

# **SAVINGS MOBILIZATION STRATEGIES AND THE GROWTH OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN NAIROBI CITY COUNTY, KENYA**

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## **ABSTRACT**

Over time, Savings and Credit Cooperative Societies have been trying to address members' demands by mobilizing funds and granting credit to members. However, they have not been able to grow their wealth strategically through accumulation of enough institutional capital to finance non-withdrawable capital funded assets, provide cushion to absorb losses and impairment of members' deposits. The purpose of this study was to establish the effects of deposit mobilization strategies on the growth of savings and credit cooperative societies in Kenya. The study was guided by the following objectives; to examine the effect of product development, product marketing and customer focus strategy on the strategic growth of Savings and Credit Cooperative Societies in Kenya. This study was hinged on resource-based view theory, dynamic capabilities theory and the group formation theory discussed below. This study used a descriptive research design. The target population of this study was 38 authorized deposit taking Savings and Credit Cooperative Societies in Nairobi, Kenya that have been in existence for at least the last 5 years. The target population composed of Members of the Savings and Credit Cooperative Societies, Board members, Branch Managers, Cooperative Ministry/regulatory officials, Operations Managers and other stakeholders of each Savings and Credit Cooperative Societies. A sample size of 286 was arrived at by calculating the target population of 1127 with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari. The study employed

descriptive analysis technique on both primary and secondary data. In both cases, the study used Statistical Package for the Social Sciences (Version 24) in the analysis and data output was tabulated. In addition, a multiple linear regression model was run to quantify the combined effect of the contribution of deposit mobilization strategies to growth of savings and credit cooperative societies. Data was presented by use of graphs and tables and qualitative information presented in prose-form. The study found that product development/diversification affects the growth of savings and credit cooperatives very greatly, that product marketing affects the growth of savings and credit cooperatives moderately and that customer focus strategy affects the growth of savings and credit cooperatives greatly. The study concluded that product marketing had greatest effect on growth of savings and credit cooperatives followed by customer focus strategy while product development had the least effect on growth of savings and credit cooperatives. The study recommends that Saccos and other organizations should pursue diversification strategies as a strategic goal which businesswise is health as business risks are spread over different business lines, that the Saccos should endorse product marketing since it is believed to greatly affect their growth positively and that Saccos should improve the customers' services quality.

**Key Words:** *savings mobilization strategies, growth, savings and credit cooperative societies, Nairobi City County, Kenya*

## **INTRODUCTION**

In society today, a considerable market share is held by cooperative financial institutions, with the International Monetary Fund (IMF) in 2012 estimation that the cooperative finance market share was equivalent to 14% across all assets of banking sector in developed countries. Earlier studies on cooperative finance in the time of disaster reveals that they looked like faring better than investor-owned savings and loans institutions, as a result of pursuing more policies of conservative investment (Chaddad & Cook, 2012). For example, IMF analysis reveals that developed countries cooperative banks have a tendency of being more stable than commercial banks, particularly in the time of financial crisis, since their patterns of investment have a tendency of being less speculative and therefore there are less volatile returns (Hesse & Cihak, 2014).

The growth of any economy relies upon capital collection, which thus relies upon speculation and a comparable measure of funds to coordinate it. Two key issues for creating nations are the means by which to fortify speculation and increment the level of sparing to subsidize expanded venture. In this manner, Savings and Credit Cooperative Societies need to endeavor to boost on the profit to fabricate the capital of the institution (Branch & Cifuentes, 2010; Ombado, 2010). The capital of the institution guarantees the changelessness and development of the Savings and Credit Cooperative Societies (SACCOs) even in turbulent monetary circumstances (Evans, 2010). Indeed, it causes the Savings and Credit Cooperative Societies to develop and remain fiscally feasible and monetarily (Gijssels & Devetere, 2014). Such development is improved by successful money related practices.

Money related stewardship being the routine monetary basic leadership of the SACCO, should grasp sound business hones. This ought to likewise spin around the SACCOs' monetary train with a significant effect on the achievement of all organizations led by the SACCOs (Mudibo, 2013). The major monetary choices engaged with budgetary stewardship, for example, incorporate choices on fund staff, credit administration, resource administration and item advancement (Horne, 2013 & Mudibo, 2013). The budgetary stewardship ought to be fit for attempting to build SACCOs' riches, support the SACCOs' esteem and fulfill the investors' requests. Further, the money related stewardship angle is additionally in charge of refreshing records, guaranteeing accuracy of records, early arrangement and answering to individuals.

In like manner, the budgetary practice group distinguishes the most fitting techniques as well as the financing the Savings and Credit Cooperative Societies structure advantages. This structure ought to be in a situation to advance remainders (Evans, 2010). All the more in this way, reasonable assets designation system is a critical money related practice work in any SACCO society. This viewpoint more often than not includes choices to confer the SACCOs' assets to arranged venture choices. SACCOs need to settle on choices to put their assets all the more effectively in suspicion of expected stream of advantages over the long haul. Such venture choices for the most part incorporate extension, procurement, modernization and substitution of long haul resources (Maina, 2014). In this way, the SACCOs' esteem is considered to increment where the speculations are beneficial and add to the riches over the

long haul. This circumstance is acquired where the SACCO includes itself with speculations that yield benefits more prominent than the open door cost of capital.

### **Saving Mobilization Strategies**

Preparation of deposits for a SACCOs is as basic as oxygen for person, (Deb, 1988). Store activation techniques incorporate, money cards, layered financing costs, lotteries, prizes, sparing boxes, SMS managing an account and legally binding sparing. Store preparation is the gathering of money or subsidizes by a monetary organization from the general population through its present, reserve funds, settled, repeating accounts and other specific plans. Since deposits are typically considered as a financially savvy wellspring of working asset, the bank's capacity to loan more and additionally its prosperity enormously lies on its store assembly. In giving attractive support to various economy divisions, the activation of store adopts the key portion. To expand the SACCOs wellsprings in order to successfully serve, deposits assembly is a critical factor. Store assembly assumes a vital part in giving tasteful support of various areas of the economy (Sylvester, 2010). In SACCOs, this critical part of managing an account has been drilled in various structures with the normally known viewpoint being immediate deposits by the client in the keeping money corridor.

The achievement of the SACCOS incredibly lies on the deposits assembly. Sylvia (2009) to prepare more deposits, monetary establishments offer a scope of funds items that are custom-made to their specific customer base. They offer the greatest assortment of specific reserve funds items, so their clients have a decision between promptly available, fluid items, or semi-fluid records or time deposits with as needs be higher loan fees. Basic and clear plan of essential investment funds items empowers contributors to effectively choose the item that best suits their requirements. The straightforward and straightforward plan of the investment funds items additionally empowers staff to direct them easily, diminishing regulatory expenses.

### **Savings and Credit Cooperative Societies in Nairobi County**

In the year 2011, the world statistics reveal that, one hundred nations had credit co-agents that numbered 51,013 with an enrollment of 196,498,738 (WOCCU, 2012). In the year 2009, all inclusive there were 49,330 acknowledge co-agents for an enrollment of 183,916,050 which demonstrated development all inclusive. The WOCCU measurable report likewise demonstrated that Kenya is driving in participation, number of credit co-agents and investment funds preparation in the African landmass. The measurements additionally demonstrate that Kenya positions number seven (7) all inclusive in reserve funds assembly. In Kenya, the development in the co-agent development has been seen in the regions of number of new co-agents enlistment, investment funds, turnover, excess; share capital and participation, and computerization as will be featured in this examination. As per the Co-agent Digest (MOCD, 2008), co-agents in Kenya stay friendlier in offering credit and items to the little scale firms and dealers and on the off chance that they blended into greater unions, they would end up noticeably gainful monetary establishments that would have the capacity to confront solid rivalry in the part. For this to be acknowledged, co-agent pioneers

must acknowledge to surrender positions held in their particular little co-agents keeping in mind the end goal to oblige mergers for the enthusiasm of their individuals. The diary additionally includes that the service of co-agent advancement and advertising has set up measures to create co-agents which will give youngsters – over all parts of the economy – with chances to develop and act naturally dependent.

Largely, there had been gradual but stable growth in the number and membership of deposit taking SACCOs in Kenya. From a membership of 992,844 in 2006, membership has grown to the current 2,644,205 and is expected to continue growing as more and more Kenyans join SACCOs. In the same vein, there has been growth in the number of SACCOs in the country since 2006. However, the growth has not been rapid as only 9 new Saccos have been registered and are operational since 2006. The growth in membership can therefore be attributed to aggressive efforts by existing Saccos to recruit new members by use of various strategies (Atsiaya & Ngacho, 2014). The financial growth of deposit taking Saccos has been on the rise since 2006. For example, from a total asset base of Kshs 105 billion in 2006 to Kshs 255 billion in 2013. Over the same period, loans/advances have grown from 68 billion to 193 billion, deposits have grown from Kshs 51 billion to Kshs 179 billion, while turnover has grown from KShs 12 billion to Kshs 35 billion in 2013 (Atsiaya & Ngacho, 2014).

SACCOs are crucial in an effort to ensuring financial inclusion and deepening and subsequently, the achievement of Kenya's strategic national development plan. As part of Kenya's macro-economic goals, savings rates were anticipated to rise to 30% of GDP through improved financial deepening, creating credit referencing and streamlining SACCOs with a view to raising institutional capital. The Sacco sector, though not recognized as an autonomous sector, will assist the mobilization of investment funds required to implement the flagship projects in Kenya.

## **STATEMENT OF THE PROBLEM**

Over time, SACCOs have been trying to address members' demands by mobilizing funds and granting credit to members. However, they have not been able to grow their wealth strategically through accumulation of enough institutional capital to finance non-withdrawable capital funded assets, provide cushion to absorb losses and impairment of members' deposits. Unique to the high 56% failure rate of SACCOs in Kenya is that none of the SACCOs in the banking sector has failed (GOK, 2016). Ademba (2015) places that SACCOs in Kenya are looked with issues, for example, poor administration and, absence of individuals' certainty, among others. SASRA (2017) noticed that SACCO social orders have issues creating riches because of poor money related stewardship, under-capitalization of co-agent ventures, high cost of assets, and deferred part installments. Such difficulties would thwart the accomplishment of the said vital development destinations and even prompt decrease in development of SACCOs' riches. WOCCU (2016) demonstrated that 38.3% of Kenyans are excluded in monetary administrations and utilize. All these demonstrate low levels of reserve funds preparation systems and interest in Kenya. The issue of low deposits and speculation comes when African Confederation of Co-agent Savings and Credit Association workshop has characterized SACCOs as vehicles for monetary development.

Plus, the administration of Kenya perceives cooperatives as the real supporter of national improvement with the nation's populace of around 44 million (GoK, 2015). Previous studies done in Kenya (Ademba, 2015; Olando; Jagongo and Mbewa; 2013; Mwakajumilo, 2011; Atsiaya & Ngacho, 2014) have not focused on the effect of deposit mobilization on Sacco. Therefore, this study sought to fill this gap by establishing the effects of deposit mobilization strategies on the growth of savings and credit cooperative societies in Kenya.

## **GENERAL OBJECTIVE**

The general objective of this study was to establish the effects of savings mobilization strategies on the growth of savings and credit cooperative societies in Kenya.

## **SPECIFIC OBJECTIVES**

1. To examine the effect of product development on the strategic growth of SACCOs in Nairobi County in Kenya.
2. To assess the effect of product marketing on the strategic growth of SACCOs in Nairobi County in Kenya.
3. To examine the effect of customer focus strategy on the strategic growth of SACCOs in Nairobi County in Kenya.

## **THEORETICAL LITERATURE REVIEW**

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

This hypothesis was first created by Penrose (1959). This hypothesis perceives the significance of a company's inward hierarchical assets as determinants of the company's procedure and execution (Wernerfelt 1984). Give (2009) characterizes the term inward hierarchical assets as all advantages, abilities, authoritative procedures, firm properties, data, learning, that are controlled by a firm and that empower it to imagine and execute methodologies to enhance its proficiency and adequacy. The asset based perspective of the firm (RBV) is a powerful hypothetical structure for seeing how methodology usage inside firms is accomplished and how that favorable position may be supported after some time (Teece, Pisano and Shuen, 2010). Specifically, RBV accept that organizations can be conceptualized as packs of assets, that those assets are heterogeneously circulated crosswise over firms, and that asset contrasts hold on after some time (Amit and Schoemaker, 2011).

Thus, RBV's suspicion of the association as a heap of assets separates in high-speed markets. In these circumstances, assets are included, recombined, and dropped with consistency (Galunic and Eisenhardt, 2011). Being firmly packaged is typically risky. RBV's accentuation on long haul system usage is regularly farfetched in high-speed markets. Here and now, flighty favorable position is the standard. Development is a more helpful execution metric than benefit. At last, RBV misses the key part of time. Generally speaking, while RBV focuses on utilizing packaged assets to accomplish long haul methodology usage. System in high-speed markets is tied in with making a progression of flighty favorable circumstances through item improvement and inexactly organized hierarchical methodologies.

## **Dynamic Capabilities Theory**

The Dynamic Capabilities hypothesis hypothesized by Teece et al (1997) fortifies the RBV, it accentuates on how mixes of assets and abilities can be created, sent and secured. The variables that decide the substance of a company's dynamic abilities are the hierarchical procedures where capacities are inserted, the positions the organizations have picked up (e.g. resources enrichment) and the developmental ways received and acquired. Dynamic capacities hypothesis analyzes how firms incorporate, form, and reconfigure their interior and outer firm-particular capabilities into new skills that match their turbulent condition (Teece, Pisano, and Shuen, 2010). The hypothesis expects that organizations with more noteworthy dynamic abilities will beat firms with littler dynamic capacities. The point of the hypothesis is to see how firms utilize dynamic abilities to make and manage a methodology execution over different firms by reacting to and making natural changes (Teece, 2007).

The idea of dynamic capacities emerged from a key inadequacy of the asset based perspective of the firm. The RBV has been condemned for overlooking elements encompassing assets, rather expecting that they essentially "exist". Contemplations, for example, how assets are produced, how they are coordinated inside the firm and how they are discharged have been under-investigated in the writing (Teece, 2007). Dynamic abilities endeavor to connect these holes by receiving a procedure approach: by going about as a cradle between firm assets and the changing business condition, dynamic assets enable a firm to modify its asset blend and in this manner keep up the supportability of the company's methodology execution, which generally may be immediately dissolved. In this way, while the RBV underlines asset decision, or the choosing of suitable assets, dynamic capacities stress asset advancement and restoration.

Dissimilar to prior key systems that were to a great extent static, dynamic capacities expressly recognize that as business sectors and innovations advance, firms need to alter by reallocating resources and adapting new aptitudes. It is the capacity to adjust and broaden existing abilities that separates dynamic abilities from other vital structures. As of late, researchers have stretched out RBV to dynamic markets (Teece et al., 2007). The justification is that RBV has not satisfactorily clarified how and why certain organizations have technique usage in circumstances of quick and capricious change. In these business sectors, where the focused scene is moving, the dynamic capacities by which firm administrators 'coordinate, form, and reconfigure inward and outer skills to address quickly changing situations' turned into the wellspring of maintained technique usage. The control of information assets, specifically, is particularly basic in such markets (Kogut, 2011).

The recognizable proof of specific procedures as unique capacities has a few ramifications. For one, it opens up RBV thinking to a vast, substantive assortment of observational research that has regularly been ignored inside the worldview. This examination on capacities, for example, item improvement and organization together arrangement reveals insight on these particular procedures, as well as on the summed up nature of dynamic abilities. Along these lines, in spite of the feedback that dynamic capacities need observational establishing

(Williamson, 2009), dynamic abilities as particular procedures frequently have broad experimental research bases and administration materialness.

Know that promoting activities, for example, bundling, mark name, thickness of the dispersion channel, publicizing, lasting displays, supporting, squeeze releases, among others (Van Waterschoot and Van sanctum Bulte, 1992) can enable form to long haul resources or positions as brand value and consumer loyalty (Srivastava et al., 1998). These benefits can be utilized to convey here and now gainfulness and investor esteem. Dynamic Capabilities hypothesis is significant to this investigation as it proposes blends of assets and skills can be produced, conveyed and ensured, along these lines can be pivoted to store preparation procedures that incorporate, money cards, layered loan fees, lotteries, prizes, sparing boxes, SMS saving money and legally binding sparing.

### **Group Formation Theory**

Framing is the underlying stage where a gathering meets up, individuals begin creating associations with each other and take in what the gathering anticipates from them. Raging stage sees an expansion in relational clashes and contrasts in conclusions about the gathering and its objectives will surface. As indicated by Bartle (2008) bunches are required (a) to arrange and direct the activity, (b) for advancing and empowering funds and speculation, (c) for preparing individuals in vital abilities, and (d) for diverting the back required for the individual small scale endeavors. SACCOs are composed by individuals themselves with an expectation of fortifying advantages related with gatherings. Gatherings have various advantages which for this situation can likewise collect to SACCOs. These advantages may include: simple access to merchandise and enterprises, asset pooling to possess and oversee them with a specific end goal to battle against neediness, nourishment lack, frailness of a distinctive individual against showcase powers, joblessness and low confidence and gatherings decreases on managerial exchange expenses of loaning and in addition lessening default through aggregate hazard taking. It is important that gathering's presence are propelled to gets to advances and advantages that don't achieve the low salary workers as they were barred.

### **EMPIRICAL LITERATURE REVIEW**

Research on development of Sacco has pulled in an incredible consideration as the interest for Sacco administrations increments. A basic range is to survey what drives the SACCOs development. This segment concentrates on the observational writing relating different store activation procedures to Sacco development. The creators additionally set up that much of the time, bank clients carry on in congruity with the sparing conduct hypothesis which has suggestions for loaning action and gainfulness.

As per Vohra and Sehgal (2012) adequate deposits assembly and cautious loaning conduct are the two most critical elements of banks since their benefit and survival rely upon these. The creators noticed that premium salary constitutes the absolute most essential piece of banks benefit. It is consequently certain that high deposits levels and judicious credit conduct



are basic elements for bank benefit, money related framework security and financial improvement. In spite of the fact that this investigation is on deposits assembly, it doesn't address the techniques embraced to upgrade the same.

Kafigi (2015) did an examination on concentrated development procedures and effort execution of Tanzania-based reserve funds and credit helpful social orders. The examination uncovered the noteworthy commitment of both item improvement and market advancement on outreach execution. SACCOs need to outline development methodologies which suit the necessities of their customers and their attributes. This examination just centered around item improvement and market advancement and left out mechanical development and client center. Once more, it concentrated more on outreach development (expanded number of SACCOs' individuals and not general development).

Cheruiyot, Kimeli and Ogendo (2012) led an investigation was to decide the impact of funds and credit co-agent social orders methodologies on individuals' deposits assembly and dissect the impact of mediating factor (family size, mentality, and salary level) on store activation. It was hence reasoned that helpful methodologies halfway influenced individuals' deposits preparation. This examination just centered around preparing necessity and venture open doors as the funds and credit co-agent society's techniques and mediating factors, for example, family size, state of mind, and salary level. They in this way did not concentrate on the deposits preparation techniques received in the present investigation.

Muriuki (2010) did an investigation on factors influencing Sacco execution in Meru South locale: an instance of Tharaka Nithi Teachers Sacco. The expansive target of the examination was to research the impacts administration factors on SACCO's execution in the TNT SACCO. Graphic research configuration was utilized as a part of this investigation. Since the populace was not homogeneous, stratified irregular inspecting configuration was utilized as a method to draw an example from the testing outline. The aggregate populace was stratified into the SACCO individuals, administration board of trustees individuals and staff sub-tests. Surveys were utilized as information gathering instruments and the information was broke down utilizing the SPSS. The outcomes demonstrate that administration effectly affects the execution of the SACCO. Further, the outcomes additionally demonstrate that the parts of instruction and preparing assume a noteworthy part on affecting administration structures. The examination however does not concentrate on the deposits assembly as an indicator of execution.

Tumaini (2010) carried out a study on the role of SACCOs in facilitating rural savings in Tanzania. The main objective of the study was to assess the role of SACCOs in facilitating rural financing. The study analyzed the types products and of financial services offered by SACCOs, examined the regulatory framework, and the effectiveness to which SACCOs facilitate rural financing. The study found that a good number of SACCOs experienced mismanagement, low membership and high default. This study however focused on the product development strategy only.

In Viswanadham, Yirgalem and Medanit (2015) study, the effect of employees work experience, location and ICT service on the bank deposit mobilization status (increase in bank deposit) particularly in private commercial banks in Ethiopia were examined. Using structured questionnaires and personal interview, the data were collected from 180 samples which were selected by employing simple random sampling and purposive sampling techniques. In order to achieve the research objective descriptive and econometrics (binary logit regression model) were employed for data analysis. The result of binary logit regression model revealed that employees work experience is less likely affects the deposit mobilization status of the bank. While introduction of ICT service has been more likely improves the deposit mobilization (increase in bank deposit) in private commercial banks in Ethiopia. This study only touched on technological innovation aspect of ICT and again the study was conducted in the banking sector whose strategic footing is different from that of Saccos.

Audu, Oghoyone and Gulani(2015) examined the impact of target deposit mobilization on the banking industry: a study of selected banks in Maiduguri Metropolis. The study found that deposit mobilization practice of “target deposit” given to bank staff has several social and financial implications for the banks and their marketers. While “target deposit” has resulted to increase in size of deposit of banks and financial gain and promotion of marketers, the negative impact as exemplified in unethical practices and the health implication of marketers chasing, deposits leaves much to be desired. The study only focused on the “target deposit” but not on the strategies.

Woldemichael (2010) study shed a light on the main challenges and opportunities of the Ethiopian Sacco industry with respect to deposit mobilization performance. The paper also tries to cite evidence from individual Sacco institutions for comparison. It analyzes the effect of factors like ownership structure, source of fund structure and regulatory environment on deposit mobilization performance of the industry. In addition, the paper presents the findings on the patterns of saving and institutional preference of existing clients of one Sacco institution namely Wassasa as evidence. It also expounds some areas of deposit products for the poor taking in to account the findings of the survey and indigenous saving and credit culture of the community. The study found that due to lack of saving mobilization the industry is highly dependent on cheap and subsidized source of funds from both international NGOs and national Government; which put the long term sustainability of the institutions in question. It is also the case that deposit products are not tailored to the needs of the poor because they are designed as one package of microloans (as the case of compulsory saving product and the fact that the number of savers mostly is exactly same as the number of borrowers proving that clients save just to qualify for loans instead of for the sake of saving). Further, unavailability of appropriate organizational structure for deposit mobilization has also contributed for a low performance. Moreover, lack of strong management information system and liquidity management opportunities worsens the situation. This study did not look at the main deposit mobilization strategies which are the focus of the current study apart from deposit products and strong management information system. The study mainly focused on organizational structure and liquidity management opportunities.

Using descriptive survey and regression analysis statistics in investigating the relationship between marketing and bank performance in Nigeria, Kosile and Ajala (2012) watched that there is sure and huge connection between relationship promoting and bank execution pointers in Nigeria. It was likewise discovered that immediate and inside promoting are immaterial indicators of bank execution in Nigeria. Etuh (1998) in an investigation of advertising of keeping money benefits in a troubled economy like Nigeria utilizing substance examination. It was discovered that there is sure and critical impact of advertising of managing an account benefits on Nigerian economy as far as loaning devices, for example, advance and advances, overdrafts, different administrations, for example, protection and protection broken, annuity plan, individual and business admonitory administrations. During the time spent investigation, Maina and Manyara (2004) in their article on individual offering a system for advancing bank showcasing revealed that there is absence of promoting correspondence in Indian Banks. They proposed for receiving banks reasonable showcasing advancement techniques for better business. They stressed that on appropriation of individual offering as a technique for advertising advancement in Banks the keeping money business can enhance extensively.

Tuyishime, Memba and Mbera (2015) analyzed the impacts of deposits activation on the bank monetary execution in business banks in Rwanda: A contextual investigation of Equity bank Rwanda constrained. deposits are an irreplaceable instrument business banks use to upgrade its productivity through propelling deposits activated to its clients in type of credits which make consequently enthusiasm to business banks. The loaning action is made conceivable just if the banks can prepare enough finances from their clients. Particular goals of this investigation are to decide the impact of showcasing systems on the money related execution of business banks in Rwanda, to build up the impact of loan cost changes on the budgetary execution of business banks in Rwanda and to decide the impact of saving money innovation presented on the monetary execution of business banks in Rwanda. The objective populace for the examination was the bank directors engaged with deposits assembly to be specific the showcasing group and the branch administration group in Equity bank Rwanda. The exploration utilized an evaluation to contemplate a populace of 27 staff. The fundamental wellspring of information was the essential and auxiliary information. The narrative strategy, the poll as research instruments were utilized to get the information required for the exploration.

Information were prepared by utilization of enlightening insights subsequent to altering have been finished. The PC programming SPSS variant 20 was utilized as a gadget to suit investigation. Pearson and Spearman's connection investigation was utilized to test the idea of relationship. The discoveries showed that larger part of the respondents (85%) affirmed that the brand name of the Equity Bank is perceived in the general population this has made capable defeating challenges for the most part confronting high rivalry with different banks. The promoting methodology utilized made the bank to increment regarding clients and it has prompted the expansion in deposits throughout the years. The discoveries additionally showed that a positive change in deposits financing cost influences the level of deposits s got and later on the gainfulness of the bank. The examination uncovered that the presentation of

creative managing an account innovation has prompted the expansion in deposits with ease rather than the typical method for getting deposits through term deposits and made money related administrations available in the unbanked individuals. Although this study focused on the marketing strategies and banking technology as deposit mobilization strategies, it left out product development and customer focus which are very key deposit mobilization strategies in Saccos (Tuyishime, Memba & Mbera, 2015).

Namara (2011) did a study on the role of financial institutions in deposit mobilization: the case of Pride Sacco Uganda Ltd. The main study objective was to examine the performance level of the pride Sacco in respect to deposit mobilization in rural areas. It has been noted that most banks which are the main financial institutions that have engaged in deposit mobilization have mainly concentrated in the urban areas leaving out the rural areas and this has affected the ability to mobilize savings in such areas, however this problem can be solved by promoting Sacco institutions to concentrate their activities in rural areas but this has not been exploited by them. The study focused on secondary data from the firm which was analyzed using regression analysis. Findings revealed that the performance level of pride Sacco in respect to deposit mobilization in the rural areas revealed a low level of performance. Recommendations are that government should put in place adequate policies for financial institutions to mobilize adequate savings from the rural areas; basically offerings high interest rates could work to attract more customers. This study only focused on the volumes of deposits and regressed them against performance and therefore did not focus on the deposit mobilization strategies.

### **Product Development/Diversification and Growth**

As the critical elements for responsible deposit mobilization are put in place, institutions define their product offerings and implement policies and procedures to manage those products. Branch (2015) presents deposit mobilization as a demand-driven activity aimed at clients who save for the purpose of saving. He states that a savings institution must first convince savers that their savings will be safe and well managed. Then the institution designs and offers savings products that will satisfy the service demands of clients in the local market. Branch focuses on establishing the framework for deposit mobilization through his analysis of key components of the process: products, pricing, account procedures, and savings management.

A continuum of savings products can be developed, ranging from passbook accounts, which offer complete liquidity and lower returns, to long-term accounts with restricted liquidity and high returns. Low-income and small savers have exhibited a willingness to sacrifice returns in exchange for complete access to their funds, whereas larger and wealthier savers generally prefer to sacrifice liquidity in exchange for higher returns on their savings. Savings products are also built by tailoring them to respond to the demands of particular market niches (farmers, transportation agents, or vendors, for example), or to purposes for which clients save (education fees, large purchases, or housing). Product design must be simple and clear to be attractive to savers and to keep administrative costs low (Mudaki, 2011).

Branch (2015) sets out the defining characteristics of products. The core characteristics include: target market, interest rate, minimum opening deposit, minimum balance requirement, withdrawal policy, promotion, and institutional implications. The credit union experience in mobilizing voluntary savings has focused primarily on six savings products: passbook accounts, fixed-term certificates of deposit, youth savings, programmed savings, institutional accounts, and retirement accounts.

As per Laura, Alfred and Sylvia (2009), to prepare more deposits, budgetary establishments offer a scope of funds items that are custom-made to their specific demographic. They offer the most extensive assortment of particular investment funds items, so their clients have a decision between instantly open, fluid items, or semi-fluid records or time deposits with in like manner higher loan costs. Basic and clear plan of fundamental reserve funds items empowers contributors to effortlessly choose the item that best suits their necessities. The straightforward and straightforward outline of the investment funds items likewise empowers staff to oversee them easily, lessening regulatory expenses.

The clients have a decision between promptly open, fluid items, or semi-fluid records or time deposits with as needs be higher loan fees. Client introduction is likewise reflected in the way that straightforward reserve funds items are frequently offered close by more intricate items which enables clients to graduate as their requests change. Straightforward and clear plan of essential investment funds items empowers investors to effortlessly choose the item that best suits their requirements. The basic and straightforward plan of the investment funds items likewise empowers staff to oversee them easily, lessening managerial costs (Abu-Jarad, Yusof and Nikbin, 2010).

Financial institutions with a solid brand (reputation) must distinguish their models (services) and options(products) to differentiate themselves from competitors. When existing products do not meet local demand, new products must be developed to fill the void. Linares cautions that because designing and launching new products can be costly, new products should be developed only where managers have determined through careful study and market research that existing products cannot be adapted to meet the demand (Pagura, 2008).

According to Mazzarol, Mamouni and Reboud (2011) financial markets in general, and specifically the Sacco market, are not made up of uniform collections of people who will be satisfied with cookie-cutter financial services. Rather, the market is a collection of groups and niches with varying demands and preferences. This pattern is consistent with the observations by Branch (2015) that the many small accounts of low-income passbook savers provide a stable source of funds. Linares (2014) touches on how savings institutions can use client relationship management software and databases to capture this kind of information and use it to develop successful products and improve client services.

After defining the market, the next step in the product development process is to research the market to determine whether there is sufficient demand to pilot test a savings product. A product concept is designed and tested, internally and then externally. It is first pilot tested with a group of clients in a controlled market, such as in one of the financial institution's

branch offices. Follow-up market research with this group identifies and fixes any design flaws. Then, the new product is launched onto the market. The launch requires aggressive marketing so that the new product gains momentum to grow in the local market. Linares also suggests that when a new product is developed, it should be related to existing products so that products and services may be bundled or packaged and offered to clients (Birchall, 2012).

Low interest rates on savings forced depositors to take their money out of banks and seek out higher-yielding investments. In the meantime, endeavors to get around deposits rate roofs and hold necessities prompted the monetary development of currency showcase shared assets, which put the banks at a much further burden since investors could now get financial records like administrations while gaining high enthusiasm on their currency advertise common reserve accounts (Mishkin, 2004). Item advancement is expected to expand outreach (Lafourcade, Isern, Mwangi, and Brown, 2005). Growing new items is significant for SACCOs since it builds incomes. Item advancement makes extra esteem and lessens exchange costs related with getting to budgetary administrations (Amha, 2008). As indicated by Brand(1998), item advancement may incorporate advance application time, criteria to get to credit, and change on financing cost. There is an effect made result advancement on SACCOs' execution. Because of this effect, extra items are advertised. These items incorporate crisis credits, protection, and preparing (Brau and Woller, 2004). Item advancement can diminish loaning expenses and increment the interest for advances

SACCOs can utilize this experience and that is the reason The International Bank for Reconstruction and exceed and to comprehend country customers 'needs, dangers, and openings and create specific items. The part of item improvement can be found in business sectors where assortments of administrations are favored by needy individuals (Mulunga, 2010). These administrations incorporate reserve funds, protection, and money exchange contingent upon conditions. While some Sacco specialist organizations are exceptionally inventive in presenting new items, others are happy with a solitary item. The individuals who concentrate just on advances are less effective and are less profitable than their partners. They are additionally less operationally independent and consequently, can be derived that they are less manageable (Barry and Tacneng, 2009). The significance of item expansion is acknowledged and it has prompted higher number of borrowers and savers (Barry and Tacneng, 2009). Adjustment of the items is expected to build outreach. Inability to do as such can prompt wasteful aspects and poor profitability.

This is an open door for the social orders to search for less expensive wellsprings of assets to acquire and loan to their individuals at the great financing costs. Such reasonable valued advances are found in KUSCCO ltd through their between loaning office where they could get subsidizing from the young reserve to provide for SACCOs for ahead loaning to the adolescent in the SACCOs. Having these assets can enable the general public to build its participation by offering the young deposits kitty to the ambitious nonmembers will's identity keen on the cash. Along these lines the social orders need to do a considerable measure showcasing and research to remain at standard with the business sectors (Ofei, 2001).

## **Product Marketing and Growth**

Imaginative and inventive showcasing systems are critical for the accomplishment of deposits activation. Market ponders are vital for growing new investment funds items. Statistical surveying incorporates examination of potential clients. The most imperative target in any business association is to distinguish and fulfill clients and accordingly, showcasing is focal in any business firm. Showcasing in any association is to recognize the most gainful advertising administrations now and later on and evaluating the present and future needs of clients. It includes defining business objectives; making arrangements to meet them and overseeing administrations such that those plans are accomplished (Nwite, 2011). Promoting hypothesis and practice are legitimized in the conviction that clients utilize an item or administration since they have a need, or in light of the fact that it gives an apparent advantage (Kotler and Keller, 2006). Two central point of advertising are the enrollment of new clients (securing) and the maintenance and extension of associations with existing clients (base administration).

Showcasing procedure is utilized when current items are sold in new markets (Jobber, 1998). It is a methodology that uses introduce items. It might include moving into new geological markets or by moving into new market portions (Jobber, 1998). For administrations, a firm takes after market advancement methodology in the event that it concentrates on new markets with the current administrations. Here, the firm makes progress toward client securing by offering its new administrations to advertise sections which were not its past clients (Bruhn and Georgi, 2006). SACCOs' market advancement is an every now and again bringing issues to light about the SACCOs and their items, habitually reassuring non-individuals to join the SACCOs and much of the time urging individuals to expand their investment funds. By urging individuals to expand their reserve funds, it is accepted that, the SACCOs will build their GLP which will in the long run pull in non-individuals (planned borrowers) to join the SACCOs.

The essential goals of promoting exercises in a funds organization are: to recognize and draw in the net savers in the neighborhood advertise; to enhance the aggressiveness of administrations; and to develop people in general picture of the foundation. A key pointer of an effective showcasing technique is the capacity of the funds organization to draw in an expansive blend of the two savers and borrowers on a scale adequate to produce the profit important to manage administrations and institutional development. Effective funds establishments assign no less than one staff part to be straightforwardly in charge of promoting exercises (Kanji, 2013).

The marketing effort may involve market research or feasibility studies to examine demographic and economic characteristics of the local market. As Linares points out, quantitative research provides data from secondary information sources such as census and databases. Qualitative data is gathered from primary sources, such as focus groups and client surveys. Linares (2014) provides an overview of commonly-used quantitative and qualitative market research tools. Branch (2015) and Linares (2014) each highlight the importance of market studies. Savings institutions conduct market studies to analyze the services provided

by other financial institutions in the local market. These studies profile the clients' use of financial services and compare the competitive characteristics of services: prices, terms, minimum balances, convenience, waiting periods, service variety, and sophistication of products. The studies also compare interest rates on similar products among institutions. This information can guide managers in defining strategies for new product development, service improvement, and marketing activities.

Jussila, Byrne and Tuominen (2012) states that an institution should have a defined marketing plan in place, since marketing is a critical element in launching a deposit mobilization program. Linares builds on this idea and discusses the essential points of an effective marketing plan: specific objectives, goals, activities, and indicators for evaluation of impact. A marketing plan also establishes a budget for the marketing activities. In all cases, the marketing plan must be compatible with the annual business plan of the institution. Because of the nature of cash deposits, there are no real substitute's for over-the-counter transactions. Linares (2014) highlights how savings institutions can open branches to expand their outreach to new clients and new communities. He offers information on five different levels of branches.

The branded image is reinforced with appealing names, attractive logos, standardized printed materials, and uniforms. An attractive physical infrastructure strengthens the perception of the brand. Savings institutions need physical facilities that project an image of security: secure doors, grills for windows and air conditioners, strong boxes, vaults, and security systems. Well-lit, bright, and clean teller areas and lobbies are reassuring to savers. Uniformity of presence reinforces the image of professionalism. Branch (2015) points out that branding can be applied to products as well as institutional images. Savings institutions give appealing and memorable names to savings products in order to associate them with a high-quality image. Names may be assigned based on account size: platinum, gold, or silver, or according to purpose, home improvement savings or school fee accounts. Consistency of the product image and branding is carried through on brochures, lobby signs, posters, and paper forms and applications. Later, Ngula (2012) point out that institutions must be sure to use appropriate marketing strategies for each market niche in their efforts to manage the costs related to deposit mobilization.

Venkatesan (2012) notes that, although marketing through mass advertising can be expensive, it can also be cost-effective in reaching large numbers of low-income savers. Brochures and other direct marketing materials are important marketing tools, but they do not constitute a marketing strategy by themselves. The marketing tools are used in combination as components in a larger marketing strategy. Special trademarks and product labels attract customers by reflecting their motives for saving. Like other authors, Borzaga and Galera (2012) recognize that security and convenience are the primary reasons for which savers select a savings institution. In most cases, interest rates are secondary to that selection. They concludes that savings institutions should try to attract savers by providing high quality service and offering rates that are competitive in the market, and not by offering rates that are higher than market rates. Linares (2014) clarifies that fixed-term deposits require a different



marketing approach than passbook accounts. Users of fixed-term products are looking for the best interest rate for a given term.

Confidence is a precondition for capturing savings. This may require the overcoming of social and social boundaries, especially for smaller scale customers. Particular showcasing procedures concentrated on this angle can convey the organization nearer to their clients. A wide branch arrange, support of get-togethers, linkages with experts and group pioneers, and supporting football matches and shows add to building up solid connections amongst clients and deposits taking organizations. As indicated by Makori, Munene and Muturi (2013), money related establishments utilize lotteries in which all savers holding a predefined least adjust take an interest. Notwithstanding pulling in savers by offering prizes, illustrations are sorted out as group occasions and generously increment social nearness to customers.

SACCOs must contend. They can contend well by building up the market through broadening into specialty showcase that banks can't reach. They can likewise effectively seek after specialty advertises and do substantially more proactive showcasing of administrations (IBRD, 2004). Nonetheless, after doing market advancement, there are a few difficulties related with serving the poor, for example, the expanding requirement for capital and the requirement for reasonable framework in exceptionally poor zones (Valdemar, Encinas, & Imperio, 2007). The advancement of the MFI and its items to new or forthcoming individuals or clients, for example, the battle to bring issues to light, to urge them to end up individuals, to induce new individuals to spare their cash and take advances, can pull in and increment all the more new clients of Sacco items (Matul, Szubert, Cohen, & McGuinness, 2006; Wright, Cracknell, Mutesasira, and Hudson, 2003).

A case in point is Stima SACCO which has employed marketing officers, whose responsibility is marketing and business development. The SACCO has not been experiencing serious liquidity problems over the years, but with the current competition, it has to seek ways to mobilize more deposits and re-package its loan products. The SACCO has been unable to introduce a loan whose repayment period goes beyond 48 months, and this is now becoming a challenge due to the competition that offers a repayment period of 60 months and beyond (WOCCU & FSD, 2007).

### **Customer Focus Strategy and Growth**

In the present business condition with tight edges and furious rivalry, the client encounter is the thing that decides if an organization will be fruitful. Because of this acknowledgment, SACCOs must grasp the client relationship centered culture to pick up a focused edge. SACCOs must consider its particular circumstance and its individuals' needs and desires. This will thus help enhance individuals' maintenance, enhance items and distinguish those that are most beneficial individuals. One of the continuous difficulties SACCOs confront, is in enhancing consumer loyalty and creating client relationship administration.

With a specific end goal to raise consumer loyalty levels SACCOs must put resources into choosing the right individuals who have the utilitarian, specialized capability as well as have

the correct state of mind. Research has demonstrated that disposition is the most essential necessity aptitudes and useful skill can be thought. SACCOs should consistently create, propel and deal with its representatives to assemble client relationship culture that depends on specialized and relational aptitudes. SACCOs must put resources into building up effective administration conveyance procedures and systems that seem straightforward to the client and enhance client communication with the SACCO. SACCOs must form in constant change in benefit conveyance particularly when things turn out badly by telling the numbers about such circumstances ahead of time or convenient (Bruhn and Georgi, 2006).

Trust is an imperative component in building client relationship and all things considered genuineness comes way. While a SACCO may have substantial motivations to withhold awful news, it is important that a postponement or mutilation can do significantly more harm to a relationship than terrible news immediately uncovered. Input is another essential component in keeping up great clients' relations with individuals as this aides in enhancing administration conveyance. Staff ought to be prepared to deal with individuals' grievances adequately by utilizing the correct blend of compassion, conciliatory sentiment and determination. Keeping in mind the end goal to convey exceptional administration, it is fundamental to manufacture a client relationship centered culture (Nwite, 2011). This can take number of years can include changing the way SACCOs works in all parts of administration conveyance.

The time venture is long haul client devotion and guaranteeing business benefit. Presentation of site for data spread and e-saving money: A site is a gathering of data put away on a PC and seen on the World Wide Web. The site can be seen locally or globally making it the freshest media used to trade and assemble data and thoughts. It empowers clients to discover all the data they require about the items, for example, the administrations gave. The items offered item pictures with specifics and costs, area of the business/association and where the administrations are offered, and exceptional offers to customers. Its favorable position is that it contacts a worldwide gathering of people, and enables one to convey the commercial to a focused on group of onlookers in a way that really gets the message through to this focused on crowd. As deposits, one can utilize a site to offer items and take orders for administrations round the clock without contribution of people as the whole procedure can be mechanized (Madura, 2011).

Linares (2014) emphasizes that the best promotional strategy for deposit mobilization is to create an association between the products and the perception of high-quality client service. He describes three components of high-quality service: speed, response, and convenience. Long waits in lines, insufficient tellers, excessive bureaucracy, unclear procedures, or rude treatment by the staff will turn away savers. Managers can minimize these unfavorable effects by training staff and by preparing systems to provide timely and accurate responses to client inquiries.

Mulunga (2010) stresses the importance of client relations, particularly in the context where an institutional response is required. For most savers, convenience is characterized by physical proximity, hours of access, transaction requirements or costs, speed of transactions,

and product access. The physical proximity of the savings institution facility determines the cost and time required for the saver to go to the deposit facility. For many vendors, time away from their business has a high opportunity cost. For many small savers, the cost of paying for transportation from their locale to a distant office may exceed the average small deposit. Savings institutions respond by locating their offices in high-traffic markets or town centers and by opening minimal infrastructure branches to serve rural communities and urban centers.

The savings institution must provide service hours that are compatible with the schedules of savers in the local market. Savings institutions should offer service on weekends, extend evening hours, or open service windows to provide minimal services when the lobby is closed. Convenient access also requires an adequate physical layout of space, sufficient human resources, and simple, streamlined procedures (Amha, 2008). Service quality for a Sacco could be efficiency and speed, friendliness of personnel, value adding technology of the to the customer, proximity and convenience of the Sacco to customer and extra services provided for minimal costs.

## **RESEARCH METHODOLOGY**

### **Research Design**

This study used a descriptive research design. The descriptive approach is quick and practical in terms of the financial aspect. A descriptive design is concerned with determining the frequency with which something occurs or the relationship between variables (Bryman & Bell, 2011). Thus, this approach is suitable for this study, since the study intends to collect comprehensive information through descriptions which will be helpful for identifying variables. Bryman and Bell (2011) assert that a descriptive design seeks to get information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. In addition, this design is appropriate because it is considered suitable for gathering information and generating appropriate conclusions with respect to the research questions (Mugenda & Mugenda, 2003).

### **Target Population of the Study**

The target population of this study was 38 authorized deposit taking SACCOs in Nairobi (Appendix V), Kenya that have been in existence for at least the last 5 years. The target population composed of Members of the SACCOs, Board members, Branch Managers, Cooperative Ministry/regulatory officials, Operations Managers and other stakeholders of each SACCO. SASRA (2014) in their SACCO supervision report for the year 2016 indicates that there are 38 deposit taking SACCOs in Nairobi, Kenya.

### **Sample and Sampling Technique**

Stratified sampling technique was used to obtain a sample for the study. A Stratified examining is a likelihood inspecting outline that initially isolates the populace into important non covering subsets, and after that arbitrarily picks the subjects from every subset Sekaran

and Bougie (2011) while Mugenda and Mugenda (2003) and Kothari (2001) consent to this definition. Straightforward irregular examining is a likelihood inspecting plan in which each component in the populace has a known and equivalent possibility of being chosen as a subject Sekaran and Bougie (2011). An example populace of 286 is touched base at by figuring the objective populace of 1127 with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari (2004).

$$n = \frac{z^2 \cdot N \cdot \hat{p}^2}{(N - 1)e^2 + z^2 \hat{p}^2}$$

Where: n = Size of the sample; N = Size of the population and given as 1127; e = Acceptable error and given as 0.05;  $\hat{p}$  = The standard deviation of the population and given as 0.5 where not known; Z = Standard variance at a confidence level given as 1.96 at 95% confidence level

### **Data Collection Instruments**

Data was collected through self-administered questionnaires. Primary data was collected through administering of questionnaires to Members of the SACCOs, Board members, Branch Managers, Cooperative Ministry/regulatory officials, Operations Managers and other stakeholders of each SACCO. The researcher did not in any way influence the opinion of the respondents while filling the questionnaire. The initial segment (area An) of the poll was tended to the respondent's general data while segment B addressed the examination targets. This was given to the people who have an immediate course of the examination. Polit and Beck (2003) watch that controlling polls is a well-known technique for information gathering in many orders as a result of the relative straightforwardness and cost viability with which they are built and managed to extensive specimens. Information from the governing body and service authorities might be produced through meetings.

### **Data Analysis and Presentation**

The study employed descriptive analysis technique on both primary and secondary data. In both cases, the study used SPSS (Version 24) in the analysis and data output was tabulated. Data was presented by use of graphs and tables and qualitative information presented in prose-form. Percentages, means and standard deviations were calculated to help in describing the data. Growth of Deposit taking Saccos was regressed against four variables. To draw out the quantitative importance of the information, connections and expectations among factors were resolved utilizing relationships and relapse systems (Swift and Piff, 2010). Pearson's Product Moment Correlation coefficients among all factors were processed to discover how they are identified with each other in the example. Moreover, a various direct relapse (MLR) model was hurried to measure the consolidated impact of the commitment of store assembly methodologies to development of funds and credit agreeable social orders. The different relapse display is picked on the grounds that it is helpful in building up the relative significance of free factors to the needy variable (Bryman and Cramer, 2012). Such significance is found from institutionalized relapse coefficients (beta-weights), whose sizes

demonstrate how much relative effect the autonomous factors have on the reliant variable, while the negative and positive signs related with the coefficients indicate negative and positive effects separately (Park, 2008). Additionally, it is perfect for the reliant variable to be recorded at a constant level of estimation. The equation was expressed in the following equation:

$$Y_s = \beta_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + \varepsilon$$

Where:  $Y_s$  = Growth of Deposit taking Saccos;  $B_1 \dots B_4$  = regression coefficient of five variables;  $\beta_0$  = constant (coefficient of intercept);  $X_1$  = Product Development;  $X_2$  = Product Marketing;  $X_3$  = Technological innovations;  $X_4$  = Customer focus strategy;  $\varepsilon$  = Error term

## **RESEARCH RESULTS**

The study sought to examine the effect of product development on the strategic growth of SACCOs in Kenya. The study revealed that product development/diversification affects the growth of savings and credit cooperatives very greatly. The study also found that group lending very greatly affects the growth of savings and credit cooperatives while new product development/ product line extension greatly affect the growth of savings and credit cooperatives. The study also showed that mode of disbursement, savings products range as expressed and interest on loan/ Interest rates also affect the growth of savings and credit cooperatives greatly. The study further revealed that packaged/customized accounts, flexibility in changing the types of loans and innovation capability affect the growth of savings and credit cooperatives moderately.

The study further sought to assess the effect of product marketing on the strategic growth of SACCOs in Kenya. The study found that product marketing affects the growth of savings and credit cooperatives moderately. The findings show that social networking, promotion/advertising/ campaigns and sales leadership greatly affect the growth of savings and credit cooperatives. The study also showed that market segmentation and education and sensitization affect the growth of savings and credit cooperatives in a great extent. Further the study findings revealed that use of multi-channel communication vehicles and branch network/ agencies and access points moderately affect the growth of savings and credit cooperatives.

The study sought to examine the effect of customer focus strategy on the strategic growth of SACCOs in Kenya. The study reveals that customer focus strategy affects the growth of savings and credit cooperatives greatly. The study results showed that customer services quality and low Fees/Charges greatly affect the growth of savings and credit cooperatives. The study results also show that efficiency and speed and extension of working hours also affect the growth of savings and credit cooperatives greatly. The study results further reveal that loan application processing time and customer relationship management affect the growth of savings and credit cooperatives in a moderate extent.

### **Diagnostic Tests for Regression Assumptions**

The testing for normality in this study was conducted using Kolmogorov Smirnov test and Shapiro Wilk test.

**Table 1: Checking for Normality of Growth of Saccos**

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Product Development	0.211	208	0.00	0.931	136	0.00
Product Marketing	0.211	208	0.00	0.931	136	0.00
Customer focus strategy	0.211	208	0.00	0.931	136	0.00

Thus, Table 1 indicates that using both tests of normality, which is Kolmogorov Smirnov test and Shapiro-Wilk tests, the p-value for both tests, is less than 0.05, thus the study rejected H0 and a conclusion was made that data on both the dependent and the independent factors were not normally distributed and as a result it helps to predict dependent variables.

The study utilized Collinearity Statistics to find out whether the independent variables are adequately correlated to show a substantial causal correlation.

**Table 2: Collinearity Statistics**

Model	Collinearity Statistics	
	Tolerance	VIF
Product Development	.127	7.875
Product Marketing	.166	6.008
Customer focus strategy	.103	9.749

Based on the coefficients output, Product Development had a VIF value of 7.875, Product Marketing had a VIF value of 6.008 and Customer focus strategy had a VIF value of 9.749. The VIF values for all the variables were less than 10 implying that there was no Multicollinearity symptoms.

If the errors are correlated with one another, it would be stated that they are ‘serially correlated’. A test of this assumption is therefore conducted. The first test was Durbin-Watson which is shown in the regression output of the model.

**Table 3: Model Summary<sup>b</sup>**

Model	Durbin-Watson
1	1.138 <sup>a</sup>

As per this test expressed in table 3, the value of Durbin--Watson for the model is 1.138 which is far from 2. Thus, the null hypotheses were rejected for the model so there is a problem of autocorrelation.

Linearity test was done using the regression coefficients. The researcher rejects the null hypothesis if the p values are less than 0.005. The result for linearity tests are shown in table 4.

**Table 4: Linear Coefficients**

Variable	Beta coefficients	P-values
Product Development	0.682	0.006
Product Marketing	0.799	0.013
Customer focus strategy	0.603	0.002

As per the table, all the variables had beta coefficient of above 0.6. This therefore implies that all the variables exhibited linearity and that they were significant since their p-values were less than 0.005. Therefore, the entire null hypotheses were rejected.

A correlation is a number between -1 and +1 that measures the degree of association between two variables. A positive value for the correlation implies a positive association while a negative value for the correlation implies a negative or inverse association. The Correlation coefficients are presented in Table 5.

**Table 5: Correlation Coefficients**

		Growth of Savings and Credit Cooperatives	Product Development	Product Marketing	Customer focus strategy
Growth of Savings and Credit Cooperatives	Correlation	1			
	Sig. (2-tailed)	.			
Product Development	Correlation	.718			
	Sig. (2-tailed)	.021			
Product Marketing	Correlation	.828	.497	1	
	Sig. (2-tailed)	.015	.000	.	
Customer focus strategy	Correlation	.618	.420	.531	1
	Sig. (2-tailed)	.013	.018	.0	.

The analysis of correlation results between the product development and growth of savings and credit cooperatives show a positive coefficient 0.718, with p-value of 0.021. It indicates that the result is significant at  $\alpha = 5\%$  and that if the product development increases it will have a positive effect on the growth of savings and credit cooperatives. The results also show that there is a positive association between product marketing and growth of savings and credit cooperatives where the correlation coefficient is 0.828, with a p-value of 0.015. Further, the result shows that there is a positive association between customer focus strategy and growth of savings and credit cooperatives where the correlation coefficient is 0.618, with a p-value of 0.013. This concurs with Mwakajumilo (2011) who notes that SACCOs in Africa are still crawling, as there are only 28 countries that have established vibrant SACCOs.

### Regression Analysis

The study used a regression model to test the hypothesis between product development, product marketing and customer focus strategy and growth of savings and credit cooperatives.

**Table 6: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.825	0.681	0.676	1.657

The outcome of table 6 found that adjusted R-Square value (coefficient of determination) is 0.676, which indicates that the independent variables (product development, product marketing and customer focus strategy) explain 67.6% of the variation in the dependent variable (growth of savings and credit cooperatives). This conforms to Branch (2015) who presents deposit mobilization as a demand-driven activity aimed at clients who save for the purpose of saving and states that a savings institution must first convince savers that their savings will be safe and well managed.

**Table 7: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1228.85	3	409.617	147.835	0.000
	Residual	576.32	208	2.771		
Total		1805.17	211			

The results are shown in Table 7 above which found that the model had predictive value and thus it was significant. This was because its p-value was less than 5%,  $p=0.000$  and F calculated (147.835) was significantly larger than the critical F value (2.6049). These findings are in line with Linares (2014) notes that trustworthiness and client confidence are critical to the continuing existence of a savings institution.

Model coefficients provide unstandardized and standardized coefficients to explain the direction of the regression model and to establish the level of significance of the study variables. The results are captured in Table 8.

**Table 8: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.253	0.217		5.774	0.000
Product Development	0.682	0.236	0.523	2.890	0.006
Product Marketing	0.799	0.306	0.634	2.611	0.013
Customer focus strategy	0.603	0.191	0.438	3.157	0.002

The equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$ ) becomes:

$$Y = 1.253 + 0.682X_1 + 0.799X_2 + 0.603X_3$$



The findings showed that if all factors (product development, product marketing and customer focus strategy) were held constant at zero growth of savings and credit cooperatives will be 1.253. The findings presented also show that taking all other independent variables at zero, a unit increase in the product development would lead to a 0.682 increase in the scores of growths of savings and credit cooperatives. This variable was significant since  $0.006 < 0.05$ . This conforms to Branch (2015) who presents deposit mobilization as a demand-driven activity aimed at clients who save for the purpose of saving and states that a savings institution must first convince savers that their savings will be safe and well managed.

Further, the findings show that a unit increases in the scores of products marketing would lead to a 0.799 increase in the scores of growths of savings and credit cooperatives. This variable was significant since  $0.013 < 0.05$ . This conforms to Jussila, Byrne and Tuominen (2012) who states that an institution should have a defined marketing plan in place, since marketing is a critical element in launching a deposit mobilization program.

The study also found that a unit increase in the scores of customers focus strategy would lead to a 0.603 increase in the scores of growths of savings and credit cooperatives. This variable was significant since  $0.002 < 0.05$ . This correlate with Haque et al. (2009) who argue that understanding the inspirations, expectations and requirements of both provide a foundation in how to provide best services to the customers. It may even provide information on making improvements in the nature of business.

## **CONCLUSIONS**

The study concluded that the product development affects strategic growth of SACCOs in Kenya positively. The study deduced that product development/diversification affects the growth of savings and credit cooperatives very greatly. The study also found that group lending very greatly affect the growth of savings and credit cooperatives while new product development/ product line extension greatly affect the growth of savings and credit cooperatives. The study also showed that mode of disbursement, savings products range as expressed and interest on loan/ Interest rates also affect the growth of savings and credit cooperatives greatly. The study further concluded that product marketing greatly and significantly affects the strategic growth of SACCOs in Kenya. The study found that product marketing affects the growth of savings and credit cooperatives moderately. The study also showed that market segmentation and education and sensitization affect the growth of savings and credit cooperatives in a great extent. Further the study findings revealed that use of multi-channel communication vehicles and branch network/ agencies and access points moderately affect the growth of savings and credit cooperatives. The study finally concluded that customer focus strategy affects the strategic growth of SACCOs in Kenya greatly, positively and significantly. The study reveals that customer focus strategy affects the growth of savings and credit cooperatives greatly. The study results also show that efficiency and speed and extension of working hours also affect the growth of savings and credit cooperatives greatly. The study results further reveal that loan application processing time and customer relationship management affect the growth of savings and credit cooperatives in a moderate extent.

## **RECOMMENDATIONS FOR POLICY AND PRACTICE**

Saccos and other organizations should pursue diversification strategies as a strategic goal which businesswise is health as business risks are spread over different business lines. Capital resources are effectively allocated bringing back stable profits and even enhanced shareholder value. Emerging attractive business opportunities can only be utilized through the application of diversification strategies which increases shareholders' financial gains. The study also recommends that the Saccos should endorse product marketing since it is believed to greatly affect their growth positively. This can be done through planned promotions, road shows as well as product sensitization. This will in turn improve the customers' awareness of the available products and hence lead to an extended exposure of the products.

The study further recommends that Saccos should improve the customers' services quality. This can be through ensuring that the customers' needs are met through provision of quality services such as a well-planned customer care services as well as delivery of quality products. This will motivate the customers more to be associated with the Sacco and hence enhance its growth. There is need for enhanced education to members of the Sacco to increase the membership base. The board of directors of Sacco should embrace transparency to enable members understand the operations of the committees of the Sacco that discharge very important function in the Sacco. The digital era should be embraced by all stakeholders; the internet facility which is the current tool to get information should be encouraged to be used by all Saccos.

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