MICHAEL PORTER`S FIVE FORCES ON PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Report by the World Council of Credit Unions reveals that Kenya occupies the biggest segment, in percentage points, of Gross Domestic Product related to cooperative societies worldwide. Savings and Credit Cooperative Societies continue to encounter challenges regardless of their major contribution to the economy. The main challenge being the intensified level of competition in the financial sector. SACCOs must consequently reconsider incorporating different strategies to be relevant, stay engrossed and focused to achieve their objectives. This research assessed the effect of Michael Porter`s Five Forces on the performance of SACCOs in Nairobi City County of Kenya. Specifically, the study wanted to: define the effect of bargaining power of buyers, establish the effect of the bargaining power of suppliers, evaluate the effects of threats of substitutes, investigate effects of new entrants and assess effects of industry rivalry on the performance of SACCO's. The study was guided by Porter's theory of competitive advantage, resource based view theory and balance score card theory. The study was guided by descriptive survey research design. The target population consisted of all the 40 deposit-taking SACCOs registered by SASRA and providing financial services in Nairobi City county of Kenya. A census of 80 respondents was carried out. Data was collected from credit control managers and business development managers using structured questionnaires and analysed using descriptive statistics and regression analysis. The study established that bargaining power of buyers, bargaining power of sellers, threats of substitutes, new entrants and industry rivalry had a positive significant effect on performance. The study concluded that strong buyers can pressure sellers to lower prices, improve product quality, and offer more and better services. All of these things represent costs to the sellers. Strong suppliers can pressure buyers by raising prices, lowering product quality, and reducing product availability. The availability of a substitution threat affects the profitability of an organization because consumers can choose to purchase the substitute instead of the Saccos product. The entry of a new competitor in a market tends to reduce the market prices. The intensity of rivalry among competitors in the Sacco sector is the extent to which Saccos within the Sacco industry put pressure on one another and limit each other's profit potential. The study recommends that the Sacco should determine factors such as the number of buyers relative to suppliers, dependence of a buyer's purchase on a particular supplier, switching costs, backward integration. The Sacco should ensure that the supplier power is high if the buyer is not price sensitive and uneducated regarding the product. The Sacco should start creating a list of potential substitutes that you evaluate as a threat in an external analysis so as to be better able to identify and react to any threat of substitutes. The Sacco should identify a need in the sector and satisfy it with a product or service, improve on existing products or services and focus on the needs of their customers. a Sacco should check whether there are numerous competing firms in the industry, whether the competitors are generally of an equal size in their operations, whether the competitors have similar shares in the market, whether their products are differentiated or generic and whether competitors have diverse in their operations and strategies.

Key Words: *Michael Porter`s five forces, performance, savings and credit cooperative societies, Nairobi City County, Kenya*

INTRODUCTION

The World Council of Credit Unions (WOCCU) recognised Kenya's Savings and Credit Cooperatives (SACCOs) to be among the fastest growing in the financial sector worldwide. In an article of 2013, WOCCU acknowledged the growth of the sector as topmost in Africa and in the 7th position Worldwide (Olando, Jagongo, & Mbewa, 2013). The above stated development trend indicates an intensified level of rivalry as all involved companies seek a portion of the market pie. SACCOs consequently need to formulate strategic means to advance economic benefit to continue being significant, endure competition and have exemplary performance. Since the formation of the leading cooperative society in Kenya in the year 1908, cooperative societies continues to significantly affect sectors like agronomy, finance, credit, agro-processing, storage, promotion and fishing, among others (Bwana & Mwakujonga, 2013).

The results from the World Council of Credit Unions shows that Kenya occupy the biggest portion, in proportion facts, of Gross Domestic Product relating to cooperative societies internationally with ordinary input of forty-five percent. The next country to Kenya is New Zealand with a percentage of twenty-two as a contribution to GDP relates to SACCOs. Therefore, SACCOs play a vital role in Kenyan economy. Notably as per the observations by the Sacco Societies Regulatory Authority (SASRA), a minimum of eight million Kenyans are Sacco members while twenty million indirectly associated with the movement. Mumanyi (2014) notes that in spite of their great importance to the economy, SACCOs continues to face a number of challenges like loan delinquency, limited capital funding resources and poor management among others which leads to poor performance and isolation of other players.

SACCOs must consequently, device new strategies obtainable for their existence and exemplary performance. A firm's place within the same business defines if its comparative performance is greater or lesser to the average in the same industry, a viable competitive advantage therefore proves that the dominant forms a basis for long-run superior performance, SACCOs have therefore a unique task in utilization of resources and play a strategic position in the promotion of the socio-economic growth in Kenya through the consciousness of the Kenya National vision 2030 (MoCDM, 2013).

STATEMENT OF THE PROBLEM

Performance of Sacco`s in Kenya has a continuous decline compared to the other mainstream monetary institutions like commercial banks(SASRA Annual Report, 2017). SACCOS are formed to serve the urgent needs of its loyal members, which has not been possible because of their declining financial performance. One of the justifications of the advancement of a financial institution is one that is profitable and has financial sustainability. Mvula (2013) recorded in a report on matters influencing the SACCOs performance in Malawi and revealed that issues affecting SACCO performance are deficient capital, poor management and governance, low viability, poor liquidity and noncompliance. As a result of these dynamics, high competition has been experienced among financial institutions (Kinyuira, 2014). Performance of SACCOs in Nairobi has been deteriorating over the Five years from 2011 to 2015. The middling progress of net income in 2011 was stated to be 15% while in 2015 it was 13%, a depiction of a decline. Nonetheless, averagely, the SACCOs performance has been exceedingly influenced. In the period between 2011-2015, profits before tax has been deteriorating unfavourably (SASRA, 2015). In 2015, SACCOs in Nairobi detailed a progression of 13% in PBT contrasting the percentage noted in 2014 of 13.7%. On the other hand, in 2013 the SACCOs in the country demonstrated a growth of 13.9% in PBT unlike the one recorded in 2012 of 14.2%. Year 2011 had chronicled a progress of PBT of 15%. While this may have been very clearly researched and addressed by many studies in the different sectors such as SACCOs, limited or no studies have been published to indicate the competitive tactics implemented by SACCOs in the local settings of Kenya. Although Savings and credit cooperative societies` key objective is to promote thrift to the society by according them opportunities to have savings and offer credit facilities at a fair and rational interest rate, they do function in a very competitive external surroundings flooded by commercial banks, micro finance institutions, insurance firms, mobile phone corporations like Safaricom's (Mpesa), Airtel's (Airtel money), Telkom (T-Cash), (Chamas) i.e. informal women and men groups pooling their resources together by lending to each other with agreed methods) and by Shylocks (individuals who loan out cash at an interest), there are also capital markets and pension funds offering the same financial services to similar customers in Kenya (Wanyama, 2009). Nana, Kraa and Webu (2018) study on Porter's Five Forces impact on the Performance of Companies in the Banking Industry in Ghana established that the Five Forces had contributed to the performance of banks in Ghana by impacting on competition and profitability of the industry as a whole. However, the study used simple random sampling which is subject to sample biasness. Indiatsy, Mwangi, Mandere, Bichanga and George (2014) study examined the application of Porter's five forces model on organization performance and revealed that concludes that the strength and effects of substitutes should not be ignored. However, the study context was a case of cooperative bank of Kenya Ltd. Tum, Ombui and Iravo (2016) study investigated the influence of the Porter's Five Forces Model Strategy on Performance of Selected Telecommunication Companies in Kenya and found that industry rivalry was a strong factor affecting the performance of telecommunication firms. However, the study used convenience sampling method which is a non probabilistic sampling method. Therefore, this study sought to investigate the effect of Michael porter's five forces on performance of savings and credit cooperative societies in Nairobi City County-Kenya.

GENERAL OBJECTIVE

To evaluate the effect of Michael Porter's five forces model on performance of SACCOs in Nairobi City County, Kenya.

SPECIFIC OBJECTIVES

1. To analyse the effect of the bargaining power of the buyer on performance of SACCOs in Nairobi City County of Kenya.
2. To establish the outcome of the bargaining power of the supplier on performance of SACCOs in Nairobi City County of Kenya
3. To evaluate the effects of threats of substitutes on performance of SACCOs in Nairobi City County of Kenya.
4. To investigate the effects of the new entrants on performance of SACCOs in Nairobi City County of Kenya.
5. To assess the effects of industry rivalry on the performance of SACCOs in Nairobi City County of Kenya

THEORETICAL FRAMEWORK

Porter's Theory of Competitive Advantage

This study was guided by Porter's Theory of Competitive Advantage pioneered by Porter (1980). The competitive forces approach views the essence of competitive strategy formulation as relating a company to its environment. The key aspect of the firm's environment is the industry or industries in which it competes. Industry structure strongly influences the competitive rules of the game as well as the strategies potentially available to firms. In the competitive forces model, five industry level forces: entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among industry incumbents determine the inherent profit potential of an industry or sub segment of an industry. The approach can be used to help the firm find a position in an industry from which it can best defend itself against competitive forces or influence them in its favor (Porter, 2008). This five force framework provides a systematic way of thinking about how competitive forces work at the industry level and how these forces determine the profitability of different industries and industry segments. The framework for competitive forces also includes a number of fundamental assumptions about competition sources and the nature of the policy process (Porter, 2008). Competitive strategies often aim to change the position of the company vis-à-vis its competitors in the sector and suppliers. This theory is relevant to the study because it provides a sophisticated tool for analyzing competitiveness with all its implications. Closing the circle of factors which determine the existence of competitive advantage it is necessary to consider the context in which firms are created, organized and managed as well as the nature of domestic rivalry.

Resource Based View Theory

This study was based on Resource Based Theory by Grant (1991). According to Grant (1991) the Resource Based Theory (RBV) approach to competitive advantage contends that internal resources are more important for a firm than external factors in achieving and sustaining competitive advantage. In this view, organizational performance is primarily determined by internal resources including physical resources, human resources and organizational resources. Grant (2010) observe that the resource based view of organizations present different perspectives on how best to capture and keep competitive advantage. A firm must strive to achieve sustained competitive advantage by continually adopting to changes in external trends and events and internal capabilities, competences and resources and by effectively formulating, implementing and evaluating strategies that capitalize upon those factors. This theory was relevant to the study because RBV sees resources as key to superior firm performance. If a resource exhibits value, rare, immutability and organizational attributes, the resource enables the firm to gain and sustain competitive advantage. Organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. Sustained competitive advantage can be achieved more easily by exploiting internal rather than external factors as compared to organization input-output view.

Balance Score Card Theory

The balance score card is a strategic performance measurement model which is developed by Kaplan and Norton (1997) who observe that the balance score card is a business framework used for tracking and managing an organization's strategy. The balance score card framework is based on the balance between leading and lagging indicators, which can respectively be thought of as the drivers and outcomes of the organizational goals. According to Norreklit (2010), the balance score can assist to provide more data about the selected approach, handle feedback and teaching procedures, and determine the target numbers. Measurable indicators are used for setting (operational) activities to promote comprehension and adapting the selected approach. The starting points of the balanced scorecard are the vision and approach viewed from four angles: economic perspective, client view, inner business processes and development learning. Balance score card is relevant to the study as it helps the organizational managers to set up a vision, mission and strategic objectives of the organization, perform a stakeholder analysis to gauge the expectations of customers and shareholders, make an inventory of the critical success factors, translate strategic objectives into individual goals, set up key performance indicators to measure the objectives, determine the values for the objectives that are to be achieve and translate the objectives into operational activities.

EMPIRICAL LITERATURE REVIEW

Bargaining Power of the Buyer on Performance

Kung'u (2017) on the effects of bargaining power of the buyer on economic improvement in steel manufacturing companies: an example of flat-steel section found that the bargaining power of buyers influences effectiveness of companies in steel manufacturing companies in Kenya, also constructive plus effective merchandise costs promote significance to clients buying companies goods hence assisting that company to convey reliable revenues. The affirmative association amongst bargaining power of buyers/customers and economic improvement in the steel manufacturing companies were confirmed. Additionally it depicted that the bargaining power of buyers impacts customers buying choices thus influencing return on investment definitely or undesirably.

On the other hand, Solomon and Rabolt (2018), in their study on the effects of bargaining power of the buyer on performance noted that societies take actions to weaken dynamism of consumers, for instance implementing a resoluteness platform for its consumers. The study noted that powerful clienteles on different circumstances clasp extra enticement of matters of governments through captivating prices down, challenging value-added natural surroundings of managements, by stirring the commercial participants alongside others, towards the disadvantage of the industry productivity.

Wan and Beil (2018), in their study noted that a client cluster has decreasing power if, there are numerous purchasers, or everyone buys in huge quantities or capacities that are comparable to the extent of one mercantile. Purchasers of large quantities are mostly many in organizations with extraordinary established expenditures, for instance the seaward penetrating firms, mass media networking devices, and bulk chemicals. Low insignificant overheads with great stable expenditures intensify heaviness on competitors to achieve their capability occupied by shrinking prices.

In a study by Solomon and Rabolt (2018), on effects of bargaining power of the buyer on performance of a bio fuel firm. The research outlined that the business yields no strength from bio fuel if it has no eagerness of whatever the biomass is purchasing, but the great conspiracy is the uncertainty on when customers obtain in sufficient profits. A real stock that supplies less income challenge endeavours to place a lot of heaviness on its merchants with the aim of bringing down expenses henceforth by increasing profits. At long last, when the buyer has enough evidence on price of the benefactor or the intensive state of affairs, he becomes powerful. In that manner, the buyer utilize exploitation of the knowledge to compel the trader.

Bargaining Power of Supplier on Performance

Zhao, Wu, and Sha (2018) studied the bargaining power of buyers, suppliers and bookkeeping conservatism using proof from the Chinese industrial scheduled organizations. Through the utilization of the panel statistics of Chinese manufacturing registered companies from 2003 to 2012, the paper explores impacts of suppliers' and franchisers' also viewed as buyers' bargaining influence on bookkeeping conservatism. The link between the bargaining power of buyers and provisional conservatism is irrelevant. On the other hand, there is a U-association between the bargaining power of the buyers and suppliers and unreserved conservatism. The link between the bargaining power of suppliers and absolute conservatism has greater left ward extension and inferior right extension.

On the other hand, Tang, (2018), asserts that suppliers have a great impact on the product by compromising product quality in order to bring down costs, this creates a negative impact on the buyer if quality is significant to the buyer, and this therefore confirms that bargaining power of suppliers is significant. Additionally, suppliers are also powerful if they are in concentrated numbers compared to the buyers, if they are able to integrate forward or produce the products themselves and finally if they have specific expertise to manufacture their own products in line with the analysis of the industry, suppliers are considered as firms and or persons who are able to produce goods and services.

In a study, by Prahinski and Benton (2018) inspected the power of supplier by evaluating communication tactics to advance the performance of the supplier. The study notes that evaluation of supplier helps firms to improve their competitiveness in the market. The firm needs to make its buying expectations well known to the supplier early enough to ensure good quality and timely supply. There needs to be constant communication between the organization and the supplier in order to maintain a working relationship. Organizations need to develop several supplier development programs to inspire their suppliers to supply excellent and appropriate goods. The suppliers should be committed to their responsibilities to guarantee that firms` activities are smoothly operated.

In another study Chen, (2017) examined sustainability and good firm performance using evidence from manufacturing firms. The findings revealed a correlation between environmental and social improvement practices with how suppliers are managed. It was also revealed that good cooperation with suppliers on environmental work strengthens organizational capabilities. The Supply of capital may not be a big threat. However, human resource threat lures away suppliers. For example, a brilliant person employed at a smaller local bank has high possibilities of being lured away by big banks.

Threat of Substitutes on Performance

In a study conducted by Benjamin (2018) on impact of threat of substitutes on performance of oil business in South Sudan. The study established, all the aspects connecting to substitutes impacts performance of oil industry. Additionally, the mentioned elements influence the performance of all categories of trade definitely by determining the suppliers bargaining power impacts on kinds of trade in oil companies; piping, quarrying, waste controlling, dispensation and conveyance. The study also resolved oil outlets influences suppliers influence grounded on manifestation of a small number of great suppliers who lead the market, industry supporters certainly generate revenue on auxiliary goods, there are a small number of suppliers who generate huge returns, suppliers deliver substances that justify industry goods are freely accessible from several traders.

Similarly, Lopez-Claros (2017) averts that market displacement risk by present or probable substitutes is determined by; comparative price or Performance trade-off, if the present or possible competitive products or services give a more favourable combination of product attributes or low price, then the threat of substitutes is high. This varies inversely with the substitutes switching costs, also if the functions, attributes or performance of a substitute are equal or superior then this poses high threat of substitution. Competitor provides the substitutes which may be a product of both convenience, time and application which is made easier by way of technology. While many people nowadays do not value the one time provision of the service and goods offered. They prefer using and working with third party suppliers.

Harvey (2018) argued that new competitors to a marketplace convey new group boundaries that help them purpose to form up a safe domicile in the market, and have substantial resources to compete with. They further more attract concern towards the destructive threat of entrance into a particular marketplace that depend on combined components of elements, barriers to sections and the regular reaction of businesses to innovative segments. A borderline to a segment occurs at whatsoever idea, the situation is tough for a new arrival to disrupt the marketplace and if the markets of the traders are put in to a prospective contestant fee/price burden by reference to contestants. Irrespective of likelihood that prospective contestant controlled the concerns of sector interruptions, it might be prohibited by its expectations about how present firms was to react to fresh entry.

Threat of New Entrants on Performance

A study conducted by Uçmak and Arslan, (2017) concerning influence of rivalry circumstances on fresh market entrants in Istanbul Hotel Industry, found that once these evaluations are considered, to obtain maximum revenue from this impending condition and to have competitive advantage over other opponents; Turkish Tourism Industry require to be advanced by means of different reserves, awareness and accomplishment of new savings in an industry is correlated with the obstacles of the said business for the new entrants. Therefore, in this research, the suitability of Istanbul Tourism Industry for new entrants was tested to be established by conducting interviews with the 36 managers of the hotel corporations of Istanbul.

Kaunyangi (2017) studied the impact of new entrants of companies in the mobile telecommunication region in Kenya. The study depicted that competition has an influence on the productivity of organizations. The respondents showed that competition had an effect on performance of firms. The exploration showed that most of the respondents specified that new market entrants, viable rivalry and buyer power influences the performance of the firms in this business. The respondents showed that new market entrants, competitive challenge and buyer influence had an effect on the performance of the organizations in the telecommunication commerce in Kenya.

In a study by Bol and Katuse (2017) on the effect of threat of new entrants on performance of oil business in Southern Sudan depicted, threat of new entrants contribute a constructive noteworthy effect on the performance of oil business in South Sudan and commends: the administration of Southern Sudan to advance or modernize prevailing guidelines and direction of the oil industry in South Sudan centred on threat of new entrants. Oil firms in South Sudan should reflect on impact of new entrants to their trade; finally, oil firms arranging to enter South Sudan oil fields should conduct an assessment before entry.

Study conducted by Khanna and Palepu (2018) reveals that threat of new entrants requires an analysis with assessment of the likelihood of the new firm entering the present market. Key factors to put into consideration are barriers available and the cost implication. Contestants swiftly enter the market if there are no entry barriers in place with no cost implications. Solid and robust entry barriers prevent new entrants from making moves to enter the market. Under the rivalry of competition factor, if products sold by existing firms are extremely differentiated or have robust brand loyalty then this becomes a threatening barrier to entry but if substitutes are easily available, then automatically firm`s power weakens.

Industry Rivalry on Performance

Munyiri (2016) investigated the industry rivalry and approaches utilized by international businesses to enter into Kenyan marketplace. The study found that numerous elements impact on the choice to join the Kenyan market comprising the workforce availability and raw materials, technology, skills and inferior labour costs amongst others. Accessibility of quality labour and lower labour costs are the main attractions of international business desiring to invest in Kenya. The moral working dealings through the western nations has led to the entrance of the overseas nations into Kenya searching for marketplaces for their products and services. Several global organizations in Kenya have many employees, which is accredited to the fact that most of the companies have setups in other nations.

On the other hand, Ochola, (2018) on the analysis of the degree to which industry rivalry have added to viability in the air compressor industry in Kenya found that industry powers had partaken in the air compressor business in Kenya and that each dynamism had a fluctuating amount of effect on corporation lucrativeness. Nevertheless the threat of new entry was established to be the toughest power and the one that administered the guidelines of rivalry in the business. It was the most fundamental for approach invention. It was also instituted that viable competitiveness among the occupants was modest, high entry barriers existed, rivalry from alternates was significant, and buyers had a high bargaining power.

A study by Singh Utton and Waterson (2017) noted that strength of rivalry amongst existing companies is the last broad force that influences industry structure. Rivalry of existing firms takes the commonly used system of competing for location by means of strategies like price rivalry, advertising encounters and branding leads to augmented client facility or contracts. Competitive rivalry in a business increases when one or more opponents either feel the burden or the prospect to enhance position. The thrilling situation of competitive power is the economist’s effortlessly competitive business, where entry is permitted, prevailing companies lack bargaining power alongside suppliers and consumers, and opposition is rampant since various firms and goods are all similar.

RESEARCH METHODOLOGY

Research Design

A research design is the blue print or approach of action through which study participants may be obtained and the tools used for collecting information from them (Gronewald, 2004). The study used descriptive survey research design. The use of a research designs helps in solving the problems that may arise from the structure of the research. It is also useful in managing problems with organization or patterns of the variables of the study. It is very important in the determination of the observed evidence of the association between the variables of the study where descriptive study design was adopted. A descriptive design is the instrument which can be used for collecting information without interfering with the environment of the study (Lambert, & Lambert, 2012). It is also the best in the demonstration of the relationship between variables, especially when using secondary data.

Target Population

According to Ott and Longnecker (2015), a target population comprises of a set of people, components, services and events that have similar features under investigation. The target population consisted of all the 40 deposit-taking SACCOs registered by SASRA and providing financial services in Nairobi City county of Kenya. The targeted respondents was a total of 80 respondents which comprised of all credit control managers and business development managers of all SACCOs in Nairobi City County.

Sampling Design and Sample Size

Sampling design refer to how instances are to be chosen for observation. It offers a thorough explanation of the topics to be investigated and how to select them from the target group (Fowler, 2013). The study used a census method that recognizes and concentrates on all Deposit-taking SACCOs listed in the county of the study. A census study comprises of the whole population with the same characteristics in the study (Ott & Longnecker, 2015). A census of 80 respondents was carried out.

Data Collection Instrument

The study basically relied on all responses collected from the questionnaires that were issued to the senior management of the selected SACCOs. A structured questionnaire was designed and used in the gathering of statistics from the Sacco businesses. All the persons representing each of the Sacco were issued with a questionnaire. The key objective being the assessment of different research questions set to promote the understanding of the effect of Michael Porter’s five forces on the performance of SACCOs in Nairobi City County. The questionnaire used established questions that assessed the respondents on the varied aspects of Porter’s five forces and their role on performance of the SACCOs. Primary information was gathered through utilization of open and closed-ended questions in achieving the research objectives since feedback was received directly from the respondents. The importance of the open-ended questions is that it enabled the respondents to give their response liberally and freely, give more justification to back up their concepts. The closed-ended questions were a choice made from the selections given. Some of the questions were coded to the five scale Likert design so that strength of views given can be measured as delivered by the respondents of the study. This was then examined statistically to conclude on the results from the research which was used to embrace the drop and pick technique used to distribute the questionnaires.

Data Collection Procedure

To seek approval to conduct the research, the management of SACCOs and the government authorities were approached. Specifically, the research questionnaires were dropped to the study members in person then collected at a later date, which was after a week. The rationalization for the drop and pick technique of questionnaire was based on the point that the target participants are a busy group of personnel involved in decision making with numerous daily responsibilities and assurances. Hence, it was challenging to conduct in person meetings with them to fill questionnaires in the company of the investigator.

Data Analysis and Presentation

This involved the examination and interpretation of data collected from respondents, which was analysed by use of descriptive methods, which involved accumulating and scrutinising data by use of MS Excel and Statistical Package for Social Science software (SPSS). Presentation of data collected was by utilization of tables. After data collection process, questionnaires were verified in totality for inclusiveness and the data collected was compiled and coded for easier interpretation and summarization. Later, data classification was done, tested against studied literature to check on rationality and dependability. The data was then coded and modified for comprehensiveness by use of the SPSS statistical set. Descriptive statistics like percentages, frequency distribution, means and measures of dispersion was employed to define, consolidate and issue demographic and quantitative data for ease of clarification which involved application of tables. A variety of inferential statistical examinations was applied, the collected data was then evaluated by a regression model which evidently showed the impacts of Michael Porter's five models on the productivity of SACCO`s in Nairobi City County. Table presentation of the results was used to support in the data examination and simplicity with which the inferential data was drawn from. The model below was used as implemented from (Kutner, Nachtsheim & Neter, 2004).

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where: Y = The performance of SACCO`s; β_0 = The regression intercept demonstrating predictable worth of the dependent variable if all the independent variables are zero; β_1, β_2, β_3, β_4 and β_5 = Beta coefficients or regression Coefficients which are basically the gradient of the regression line; X_1= Bargaining power of buyers; X_2= Bargaining power of suppliers; X_3= Threats of substitutes; X_4= Threats of new entrants; X_5= Rivalry and competition; ε = Error term

Quantifiable data was demonstrated by the utilization of graphic representation, frequency distribution tables which are strong, easy to calculate, comprehend and infer the results, (Saunders, 2009). The tables also helped to deliver an outstanding exhibition for easier comprehension and announcement (Kumar, 2008). Descriptive statistics in the practice of proportions, averages and measures of dispersion was utilized to define, establish and issue quantifiable data for simplicity of data exhibition. Additionally, graphical representations clearly brought out the pertinent features of set of data collected (Gengler, Klenosky & Mulvey, 1995). A variety of inferential statistical measures were also utilized.

RESEARCH RESULTS

The study sought to evaluate the effect of Michael Porter's five forces model on performance of SACCOs in Nairobi City County, Kenya. The specific objectives of the study were to examine the effects of bargaining power of buyers, bargaining power of suppliers, threats of substitutes, new entrants and industry rivalry on performance. The study was guided by descriptive survey research design. Data was collected from credit control managers and business development managers using structured questionnaires and analysed using descriptive statistics and regression analysis. The summary of the findings is presented as follows:

The study sought to analyze the effect of the bargaining power of the buyer on performance of SACCOs in Nairobi City County of Kenya and established that bargaining power of buyers had a positive significant effect on performance. Sacco's product represents a small expense for your customers, it would be challenging for consumers to integrate backward in the supply chain, purchase from a competitor with the same Sacco services you deliver, and contest directly with them and that their Sacco products are differentiated.

The study sought to determine the effect of the bargaining power of the suppliers on performance of SACCOs in Nairobi City County of Kenya and revealed that bargaining power of suppliers had a positive significant effect on performance. There exist a big number of prospective suppliers and that they can shift without difficulty to substitute products from other suppliers. It would be challenging for the suppliers to penetrate your business, sell openly to your clients.

The study sought to determine the effect of the threats of substitute on performance of SACCOs in Nairobi City County of Kenya and found that threats of substitute had a positive significant effect on performance. Substitutes limit the prospective return of the Sacco by introducing an upper limit on the interest rates you can profitably charge and that product's qualities match favourably to potential substitutes in the market.

The study sought to determine the effect of the new entrants on performance of SACCOs in Nairobi City County of Kenya and identified that new entrants had a positive significant effect on performance. SASRA regulations are restrictive with strict controls and rules for new Sacco setups, new entrants have trouble acquiring/winning customers, they require a license from SASRA to open a new Sacco, recently, there has been many new entrants in the Sacco money deposit sector and that members/Customers are loyal to your Sacco products.

The study sought to determine the effect of the industry rivalry on performance of SACCOs in Nairobi City County of Kenya and identified that industry rivalry had a positive significant effect on performance. There is a small number of competitors, Sacco fixed costs are very low, their competitors can easily abandon their products, their product can be sold at all times in the year and that there exists a few competitors in the Sacco sector.

REGRESSION ANALYSIS

The study carried out regression analysis to establish the degree to which independent variables. The results are presented as follows:

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.730[a]	.532	.494	.276	.532	13.889	5	61	.000

The four independent variables that were studied, explain 49.4% of the performance of SACCO, Kenya as represented by the adjusted R square. This therefore means that other factors not studied in this research contribute 50.6% of the performance of SACCO. The study therefore recommends that other studies to be carried out to show the extent to which the performance of SACCO is affected by Michael Porter's five Forces in other SACCOs not studied.

Table 2: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.292	5	1.058	13.889	.000[a]
	Residual	4.648	61	.076		
	Total	9.940	66			

The value 0.000[a] shows the significance level is less than 0.05 showing a statistical significance of the model on how independent variables studied influenced the dependent variable. The results in Table 2 also indicate that F calculated value is greater than the value of F tabulated (13.889> 1.058) at 5% significance level confirming the significance of the model.

From the regression model, holding all the independent variables studied constant, the performance of SACCO would be 78.5%. The new entrants was found to have a greater effect on performance at 76.8%, followed by bargaining power of suppliers at 71.6%, threats of substitutes at 67.3% and lastly bargaining power of buyers at 52.9%. The established regression equation by the study was:

$$Y = 0.785 + 0.529X_1 + 0.716X_2 + 0.673X_3 + 0.768X_4 + 0.556X_5$$

Where: Y = Performance of SACCO; X_1= Bargaining power of buyers; X_2= Bargaining power of suppliers; X_3= Threats of substitutes; X_4= New entrants; X_5= Industrial rivalry

Table 3: Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	.785	.629		1.884	.000
	Bargaining power of buyers	.529	.020	1.129	1.466	.001
	Bargaining power of suppliers	.716	.032	2.045	5.508	.002
	Threats of substitutes	.673	.053	4.403	3.242	.002
	New entrants	.768	.100	1.928	7.671	.000
	Industry rivalry	.556	.093	2.056	4.605	.004

As shown in Table 3 bargaining power of buyers, bargaining power of suppliers, threats of substitutes, industrial rivalry and new entrants had a positive and significant effect on the performance of SACCOs in Nairobi City Kenya as indicated by t-values. The relationships ($p < 0.05$) are all significant with bargaining power of buyers ($t=1.466$, $p < 0.05$), bargaining power of suppliers ($t =5.508$, $p < 0.05$), threat of substitutes ($t =3.242$, $p < 0.05$), new entrants ($t = 7.671$, $p < 0.05$) and industry rivalry ($t = 4.605$, $p < 0.05$).

Solomon and Rabolt (2018) in their study on the effects of bargaining power of the buyer on performance noted that people are capable of captivating events that weaken power of the client, for instance by implementing a loyalty platform of shoppers. Tang (2018) asserts that suppliers have a great impact on the product by compromising product quality in order to bring down costs, this creates a negative impact on the buyer if quality is significant to the buyer. Lopez-Claros (2017) averts that market displacement risk by present or probable substitutes is determined by; comparative price or Performance trade-off, if the present or possible competitive products or services give a more favourable combination of product attributes or low price, then the threat of substitutes is high. Kaunyangi (2017) studied the impact of new entrants of companies in the mobile telecommunication region in Kenya. The study depicted that competition has an influence on the productivity of organizations. Ochola, (2018) on the analysis of the degree to which industry rivalry have added to viability in the air compressor industry in Kenya found that industry powers had partaken in the air compressor business in Kenya and that each dynamism had a fluctuating amount of effect on corporation lucrativeness.

CONCLUSIONS

The idea is that the bargaining power of buyers in an industry affects the competitive environment for the seller and influences the seller's ability to achieve profitability. Strong buyers can pressure sellers to lower prices, improve product quality, and offer more and better services. All of these things represent costs to the sellers. Strong buyers can pressure sellers to lower prices, improve product quality, and offer more and better services. A strong buyer can make an industry more competitive and decrease profit potential for the seller.

The idea is that the bargaining power of the supplier in an organization affects the competitive environment for the buyer and influences the buyer's ability to achieve profitability. Strong suppliers can pressure buyers by raising prices, lowering product quality, and reducing product availability. All of these things represent costs to the buyer. Furthermore, a strong supplier can make an industry more competitive and decrease profit potential for the buyer.

The availability of a substitution threat affects the profitability of an organization because consumers can choose to purchase the substitute instead of the Saccos product. The availability of close substitute products can make the Saccos more competitive and decrease profit potential for the firms in the industry. The threat of substitution in an organization affects the competitive environment for the firms in that industry and influences those firms' ability to achieve profitability.

When a new buyer enters a market, suppliers often can raise prices because of higher demand. The new entrant needs the same materials and components you do to offer the same kinds of products in the market. The entry of a new competitor in a market tends to reduce the market prices. When there are more companies competing for the same market share, customers choose those with lower pricing, and the general price level goes down.

The intensity of rivalry among competitors in the Sacco sector is the extent to which Saccos within the Sacco industry put pressure on one another and limit each other's profit potential. If rivalry is fierce, then competitors are trying to steal profit and market share from one another. As a result, this reduces profit potential for all Saccos within the industry.

RECOMMENDATIONS

When analyzing the bargaining power of buyers, the SACCOs should conduct the organization analysis from the perspective of the seller. The Sacco should determine factors such as the number of buyers relative to suppliers, dependence of a buyer's purchase on a particular supplier, switching costs, backward integration.

When analyzing supplier power, the Sacco should conduct the organization analysis from the perspective of the industry firms, in this case referred to as the buyers. The Sacco should ensure that the supplier power is high if the buyer is not price sensitive and uneducated regarding the product. Ensure a highly differentiated supplier's product so as to increase the supplier bargaining power.

The threat of substitute products is one of the factors to consider when analyzing the structural environment of an industry. The Sacco should start creating a list of potential substitutes that you evaluate as a threat in an external analysis so as to be better able to identify and react to any threat of substitutes.

The Sacco should identify a need in the sector and satisfy it with a product or service, improve on existing products or services and focus on the needs of their customers. The effectiveness of all the barriers to entry in excluding potential entrants depends upon the entrants' expectation as to possible retaliation by established Saccos. Retaliation against a new entrant may take the form of aggressive price-cutting, increased advertising, or a variety of legal manoeuvres.

While trying to assess whether there are likely to be high competitive pressures within an industry, a Sacco should check whether there are numerous competing firms in the industry, whether the competitors are generally of an equal size in their operations, whether the competitors have similar shares in the market, whether their products are differentiated or generic and whether competitors have diverse in their operations and strategies.

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