REVIEWED JOURNAL INTERNATIONAL of BUSINESS MANAGEMENT
ISSN 2663-127X

Vol. 5, Iss. 1 (2024), pp 283 – 298, June 17, 2024. www.reviewedjournals.com, ©Reviewed Journals

COMPETITIVE STRATEGIES AND PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA

[1]Samuel Kuria Allan, [2] Prof. Enos Ezne, PhD & [3] Dr. Dorcas W. Kibathi, PhD

[1] PhD Candidate, Kingdom Theological University, Kenya
[2] Professor, Kingdom Theological University, Kenya
[3] Lecturer, Kingdom Theological University, Kenya

Accepted: June 10, 2024

DOI: https://doi.org/10.61426/business.v5i1.213

ABSTRACT

This study sought to evaluate the impact of competitive strategy on the performance of deposit-taking savings and credit societies (SACCOs). SACCOs have long been a strong pillar of the Kenyan financial sector and have played a key role in deepening financial inclusivity, thus their financial health was a significant benefit to the economy. The importance of competitive strategy in driving SACCO performance could not be underestimated, as a competitive strategy specified the path a firm would employ to gain a competitive advantage. Three objectives were pursued: the effect of cost leadership, the impact of innovation strategy and the size of the firm. The research targeted 176 SACCOs, involving 319 respondents. Both qualitative and quantitative methods were employed, with SPSS used for analysis. Regression analysis showed significant positive correlations between competitive strategies and SACCO performance. Cost leadership had the strongest impact, followed by hybrid strategies and innovation. Regression analysis further revealed the importance of these strategies, with cost leadership demonstrating the strongest positive impact on competitiveness (Beta = 0.522, $p < 0.000$), followed by innovation (Beta = 0.406, $p < 0.000$).Based on the findings, SACCOs are recommended to adopt diversified approaches, embrace technology-focused competitive strategies, prioritize staff training and development, adhere to regulatory requirements, and maintain adequate capital reserves. Furthermore, suggestions for further study include longitudinal analyses, comparative studies across diverse SACCOs, empirical validation through quantitative surveys, qualitative inquiry methods, impact evaluations, and policy analyses.

Key Words: *Cost Leadership, Competitive Strategies, Innovation Strategy and Size of the Firm*

CITATION: Allan,S. K., Ezne, E., &. Kibathi, D. W. (2024). Competitive strategies and performance of deposit taking savings and credit co-operative societies in Kenya. *Reviewed Journal International of Business Management*, 5 (1), 283 – 298. https://doi.org/10.61426/business.v5i1.213

INTRODUCTION

Obondi (2018) discussed the cost leadership strategy by stating that the primary goal of this strategy is to lower a company's operational expenses, ensuring that it delivers the lowest pricing in the market. This allows the company to share the cost savings from the supply of similar services with its clients. Several actions must be taken for this strategy to be successful, including regularly hiring skilled workers to reduce the costs associated with training new hires, ensuring adequate overhead controls, avoiding the use of marginal cost accounts, and lowering advertising expenses, among others. The primary goal of this strategy is to guarantee that a certain firm has the lowest rates compared to rivals in the same sector, attracting more individuals to the business. Innovation stands as a crucial element in implementing a differentiation strategy. Schumpeter, in "Innovation and Entrepreneurship," emphasizes the necessity of constantly innovating and presenting inventive financial products. By regularly introducing new products that cater to the changing needs of respondents, SACCOs can maintain a competitive edge, attracting a broader customer base, and elevating their overall performance."

Savings and Credit Cooperatives (SACCOs) play a pivotal role in Kenya's financial sector, especially in providing financial services to individuals and small businesses. These SACCOs have increasingly embraced technology and digital platforms to bolster their competitive edge. By offering services such as online banking, mobile money transfers, and digital loan disbursements, they have significantly improved convenience and accessibility for their respondents. This strategic shift has not only attracted tech-savvy customers but has also streamlined their operations (Ocholla & Majanga, 2019). To maintain their competitiveness, Kenyan SACCOs have diversified their product portfolios beyond traditional savings and credit services. They have introduced specialized products tailored to the specific needs of various customer segments, such as youth savings accounts, education loans, and agricultural financing. This approach allows SACCOs to draw in and retain a broader customer base (Makau & Ouma, 2017).

Recognizing the importance of member education and financial literacy in enhancing their competitive advantage, SACCOs in Kenya are proactive in providing financial education programs, workshops, and training sessions. These initiatives empower their respondents to make informed financial decisions, leading to improved member loyalty and overall SACCO performance (Wekesa & Kosimbei, 2018).

Additionally, SACCOs in Kenya have established partnerships and collaborations with other financial institutions, including commercial banks and microfinance institutions. These alliances enable SACCOs to broaden their outreach, access specialized financial products and services, leverage shared resources, and enhance their competitive edge in the market (Korir, 2021). The performance of SACCOs in Kenya is assessed through various indicators such as financial sustainability, loan portfolio quality, liquidity management, member satisfaction, and outreach to the unbanked population. The SACCO Societies Regulatory Authority (SASRA) in Kenya diligently monitors and evaluates SACCOs' performance based on these indicators, ensuring compliance with regulations and fostering a healthy cooperative sector (SASRA, 2022).

Statement of the Problem

Parallelly, Maina's 2018 research ventured into the realm of differentiation strategies and their tangible impact on the performance of deposit-taking SACCOs in Murang'a County. The study illuminated the extensive adoption of differentiation strategies among participating SACCOs, denoting a mean score of 4.05 with a standard deviation of 0.85. Notably, regression analysis disclosed a robust positive correlation ($r=0.672$) between the adoption of differentiation strategy and SACCO performance, further reinforced by a statistically significant p-value ($p=0.00$). SACCO products were expressly designed to cater to the diverse needs of various social classes, employing price discrimination as a strategy to align with the varying demands of the customer base.

A comprehensive study investigating the effect of competitive strategies on the performance of deposit-taking savings and credit co-operatives (SACCOs) in Kenya represents a crucial step forward in addressing several knowledge gaps identified in the studies conducted by Kyeha (2019) and Maina (2018). Firstly, methodologically, both studies provide valuable insights but focus on specific aspects, such as customer retention, market penetration, and differentiation strategies. By examining a broader spectrum of competitive strategies, the research bridged the methodological gap and offer a more holistic view of the strategies that SACCOs employ. Conceptually, Kyeha's (2019) and Maina's (2018) studies primarily delve into the effect of specific strategies without a thorough exploration of the underlying mechanisms and their interplay. This research delves deeper into the conceptual underpinnings of competitive strategies in the SACCO context, shedding light on how these strategies work in tandem to impact performance. Furthermore, the proposed study, conducted in a distinct Kenyan context, would address the contextual gap by examining the regional variations and nuances that may exist in SACCO performance and competitive strategies, providing a more comprehensive understanding of these financial institutions in Kenya. Generally, this research contributed significantly to the existing body of knowledge by addressing these methodological, conceptual, and contextual knowledge gaps.

Objectives of the Study

The main objective of this study was to evaluate the effect of competitive strategies on performance of deposit taking savings and credit co-operatives in Kenya

- To evaluate the effect of cost leadership strategy on the performance of deposit-taking savings and credit co-operatives in Kenya.
- To analyze the effect of the Innovation Strategy on the performance of deposit-taking savings and credit co-operatives in Kenya.
- To determine the moderating effect of the size of the firm on the relationship between competitive strategies and the performance of deposit-taking savings and credit co-operatives in Kenya.

LITERATURE REVIEW

Theoretical Review

Transaction Cost Theory

Transaction Cost Theory (TCT), often referred to as transaction cost economics (TCE), has become a fundamental lens for understanding organizational boundaries in organizational economics (Cuypers et al., 2021). Coase (1937) first introduced this idea, and Williamson (1979) further developed it. TCE views a firm as a governance structure with associated transaction costs, challenging the neoclassical view that sees it as a production function with zero transaction costs (Rindfleisch, 2020). According to TCE, the costs involved shape the nature of transactions, including what is exchanged and the settings in which transactions occur. Contracts emerge as a result of agreements between transaction parties, needing a governance structure to mitigate risks linked to opportunistic behavior. TCE suggests that organizations choose governance structures, like alliance partnerships, to minimize transaction costs based on behavioral assumptions (perceived opportunism controllability, bounded rationality, and risk neutrality) and transaction characteristics (asset specificity, uncertainty, and transaction frequency).

TCE's broad applicability covers any scenario resembling a contracting problem (Peng, 2021), influencing not only economics but also strategic management, general business research, and international business (Rindfleisch, 2020). It provides a framework for understanding why partnerships exist, grow, and acquire specific capabilities. Williamson (1988) noted that businesses engage in asset transfers to save costs and reduce bureaucracy, emphasizing that markets and organizations have evolved into frameworks that facilitate business transactions.

Transaction Cost Theory (TCT) is a significant economic concept initially formulated by Ronald Coase and expanded upon by Oliver Williamson, focusing on understanding the costs involved in economic transactions and their influence on market structures and firm behavior. Concerning gaining competitive advantages, TCT offers valuable insights into how firms can establish and maintain a competitive edge. TCT underscores that economic actors, such as firms, encounter various costs beyond the price of goods or services during market transactions, including search and information costs, bargaining costs, contract costs, and enforcement costs. A profound understanding of these transaction costs is vital for firms to organize their activities efficiently and attain a competitive advantage.

A key implication of TCT for gaining a competitive advantage is deciding whether to internalize activities or outsource them. When transaction costs are high, it becomes advantageous for firms to vertically integrate, bringing activities in-house, thereby reducing dependence on external partners, minimizing uncertainties, and gaining better control over processes, resulting in cost savings, improved coordination, and enhanced efficiency. TCT also examines different governance mechanisms employed by firms to manage transactions effectively, ranging from hierarchical structures to market-based arrangements and relational contracts. The appropriate selection of governance mechanisms minimizes transaction costs, enhancing flexibility and adaptability to changing market conditions, thus becoming a competitive advantage (Rindfleisch, 2020).

Asset specificity, which pertains to investments tailored to unique transaction requirements, plays a crucial role in establishing a competitive advantage. Firms can strategically invest in assets aligning with their core competencies, creating formidable barriers to entry for competitors and establishing a unique advantage that is challenging to replicate. Nurturing positive relationships with suppliers, customers, and stakeholders, referred to as 'relational competence' in TCT, is essential. Establishing and maintaining cooperative relationships helps reduce opportunistic behavior, promote information sharing, enhance coordination, and streamline transactions, ultimately improving overall performance.

In dynamic market environments, flexibility and adaptability are paramount for gaining a competitive advantage. Firms with lower transaction costs can swiftly respond to new opportunities or challenges, continually evaluating their transaction costs and adjusting organizational structures and strategies accordingly (Hennart & Verbeke, 2022). The implementation of a cost leadership approach has enormous potential for improving the competitive position and overall performance of deposit-taking savings and credit cooperative societies (DT-SACCOs) in Kenya. To cut expenses connected with providing financial services to their respondents, DT-SACCOs can optimize their internal processes and procedures by placing a high priority on operational efficiency. Additionally, these cooperatives stand to gain from economies of scale, which can drastically lower per-unit transaction costs and operational expenses, as they increase their respondentship base and asset portfolio. Additionally, by incorporating Transaction Cost Theory (TCT) into their strategy framework, DT-SACCO management is now better able to comprehend all of the costs associated with transactions that are inherent in their business operations.

Schumpeter's Theory of Innovation

Schumpeter's Theory of Innovation, developed by economist Joseph Schumpeter in 1934, emphasizes the profound influence of innovation on economic dynamics and industry structure (Callegari & Nybakk, 2022). This theory encapsulates various essential elements of innovation driving economic development, including new production or sales methods, enhanced products to meet evolving market demands, exploration of untapped markets, efficient raw material sources, and transformation of industry dynamics through disruptive innovations.

Schumpeter categorizes the innovation process into four stages: Invention, Innovation, Imitation, and Diffusion (Emami, 2021). Invention marks the genesis of new ideas, often originating from research and experimentation. Innovation involves the practical application of these ideas, often requiring collaboration. Imitation by competitors stimulates competition and further innovation, culminating in the diffusion of innovations across industries. Organizational innovation encompasses the adoption of new organizational approaches to enhance performance, such as innovative work processes and relationship development strategies (Abdullah & Yusoff, 2021). Conversely, market innovation focuses on enhancing marketing strategies, and leveraging tools like the Internet to reach a global customer base more effectively (Correia et al., 2020).

Schumpeter's Theory of Innovation is highly relevant to understanding innovation as a competitive strategy and its impact on the performance of Deposit Taking Savings and Credit Co-operative Societies (DT-SACCOs) in Kenya. For DT-SACCOs in Kenya, embracing innovation can be a powerful competitive strategy. By innovating in their product offerings, service delivery, or technology adoption, DT-SACCOs can set themselves apart in the financial services sector. Innovations such as the introduction of user-friendly mobile banking applications, customized financial products for different market segments, or efficient loan approval processes can significantly enhance the competitiveness of DT-SACCOs. These innovations can attract new customers, improve operational efficiency, and establish a unique market position.

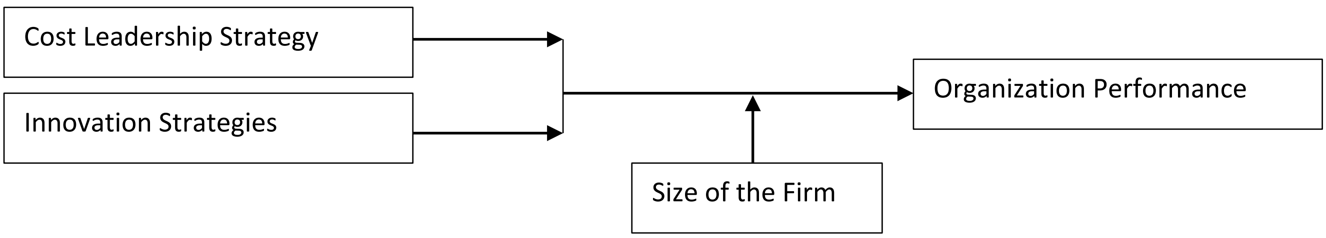
Resource Dependence Theory

Resource Dependence Theory (RDT), developed by Pfeffer & Salancik (1978), is a widely recognized and influential concept in the field of organizational studies and corporate governance. It posits that organizations are not self-sufficient entities; rather, they rely on both external and internal resources to operate effectively and achieve their goals. This theory is particularly pertinent in the tactical and strategic management of an organization, as the procurement of external resources plays a crucial role in enhancing the diversity of resources at the organization's disposal (Shin & Park, 2019).

A fundamental aspect of RDT is the notion that when organizations recruit board respondents with diverse professional backgrounds, gender, education, and technical competencies, they tap into a wide pool of talent, leading to efficient stewardship and control (Hossin, 2019). By benefiting from a diverse array of perspectives and experiences, such organizations may outperform their peers financially. Numerous studies have supported and validated RDT's premises in the context of corporate governance and organizational performance.

Organizations with larger boards tend to have access to a broader pool of professionals to steer and control their operations effectively. Conversely, those with smaller boards might experience limitations in the availability of experiences and capacities among board respondents, potentially hindering their ability to provide adequate stewardship. Moreover, gender diversity within the boardroom is also a critical factor. A board composed of respondents of diverse genders provides a wider range of opinions and perspectives, which can greatly assist in determining the right direction for the organization (Wu et al., 2017). On the other hand, a lack of diversity in this aspect might result in a limited range of viewpoints and opinions, potentially negatively impacting the firm's performance. Buchdadi et al., (2019) and Slama et al. (2019) are some examples of studies that have found supporting evidence for the theory.

Conceptual Framework



Independent Variables **Moderator Variable** **Dependent Variable**

Figure 1: Conceptual Framework

Cost Leadership Strategy

The cost leadership strategy involves offering the lowest prices in the market, allowing the company to control the market and gain a competitive edge over others. However, differentiation can provide insulation against competitors due to brand loyalty and resulting lower price sensitivity. Cost leadership is achieved through cost control within the organization. Businesses gain cost leadership advantages by improving process efficiencies, accessing raw materials at lower costs, making optimal outsourcing and vertical integration decisions, or avoiding unnecessary costs. However, there is a risk

associated with cost leadership - competitors may advance in technology and production capabilities, potentially eliminating the competitive advantage gained from cost reduction. Therefore, an organization needs to be confident that it can achieve and maintain the number one position before committing to the cost leadership route.

Pricing strategies are how a firm's pricing objectives are achieved. When formulating these strategies, managers need to be guided by the internal and external conditions faced by the firm to select the best choice of strategies. According to Cravens (1997), a market-oriented firm is expected to consider all pricing elements when setting pricing strategies and still deliver value to the customer. Ultimately, the price strategy must accomplish its objectives without negatively impacting customer expectations and perceptions. Nagle & Muller (2018) argue that many companies do not handle pricing well when setting strategies. They often determine their costs and adhere to their industry's traditional margins. Common mistakes include failing to revise prices often enough to capitalize on market changes, setting prices independently from the rest of the marketing mix, rather than as an intrinsic element of the market positioning strategy, and failing to vary prices for different product items, market segments, distribution channels, and purchase occasions (Ologbo et al., 2012).

For firms offering undifferentiated products and services, monitoring competitors' prices and adjusting accordingly is essential, known as competitor-based pricing strategies. On the other hand, when a firm's offerings are differentiated in quality and costs, value pricing strategies are applicable. Value pricing refers to pricing based on the value perceived by customers, as no customer will pay more for a product or service than its perceived value (Wanyama & Kiplagat, 2017).

Innovation Strategies

Innovation, as described by Muller (2021), is the process of creating, implementing, and accepting new procedures, products/services, or ideas. The innovation process involves multiple stages where organizations transform ideas into modern or refined services, outcomes, or procedures, aiming to differentiate, challenge, or advance themselves profitably in their marketplace. Scholars have identified various types of innovation, with five commonly used categories: product/service, process, marketing, organizational, and business model (Muller, 2021).

Product innovation entails the introduction of a service or good that is current or significantly updated in terms of usage, specifications, materials, parts, functional characteristics, user-friendliness, incorporated software, and/or other functional components (Yang, 2021). It can make use of new technologies, new knowledge, or a combination of existing facts and technologies. The term 'product' encompasses both services and goods. The product innovation process is challenging and often difficult due to short product life cycles, evolving customer needs, advancing technologies, and increasing global competition.

Process innovation involves the application of significantly updated or improved delivery and production methods, encompassing notable changes in equipment, expertise, and/or operating systems. Process innovations are deliberate with various purposes, such as increasing quality, reducing delivery or production costs, strengthening quality, or delivering or producing updated or upgraded products. Marketing innovation, on the other hand, entails the application of modern marketing methods, including notable changes in product placement, product design, pricing, product promotion, and packaging. The goal of marketing innovations is to address consumer needs more appropriately, enter new markets, or increase a firm's sales by placing its products in the market more effectively.

Innovation is intrinsically linked to competitive advantage through multidimensional and complex connections. The desire for innovation and technological leadership are critical components for achieving competitive advantage (Miller, 1989). The less imitable a strategy is, the more long-lasting the competitive advantage (Porter, 1985). If innovation creates favorable synergy for the organization, it provides a desirable level of competitive advantage. Pricing, product form, and distribution function as potential paths for competitive advantage, especially for innovative organizations. Success in innovative strategies allows a firm to expand its market appeal by introducing unique features and achieving cost savings. Effective adaptability requires understanding when change is appropriate and when it is not. The link between competitive advantage and innovation is based on management facilitating and maintaining sufficient innovation activity to build a ready organization, with decision-makers comprehending the needs of customers to make relevant decisions.

Moderating role of Size of the Firm on the Performance of Sacco's

Research suggests that, in general, smaller SACCOs may reap fewer financial benefits from environmental innovation compared to their larger counterparts. This is primarily because larger SACCOs often enjoy lower marginal costs of abatement due to economies of scale and have more personnel to address the administrative and technical requirements of environmental innovation. Additionally, larger SACCOs may be better equipped to engage in broader environmental practices that have long-term strategic benefits, such as pollution prevention and sustainability initiatives, which can lead to improved performance. However, it is essential to recognize that the relationship between environmental innovation and financial benefits is not uniform across all types of environmental innovations. Firms may engage in environmental innovation for different motives, and these motives may influence the extent of financial benefits they derive from such initiatives.

The study distinguishes between voluntary and regulation-driven environmental innovation. Voluntary environmental innovation refers to proactive efforts by firms to improve their environmental performance, not mandated by law. On the other hand, regulation-driven environmental innovation is the result of legal and regulatory requirements that force firms to implement environmental improvements. Smaller SACCOs might be more inclined towards regulation-driven environmental innovation, as they may lack the resources to proactively pursue environmental improvements. However, these regulation-induced innovations may come at a higher cost for smaller SACCOs. Due to their limited access to capital and reliance on short-term debt financing, the need for additional resources to comply with regulations can impose a larger cost burden on smaller SACCOs compared to larger ones.

The study suggests that smaller SACCOs will experience fewer performance benefits from regulation-driven environmental innovation than their larger counterparts. The cost of compliance and the potential inability to develop equally effective environmental innovations can impede their ability to reap significant financial gains from such initiatives. On the other hand, when it comes to voluntary environmental innovation, the story is more nuanced. Some arguments suggest that larger SACCOs may benefit more from voluntary initiatives. Firstly, larger SACCOs have a broader customer base, and their increased visibility in the market can lead to heightened demand for environmentally friendly products and services, potentially resulting in financial gains. Secondly, due to their size and influence, larger SACCOs can have a more substantial impact on future environmental regulations, which may favourably affect their long-term financial performance.

METHODOLOGY

This study adopted a descriptive research design. This design enables the generalization of research findings to a much larger population. It involves collecting data from a representative sample of individuals using instruments with both open and closed-ended questions, allowing for quantitative analysis using inferential and descriptive statistics to produce meaningful output. Descriptive research design provides an accurate account of the characteristics of a particular individual, event, or group in a real-life situation, offering a clear picture of the study phenomenon (Bloomfield& Fisher, 2019).

For this study, the collected data was analysed quantitatively. The information was sorted, coded, and input into SPSS version 28 for the production of charts, graphs, tables, descriptive statistics, and inferential statistics (Pearson, 2020). In the analysis of inferential statistics, a simple linear regression model and correlation analysis were used. Additionally, multiple regressions were conducted to test the combined influence of the variables, utilizing the following model:

$$\mathbf{Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where:
Y = Competitive strategies
β_0 = Constant (coefficient of intercept)
X_1 = Cost Leadership
X_2 = Innovation
X_3 = Size of the firm
$\beta_1 \dots \beta_3$ = Regression coefficient of independent variables
ε = Error term

RESULTS AND FINDINGS

Correlational Analysis

The correlational analysis in Table 1 indicates significant positive correlations between competitive strategies and performance. Specifically, there is a Pearson correlation coefficient of .420** between competitive strategies and performance, with a p-value of .000, suggesting a strong association. Similarly, correlations between individual competitive strategies—such as cost leadership (.444**), innovation (.563**), and size of the firm (.563**)—and performance are also significant ($p < .001$), indicating their importance in influencing SACCO performance. These findings underscore the importance of these strategies in enhancing SACCO performance, although it's important to note that correlation does not imply causation, but rather suggests a shared connection between variables. The correlational analysis of the study was undertaken and the results displayed in Table 1.

Table 1: Reliability test
Analysis of Pearson Correlation

Variables		Competitive strategies on Performance
	Pearson Correlation	.420**
Cost Leadership	Sig. (2-tailed)	.000
	N	276
	Pearson Correlation	.444**
Innovation	Sig. (2-tailed)	.000
	N	276
	Pearson Correlation	.563**
Size of the firm	Sig. (2-tailed)	.000
	N	276

The researcher further adopted a linear regression model to test for collinearity of the independent variables (Constant), cost leadership, innovation Strategies and size of the firm)

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.894	.886	.14684

. Predictors: (Constant), cost leadership, innovation Strategies and size of the firm

The Model Summary for the linear regression analysis shows a strong fit of the model. The correlation coefficient (R) is 0.945, indicating a robust positive relationship between the predictors and the outcome variable. The coefficient of determination (R Square) is 0.894, meaning that approximately 89.4% of the variance in the outcome variable is explained by the independent variables. The adjusted R Square, which considers the model's complexity, is 0.886, suggesting that about 88.6% of the variability in the outcome variable is accounted for by the predictors. Additionally, the standard error of the estimate is 0.14684, indicating that the model's predictions are typically within approximately 0.15 units of the actual observed values.

Table 3: ANOVA

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.601	3	2.534	117.509	.000*
Residual	0.906	42	0.022		
Total	8.506	45			

a. Dependent Variable: Competitive strategies

b. Predictors: (Constant), cost leadership, innovation Strategies and size of the firm

Table 3 displays the outcomes of the ANOVA analysis aimed at assessing the significance of the regression model concerning its ability to predict competitive strategies. The results indicate statistical significance ($F = 117.509$, $p < .001$), suggesting that at least one of the independent variables (cost leadership, innovation strategies, and size of the firm) has a notable linear association with competitive strategies. The sum of squares for the regression model is 7.601, with 3 degrees of freedom, resulting in a mean square of 2.534. Conversely, the residual sum of squares is 0.906, with 42 degrees of freedom, resulting in a mean square of 0.022. Overall, the model accounts for a substantial portion of the variance in competitive strategies, as indicated by the high F-value and the low associated p-value.

Table 4: Coefficients

Variable	B	Std. Error	Beta	t	Sig
Cost Leadership	0.449	0.048	0.522	9.427	0.000
Innovation	0.302	0.046	0.406	6.516	0.000
Constant	0.0289	0.0158	0.021	0.014	0.000

The regression analysis yields insightful findings regarding the impact of differentiation and hybrid strategies on the outcome variable. Notably, the results highlight the significant role played by hybrid strategies, as evidenced by the substantial coefficient of 0.304 coupled with a remarkably low p-value of 0.000. This indicates a robust positive relationship between employing hybrid strategies and the outcome variable, implying that as organizations integrate diverse strategic approaches, they experience tangible benefits reflected in the outcome under consideration. Conversely, the analysis suggests that differentiation lacks statistical significance in influencing the outcome, with a coefficient of 0.139 and a higher p-value of 0.508. Despite its conceptual importance in strategic management, the empirical findings here suggest that, within the scope of this study, differentiation alone may not be a decisive factor in driving the observed outcome.

Discussion of Key Findings

These results are based on a single study and might not be universally applicable to all DT-SACCOs. The optimal strategies can vary depending on factors like the competitive landscape and target membership base. Conclusively, the table reinforces the study's conclusion that cost leadership strategy has the strongest positive impact on competitiveness in this particular case. It's important to consider that these results are based on a specific study and might not be universally applicable.

Cost Leadership

The study offered insights into the perceived efficacy of cost leadership strategies within Savings and Credit Co-operatives (SACCOs), reflecting respondents' perspectives on several dimensions. A significant majority of respondents express the belief that adopting a cost leadership strategy positively impacts SACCOs' financial performance. This underscores the strategic importance attributed to cost minimization initiatives in bolstering SACCOs' financial viability and resilience, particularly in navigating economic uncertainties. Similarly, respondents acknowledge the potential of cost leadership strategies in attracting and retaining a larger customer base. This implies that competitive pricing and fee minimization serve as compelling value propositions for both prospective and existing members, thereby enhancing SACCOs' market competitiveness and member retention efforts.

The prevailing consensus among respondents underscores the perceived effectiveness of cost leadership in facilitating service accessibility for low-income members. By minimizing fees and operational costs, SACCOs can enhance financial inclusion and promote equitable access to financial services among marginalized and economically disadvantaged populations. While a substantial proportion of respondents believe that cost leadership strategies contribute to SACCOs' resilience and competitiveness, the absence of statistically significant evidence necessitates further empirical validation. This highlights the complexity of the relationship between cost minimization efforts and organizational resilience within the SACCO context, warranting rigorous investigation to elucidate underlying mechanisms. Despite the prevailing belief in the potential of efficiency-driven cost reduction to enhance SACCOs' overall performance, the lack of statistically significant evidence underscores the need for additional research to substantiate this claim. This underscores the nuanced interplay between efficiency gains and organizational performance outcomes, necessitating empirical scrutiny to inform evidence-based decision-making and strategic planning.

Innovation

The findings of the survey on innovation strategies within SACCOs (Savings and Credit Cooperative Organizations) reveal a nuanced perspective among respondents. While a majority perceive innovation as potentially beneficial, there is a significant proportion that remains uncertain or disagrees with its impact. This reflects the complexities inherent in adopting innovation within SACCOs, considering factors such as costs, risks, and cultural shifts. One notable finding is the strong positive association between implementing innovation strategies and offering unique and appealing financial products and services (Wallace & Kilika, 2021). This suggests that innovation empowers SACCOs to differentiate themselves from competitors, potentially attracting a broader customer base. Similarly, respondents believe that innovation enables SACCOs to adapt quickly to changing market conditions, essential for remaining competitive and relevant in the dynamic financial landscape.

Furthermore, there is evidence indicating that innovation-focused SACCOs attract tech-savvy members and a younger customer base, implying that embracing innovative solutions could expand their reach and appeal to a broader demographic. However, despite these positive associations, the survey does not provide statistically significant evidence to conclusively establish that innovative SACCOs gain a competitive advantage over traditional financial institutions. While half of the respondents believe innovation leads to a competitive edge, a considerable portion remained neutral. The survey's revelation of a strong positive association between innovation strategies and the ability to offer unique and appealing financial products and services is particularly noteworthy. It underscores the potential for SACCOs to stand out in a crowded financial market by leveraging innovation to create tailored solutions that meet the evolving needs of their members. By doing so, SACCOs not only enhance their competitiveness but also foster stronger relationships with existing members while attracting new ones. In addition, the correlation between prioritizing innovation and the ability to adapt swiftly to changing market conditions is crucial in today's fast-paced financial landscape. SACCOs that embrace innovation can capitalize on emerging trends and seize opportunities promptly, positioning themselves as agile and responsive institutions. This adaptability not only strengthens their competitive stance but also enhances their resilience against market disruptions and economic uncertainties (Wallace & Kilika, 2021).

The survey's finding that innovation-focused SACCOs attract tech-savvy members and a younger customer base underscores the importance of technological innovation in modern financial services. Younger generations, in particular, are more inclined towards digital solutions and expect seamless, tech-driven experiences from financial providers. SACCOs that invest in innovative technologies and digital platforms can effectively cater to these preferences, driving member engagement and loyalty in the process. However, despite these promising connections, the lack of statistically significant evidence to definitively establish a link between innovation and gaining a competitive advantage suggests a need for cautious interpretation. While innovation undoubtedly offers potential benefits, its impact on competitive positioning may vary depending on various factors such as implementation strategies, market dynamics, and organizational capabilities (Maina, 2023).

Further research and analysis are warranted to explore this relationship comprehensively and identify the specific mechanisms through which innovation translates into competitive advantage for SACCOs. Additionally, case studies and best practices from innovative SACCOs could offer valuable insights into effective strategies for leveraging innovation to enhance competitiveness and long-term sustainability. In essence, while the survey sheds light on the promising opportunities associated with innovation in SACCOs, it also underscores the importance of thorough assessment, strategic planning, and continuous evaluation to realize its full potential in driving performance and member satisfaction within the sector. In conclusion, while innovation holds promise for SACCOs in terms of offering unique products, adapting to market changes, and attracting younger members, its direct impact on gaining a competitive advantage remains uncertain. SACCOs considering innovation must carefully weigh the potential benefits against the challenges, ensuring informed decision-making that ultimately leads to improved performance and member satisfaction. Further research and analysis are necessary to fully understand the role of innovation in driving competitive advantage within the SACCO sector.

CONCLUSION

The study illuminates the paramount importance of aligning competitive strategies with the evolving needs and preferences of SACCO members. This emphasis underscores a fundamental principle of SACCO management, wherein member-centricity serves as a cornerstone for strategic decision-making and organizational success. While recognizing the potential of competitive strategies to confer a competitive advantage and augment market share, the study underscores the imperative for SACCOs to cultivate strategic agility and adaptive responsiveness. In dynamic market environments characterized by evolving consumer preferences and disruptive technological innovations, SACCOs must continuously innovate and differentiate to sustain their competitive edge.

The acknowledgment of market environment influence highlights the imperative for SACCOs to integrate environmental scanning mechanisms into their strategic planning processes. By cultivating a nuanced understanding of macroeconomic trends, regulatory shifts, and industry dynamics, SACCOs can proactively anticipate market disruptions and capitalize on emerging opportunities. The endorsement of a mixed strategy approach underscores the strategic imperative for SACCOs to adopt a holistic and synergistic approach to strategy formulation. By leveraging complementary strategies such as cost leadership, differentiation, and niche targeting, SACCOs can optimize their competitive positioning and capitalize on diverse market segments effectively.

The findings underscore the strategic potential inherent in expanding product and service offerings to diversify revenue streams and enhance market penetration. By embracing strategic innovation and value co-creation initiatives, SACCOs can unlock new growth avenues, deepen member engagement, and fortify their competitive resilience amidst evolving market dynamics.

RECOMMENDATIONS

SACCO management should aim to adhere to international standards in financial reporting and strictly adhere to regulatory requirements to achieve their financial objectives. SACCOs are encouraged to develop effective strategic plans and policies to govern their operations, thereby guiding them towards their goals. All DT-SACCOs should maintain adequate capital reserves to withstand economic downturns and ensure continued operation. Regulatory bodies should conduct periodic monitoring to ensure SACCOs comply with regulations, as not all SACCOs may readily embrace changes. The government, through entities like SASRA and the Ministry of Industry and Co-operative Development, should continue to enact favorable legislation to create an enabling environment for SACCOs to thrive and grow.

Areas for Further Research

Empirical validation through quantitative surveys and statistical analyses would help confirm perceptions and attitudes towards strategic dimensions, enhancing evidence-based decision-making. Similarly, qualitative inquiry methods such as interviews and focus groups could uncover underlying motivations and contextual nuances guiding SACCOs' strategic behaviors. Cross-sectoral comparisons with other financial institutions would allow for the identification of transferable best practices and strategic adaptations in response to broader industry trends. Impact evaluations would be instrumental in assessing the effectiveness and efficiency of strategic initiatives in achieving organizational objectives, providing valuable feedback for strategic refinement. Furthermore, policy analyses could examine regulatory frameworks and institutional arrangements influencing SACCO strategic behaviors, offering insights into policy levers conducive to fostering strategic innovation and sustainability within the sector.

REFERENCES

Achieng, S. G. (2021). *The role of innovation in attaining sustainable competitive advantage among Deposit-Taking Savings and Credit Cooperatives (SACCOS) in Nairobi County, Kenya* (Doctoral dissertation, Strathmore University).

Adderley, I. (2019). Don't forget the definition: The importance of 'and' versus 'or'. *Journal of Co-operative Studies*, 52(2), pp. 19-21

Alita, D., Putra, A. D., & Darwis, D. (2021). Analysis of classic assumption test and multiple linear regression coefficient test for employee structural office recommendation. IJCCS (Indonesian Journal of Computing and Cybernetics Systems), 15(3), 295-306.

Birru, A. C., Sudarmiatin, S., & Hermawan, A. (2022). Competitive strategies in the lodging service sector: Five porter analyses and case study SWOT analysis. *Journal of Business and Management Review*, 3(1), 001-017.

Bloomfield, J., & Fisher, M. J. (2019). Quantitative research design. Journal of the Australasian Rehabilitation Nurses Association, 22(2), 27-30.

Buchdadi, A. D., Ulupui, I. G. K. A., Dalimunthe, S., Pamungkas, B. G., & Fauziyyah, Y. (2019). Board of director meeting and firm performance. *Academy of Accounting and Financial Studies Journal*, *23*(2), 1-7.

Callegari, B., & Nybakk, E. (2022). Schumpeterian theory and research on forestry innovation and entrepreneurship: The state of the art, issues and an agenda. *Forest Policy and Economics*, *138*, 102720.

Chepngetich, E., & Kimencu, L. (2018). Competitive strategies and performance of mobile service providers in Nairobi, Kenya. *International Journal of Contemporary Aspects in Strategic Management (IJCASM)*, *2*, 45-58.

Correia, R. J., Dias, J. G., & Teixeira, M. S. (2020). Dynamic capabilities and competitive advantages as mediator variables between market orientation and business performance. Journal of Strategy and Management, 14(2), 187-206.

Cuypers, I. R. P., Hennart, J. F., Silverman, B. S., &Ertug, G. (2021). Transaction Cost Theory: Past Progress, Current Challenges, and Suggestions for the Future. Academy of Management Annals, 15(1), 111-150.

Deepak, R. K. A., & Jeyakumar, S. (2019). *Marketing management*. Educreation Publishing.

Dmytriyev, S. D., Freeman, R. E., & Hörisch, J. (2021). The relationship between stakeholder theory and corporate social responsibility: Differences, similarities, and implications for social issues in management. *Journal of Management Studies*, *58*(6), 1441-1470.

Dörnyei, Z., & Dewaele, J. M. (2022). Questionnaires in second language research: Construction, administration, and processing. Taylor & Francis.

Emami Langroodi, F. (2021). Schumpeter's Theory of Economic Development: a study of the creative destruction and entrepreneurship effects on the economic growth. *Journal of Insurance and Financial Management*, *4*(3).

Habeeb, R. A. A., Nasaruddin, F., Gani, A., Hashem, I. A. T., Ahmed, E., & Imran, M. (2019). Real-time big data processing for anomaly detection: A survey. *International Journal of Information Management*, *45*, 289-307.

Hamzat, I. B. (2020). Competitive Strategies and Firms' Performance: A Comparative Analysis of Selected Firms in Telecommunication Industry.

Hennart, J. F., & Verbeke, A. (2022). Actionable and enduring implications of Oliver Williamson's transaction cost theory. Journal of International Business Studies, 53(8), 1557-1575.

Hossin, M. S. (2019). Microfinance Governance: A Multitheoretical Approach for Ascertaining the Wider Stakeholder Influencing Forces. *Rahman, IKA, Hussain, MD, and Hossin, MS (2019). Microfinance governance: A multi-theoretical approach for ascertaining the wider stakeholder influencing forces. Asian Academy of Management Journal*, *24*, 203-216.

International Co-operative Alliance (ICA). (2018). Cooperative identity, values and principles. ICA. https:// www.ica.coop/en/cooperatives/cooperative-identity

Ismaila, B., Gamede, V. W., & Okeke-Uzodike, O. E. (2022). Causes of the low penetration rate in the South African co-operative financial institution sector: A consumer perspective. *Journal of Contemporary Management*, 19(1), 30-56.

Jia, N., Bagam, L., Fabijanczyk, P., & Ceesay, E. (2022, June). Machine learning models for customer relationship analysis to improve satisfaction rate in banking. In 2022 IEEE International IOT, Electronics and Mechatronics Conference (IEMTRONICS) (pp. 1-9). IEEE.

Kabue, L. W., Kilika, J. M., & Waithaka, P. M. (2023). Social Capital Resource Attributes Affecting Performance in Deposit-taking Savings and Credit Co-operatives in Kenya.

Kiveu, M. N., Namusonge, M., & Muathe, S. (2019). Effect of innovation on firm competitiveness: the case of manufacturing SMEs in Nairobi County, Kenya. *International Journal of Business Innovation and Research*, 18(3), 307-327.

Köhler, T., Smith, A., & Bhakoo, V. (2022). Templates in qualitative research methods: Origins, limitations, and new directions. Organizational Research Methods, 25(2), 183-210.

Korir, F. K. (2021). Impact of Strategic Alliances on the Competitive Advantage of Savings and Credit Cooperatives in Kenya (Doctoral dissertation, University of Nairobi).

Lapersonne, A. H. (2018). The hybrid competitive strategy framework. *Journal of Business Strategy*, 39(3), 44-54. https://doi.org/10.1108/JBS-10-2017-0154anchester (United Kingdom).

Maina, E. N., & Waithaka, P. (2018) differentiation strategy and performance of deposit taking SACCOs in Murang'a County, Kenya.

Maina, P. K. (2023). *Effect of Innovation Strategies on Competitive Advantage of Mwalimu National Sacco in Nairobi* (Doctoral dissertation, University of Nairobi).

Makau, S. M., & Ouma, C. (2017). Effect of Competitive Strategies on Financial Performance of Savings and Credit Cooperatives in Kenya. *International Journal of Business and Social Science*, 8(1), 174-185.

Marcoulides, K. M., & Raykov, T. (2019). Evaluation of variance inflation factors in regression models using latent variable modeling methods. *Educational and psychological measurement*, *79*(5), 874-882.

Mata-López, W. A., Juárez-Hernández, L. G., Tobón, S., & Montesinos-López, O. A. (2021). ANALYSIS OF CONSTRUCT VALIDITY AND RELIABILITY OF TWO INSTRUMENTS TO EVALUATE PROFESSIONAL ORIENTED ACTIVITIES. *Revista Española de Orientación y Psicopedagogía (REOP)*, *32*(2).

Mbugua, J. W., & Kinyua, G. M. (2020). Service Differentiation and Organization Performance: An Empirical Analysis of Deposit Taking SACCOs in Nairobi City County, Kenya. *Journal of Business and Economic Development*, *5*(2), 64-72.

Miles, R. E., & Snow, C. C. (1978). Organizational Strategy, Structure, and Process. McGraw-Hill.

Miles, R. E., & Snow, C. C. (2003). Organizational Strategy, Structure, and Process. In D. C. Hambrick & J. W. Fredrickson (Eds.), Are You Sure You Have a Strategy? Academy of Management Executive, 17(2), 51-62.

Moore, H. L., Moore, T. W., & Bird, K. (2022). Credit Union Customer Satisfaction and Succession Planning: Leadership Is the Key. International Leadership Journal, 14(2).

Muhaise, H., Ejiri, A. H., Muwanga-Zake, J. W. F., & Kareyo, M. (2020). The Research Philosophy Dilemma for Postgraduate Student Researchers. *International Journal of Research and Scientific Innovation*, *7*(4), 2321-2705.

Mutuku, K., Oloko, M., & Muturi, W. (2024). Influence of Differentiation Strategy on Financial Performance of Deposit-Taking Saccos in Kenya. *European Journal of Business and Strategic Management*, *9*(1), 1-11.

Mutunga, D., & Owino, E. (2017). Effect of Management Practices on the Financial Performance of Manufacturing Firms in Kenya.

Mwangangi, V. M. (2018). *Influence of Knowledge Management on the Relationship Between Innovation Strategy and Competitiveness of Mobile Telecommunication Firms in Kenya* (Doctoral dissertation, University of Nairobi).

Nagle, T. T., & Muller, G. (2018). *The strategy and tactics of pricing*. Routledge.

Njera, M. (2023). *Product Differentiation and Performance at Tier 3 Deposit Taking Saccos in Kenya* (Doctoral dissertation, University of Nairobi).

Njomo, G., & Margaret, O. (2016). Market Penetration Strategies and Organizational Growth: A Case of Soft Drink. International Journal of Management and Commerce Innovations, 3(2), 219-227. Ben Slama, R., Ajina, A., & Lakhal, F. (2019). Board gender diversity and firm financial performance in France: Empirical evidence using quantile difference-in-differences and dose-response models. *Cogent Economics & Finance*, *7*(1), 1626526.

NORMAN, D. R. (2019). COMPETITIVE STRATEGIES AND PERFORMANCE OF SELECTED CAR RENTAL BUSINESSES IN NAIROBI CITY COUNTY, KENYA (Doctoral dissertation, KENYATTA UNIVERSITY).

Obondi, E. M., & Bett, S. (2018). Competitive strategies and the performance of Matatus in the public service transport sector in Nairobi City County, Kenya. *International Academic Journal of Human Resource and Business Administration*, *3*(4), 150-173.

Ocholla, D. N., & Majanga, B. A. (2019). Competitive Strategies Adopted by Savings and Credit Cooperatives in Kenya. International Journal of Advanced Research and Publications, 3(8), 174-185

Omayio, L. (2017). Competitive strategy and organizational performance of telecommunications industry in Kenya (Doctoral dissertation, University of Nairobi).

Pandey, P., & Pandey, M. M. (2021). Research methodology tools and techniques. Bridge Center.

Pearson, N., Naylor, P. J., Ashe, M. C., Fernandez, M., Yoong, S. L., & Wolfenden, L. (2020). Guidance for conducting feasibility and pilot studies for implementation trials. Pilot and feasibility studies, 6, 1-12.

Peng, G.Z. (2021). Is transaction cost economics behavioral? In: Toward behavioral transaction cost economics. International Marketing and Management Research. Palgrave Macmillan, 6 (1), 30-37

Porter, M. E., & Strategy, C. (1980). Techniques for analyzing industries and competitors. Competitive Strategy. New York: Free.

Rezigalla, A. A. (2020). Observational study designs: Synopsis for selecting an appropriate study design. *Cureus*, *12*(1).

Rindfleisch, A. (2020). Transaction cost theory: past, present and future. *AMS Review*, *10*(1-2), 85-97.

Roberts, Rosanne E. "Qualitative Interview Questions: Guidance for Novice Researchers." *Qualitative Report* 25.9 (2020).

SACCO Societies Regulatory Authority (2018). The Sacco supervision annual report 2016. Retrieved from http://www.sasra.go.ke/

SACCO Societies Regulatory Authority (2020). The Sacco supervision annual report 2016. Retrieved from http://www.sasra.go.ke/

SACCO Societies Regulatory Authority (2022). The Sacco supervision annual report 2016. Retrieved from http://www.sasra.go.ke/

Schrepp, M. (2020). On the Usage of Cronbach's Alpha to Measure Reliability of UX Scales. *Journal of Usability Studies*, *15*(4).

Shin, N., Park, S. H., & Park, S. (2019). Partnership-based supply chain collaboration: Impact on commitment, innovation, and firm performance. *Sustainability*, *11*(2), 449.

Sileyew, K. J. (2019). Research design and methodology. *Cyberspace*, 1-12.

Taiwo, O. (2019). Evaluation of the effects of micro, small and medium enterprises finance policy on job creation in Nigeria.

Thu, E. T. H. (2022). Competitive Strategies, Business Performance and Sustainability of DGB Microfinance Myanmar Co., LtD (Doctoral dissertation, MERAL Portal).

Wallace, C. K., & Kilika, J. (2021). Strategic innovations and competitiveness of saccos in South Imenti Sub-county, Meru County. *International Academic Journal of Innovation, Leadership and Entrepreneurship, 2 (2), 93*, *117*, 2.

Wekesa, W. S., & Kosimbei, G. M. (2018). Competitive Strategies and Financial Performance of Savings and Credit Cooperatives in Kenya. International Journal of Economics, Commerce and Management,

Williamson, O. E. (1979). Transaction-cost economics. Journal of Law and Economics, 22(2), 233– 261.

Williamson, O. E. (1988). Technology and transaction cost economics. Journal of Economic Behavior & Organization, 10(3), 355–363.

Xie, X., Huo, J., & Zou, H. (2019). Green process innovation, green product innovation, and corporate financial performance: A content analysis method. *Journal of business research*, *101*, 697-706.