0.59. Respondents agreed that technology innovation enhanced the monitoring and evaluation of employee work performance within the SACCO as shown by a mean of 3.95 with standard deviation of 0.59. Additionally, the respondents agreed that adoption of ICT has led to automation of SACCO services as shown by a mean of 3.64 with standard deviation of 0.60. The adoption of ICT enables interactions between consumers and providers of products and service in real-time hence improves customer management within the SACCO. This agrees with the findings by Abdul (2012) who established that investment in information systems can help increase market share, reduce operating costs, improve customer service, and help SACCOs launch new products and services. This also agreed with a study by Magali (2015) who revealed that 70% of non-urban SACCOS suffered losses due to the lack of reliable technology and financial innovation to prevent credit risks. In addition, credit risk management hinders the profitability of rural SACCO.

**Market Penetration and financial performance of SACCOs**

Respondents were asked to indicate their agreement level with each statement related to market penetration and how it has affected the financial performance of SACCOs. The findings were tabulated in Table 4.

**Table 3: Descriptive Statistics for market penetration**

Statements	n	Min	Max	Mean	Std Dev	CoV
Customer-tailored marketing activities have enhanced member savings mobilization	90	1.00	5.00	3.63	0.78	0.13
The utilization of niche-marketing has led to increased sales of SACCO products	90	1.00	5.00	3.68	0.69	0.15
The utilization of internet marketing leads to recognition of SACCOs by more people	90	1.00	5.00	3.66	0.64	0.11
Adoption of e-marketing tools have enhanced efficiency and cost reduction in the SACCO	90	1.00	5.00	3.61	0.61	0.16

Increased promotional activities have led to increase in SACCO members 90 1.00 5.00 3.46 0.67 0.14

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Average scores 3.61 0.68 0.14

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**Source: Field Data (2021)**

The results presented in Table 4 established that majority of the respondents agreed that customer-tailored marketing activities have enhanced member savings mobilization as shown by a mean of 3.63 with standard deviation of 0.78. Respondents agreed that utilization of niche-marketing has led to increased sales of SACCO products as shown by a mean of 3.68 with standard deviation of 0.69. Respondents agreed that utilization of internet marketing leads to recognition of SACCOs by more people as supported by a mean of 3.66 with standard deviation of 0.64. This is supported by Uko and Ayatse (2014) who established that market niche strategies are the most useful strategies for SMEs in their search and performance. One of the main contemporary issues facing the SACCO is the stiff competition within the financial sector which calls for innovative marketing strategies that will foster the competitive edge of the institution.

The study further established that majority of the respondents agreed that adoption of e-marketing tools have enhanced efficiency and cost reduction in the SACCO as supported by a mean of 3.61 with standard deviation of 0.61. Respondents agreed that increased promotional activities have led to increase in SACCO members as supported by a mean of 3.46 with standard deviation of 0.67. This agrees with a study by Kavulya, Muturi, Rotich, and Ogollah, (2018) who established that there is a positive correlation between customer focus strategy and performance of SACCOs. The results of the study showed that marketing activities that were tailored to the customer demographics enhanced the financial performance of the SACCO.

**Capital Adequacy and financial Performance of SACCOs**

Respondents were asked to indicate the extent to which they agreed with each statement regarding to capital adequacy and how it has affected financial performance of SACCOs. The results were tabulated in Table 5.

**Table 4: Descriptive Statistics for capital adequacy**

Statements	n	Min	Max	Mean	Std Dev	CoV
Availability of capital affect the financial performance of SACCOs	90	1.00	5.00	3.67	0.61	0.13
Often financial reporting ensures the financial soundness of the SACCO	90	1.00	5.00	3.82	0.72	0.15
Core capital requirements by SASRA ensures member savings are protected	90	1.00	5.00	3.73	0.65	0.12
Adoption of best financial practices enhances the quality of the financial reporting	90	1.00	5.00	3.59	0.57	0.11
Consistent auditing of the financial statements enhances the confidence among members of the SACCO	90	1.00	5.00	3.38	0.68	0.14
Average scores				<b>3.64</b>	<b>0.65</b>	<b>0.13</b>

**Source: Field Data (2021)**

The findings displayed in Table 5 established that majority of the respondents agreed that availability of capital affect the financial performance of SACCOs as supported by a mean of 3.67 with standard deviation of 0.61. Respondents agreed that often financial reporting ensures the financial soundness of the SACCO as supported by a mean of 3.82 with standard deviation of 0.72. Respondents agreed that core capital requirements by SASRA ensures member savings are protected as supported by a mean of 3.73 with standard deviation of 0.65. The participants agreed that adoption of best financial practices enhances the quality of the financial reporting as supported by a mean of 3.59 and standard deviation of 0.57. Also, respondents agreed that consistent auditing of the financial statements enhances the confidence among members of the SACCO as supported by a mean of 3.38 with standard deviation of 0.68. The finding resonates with the findings by Kahuthu (2016) who established that core capital had a positive impact on the financial performance of the Kenyan deposit SACCO. Also, Barus, Muturi, Kibati, and Koima (2017) established that the capital adequacy index has affected the financial performance of the Kenya Credit Union. The findings from a regression model shows that there is a positive impact of capital adequacy index affects the financial performance of credit unions.

### **Employee Performance**

Respondents were asked to indicate their extent of agreement with each statement in regard to financial performance of SACCOs at Nairobi City County. The findings were as shown in Table 6.

**Table 5: Descriptive Statistics for Financial Performance of SACCOs**

Statements	n	Min	Max	Mean	Std Dev	CoV
Good managerial capabilities increased efficiency in financial performance of SACCOs	90	1.00	5.00	3.85	0.62	0.13
Capital adequacy has increased financial performance of the SACCOs	90	1.00	5.00	3.76	0.67	0.17
Improvement of services due to introduction of online banking	90	1.00	5.00	3.64	0.59	0.11
Growth of SACCOs due to market penetration	90	1.00	5.00	3.71	0.63	0.14
There is increase in transactions due to mobile banking	90	1.00	5.00	3.68	0.70	0.12
Average scores				<b>3.73</b>	<b>0.65</b>	<b>0.13</b>

**Source: Field Data (2021)**

The findings presented in Table 6 established that majority of the respondents agreed that good managerial capabilities increased efficiency in financial performance of SACCOs as supported by a mean of 3.85 with a standard deviation of 0.62. Respondents agreed that capital adequacy has increased financial performance of the SACCOs as shown by a mean of 3.76 with standard deviation of 0.67. The participants agreed that there is improvement of services due to introduction of online banking as supported by a mean of 3.64 with standard deviation of 0.59. The respondents agreed that growth of SACCOs due to market penetration as supported by a mean of 3.71 with standard deviation of 0.63. Also, participants agreed that there is increase in transactions due to mobile banking as supported by a mean of 3.68 with standard deviation of 0.70. This agrees with Asabereh and Opoku (2017), who asserted that management efficiency, loan products and capital adequacy had positive effect on the financial performance while lack of credit information and poor management systems negatively affected the financial performance of SACCOs.

### **Inferential Statistics**

The researcher conducted regression analysis to establish the effect of corporate growth strategies on financial performance of deposit-taking savings and credit co-operative societies in Nairobi City County, Kenya. The findings of Model Summary, ANOVA and Regression coefficients are as shown in subsequent sections.

### Model Summary

The findings of coefficient of correlation R and coefficient of adjusted determination R<sup>2</sup> is as shown in Table 7.

**Table 6 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.918	0.843	0.832	0.120

**a. Predictors: (Constant),** Managerial capabilities, technology innovation, market penetration and capital adequacy

**b. Dependent Variable:** Financial Performance of SACCOs

**Source: Field Data (2021)**

The results established that coefficient of correlation R was 0.918 an indication of strong correlation with the variables. The findings also established that coefficient of adjusted R<sup>2</sup> was 0.843 which translates to 84.3%. This explains that 84.3% changes of financial performance of SACCOs can be explained the following variables; managerial capabilities, technology innovation, market penetration and capital adequacy. The residual of 15.7% can be explained by other factors beyond the scope of the current study.

### ANOVA

An ANOVA was conducted at 95% level of significant, the findings of F Calculated and F Critical are as shown in Table 8.

**Table 7 ANOVA**

Model	SS	df	MS	F	Significance
Regression	4.26	4	.254	2.16	0.002 <sup>b</sup>
Residual	48.62	86	1.213		
Total	52.88	90			

**a. Predictors: (Constant),** Managerial capabilities, technology innovation, market penetration and capital adequacy

**b. Dependent Variable:** Financial Performance of SACCOs

**Source: Field Data (2021)**

The results in Table 8 show that F<sub>Calculated</sub> was 2.16 and F<sub>Critical</sub> was 1.12 an indication that  $F_{Calculated} > F_{Critical}$  an indication that the overall regression model was significant for the study. The study established that the p value was 0.00 which is less than 0.05 an indication that at least one variable significantly influenced financial performance of SACCOs.

### Regression Coefficients

In order to establish the individual influence of independent variables on dependent variables, the researcher conducted regression analysis. The findings are as shown in Table 9.

**Table 8 Regression Coefficients**

Multiple Regression Analysis					
Variables	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	$\beta$	Std. Error	Beta		
(Constant)	4.452	0.231		1.356	.002
Managerial capabilities	0.345	0.0154	0.151	1.234	.001
Technology innovation	0.323	0.0123	0.231	1.321	.002
Market penetration	0.337	0.0167	0.135	1.244	.003
Capital adequacy	0.356	0.0162	0.132	1.315	.002

**Source: Field Data (2021)**

The researcher carried out a multiple regression analysis in order to determine the relationship between corporate growth strategies and financial performance of deposit-taking SACCOs in Nairobi City County, Kenya. As per the SPSS generated table, the equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ ) becomes:

$$Y = 4.452 + 0.345X_1 + 0.323X_2 + 0.337X_3 + 0.356X_4$$

Where Y = financial performance of deposit-taking SACCOs

X<sub>1</sub> = Managerial capabilities

X<sub>2</sub> = Technology innovation

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

X<sub>4</sub> = Capital adequacy

From the table 9 show that managerial capabilities had a positive significant coefficient ( $\beta=0.345$ , P-value = 0.001) which mean that managerial capabilities contribute positively to the financial performance of deposit-taking SACCOs. Technology innovation had a positive significant coefficient ( $\beta=0.323$ , P-value = 0.002) which mean that technology innovation contributes positive to the financial performance of deposit-taking SACCOs. Market penetration had a positive significant coefficient ( $\beta=0.337$ , P-value = 0.003) which mean that market penetration contributes positive to the financial performance of deposit-taking SACCOs. Capital adequacy had a positive significant coefficient ( $\beta=0.356$ , P-value = 0.002) which mean that capital adequacy contributes positive to the financial performance of deposit-taking SACCOs. The study findings indicate that corporate governance practices that is managerial capabilities, technology innovation, market penetration and capital adequacy

are statistically significant to the financial performance of deposit-taking SACCOs. This is in line with a study by Becchetti and Trovato, (2016), who established that product innovations were positively correlated to financial performance. The product innovations examined included new deposit accounts, introduction of credit and debit cards and electronic funds transfer.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

The study concludes that through corporate management strategies, managerial capabilities, in turn, influence the financial performance of SACCOs. Different managerial capabilities have a relationship with performance and significant influence on performance because managers provide direction, implement plans and motivate employees in the SACCOs. The adoption of ICT enables interactions between consumers and providers of products and services in real-time hence improving customer management within the SACCO. Market niche strategies are the most useful strategies for SMEs in their search and performance.

One of the main contemporary issues facing the SACCO is the stiff competition within the financial sector which calls for innovative marketing strategies that will foster the competitive edge of the institution. The capital adequacy index has affected the financial performance of the Kenya Credit Union. The findings from a regression model show that there is a positive impact of capital adequacy index affects the financial performance of credit unions. The investment in information systems increase market share reduces operating costs, improves customer service, and help SACCOs launch new products and services.

### **Recommendations**

The study recommends that deposit-taking -SACCOs should be investment cautious due to competition of customers from other financial resources. Better investments will enhance financial soundness of these institutions.

The deposit-taking -SACCOs should always employ competence staff and there should be continuous training need assessment among employees so as to improve their skills. The SACCO should also ensure that all employees are well trained about the policies governing the SACCOs to enlighten the employees on their knowledge about SACCO and their profitability.

The deposit-taking SACCOs should embrace the use of information technology in their operations by developing websites to market its products and put more focus on field selling and sales promotion to boost customer base and financial stability. Deposit-taking SACCOs should keep on changing their ICT strategies regularly to keep up with the pace of the dynamic world of IT development.

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