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STRATEGIC FACTORS INFLUENCING THE PERFORMANCE OF DEPOSIT-TAKING SACCOS IN KIAMBU COUNTY, KENYA

BY

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ST. PAUL'S UNIVERSITY

A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND LEADERSHIP STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FO R THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC LEADERSHIP) OF ST. PAUL'S UNIVERSITY

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DECLARATION

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DEDICATION

I am incredibly blessed to have the most amazing people in my life who supported and encouraged me throughout this academic journey and to whom I dedicate this work with a lot of gladness. My parents who helped me begin my academic journey, always believed in me and cheered me on. My spouse has been my rock, providing me with the love, patience, and motivation I needed to keep going. My kids have been my joyful little cheerleaders, reminding me to take breaks and enjoy the simple things in life. To my friends and mentors who have been my squad, always there to offer advice, support, and a good laugh whenever I needed it so instrumental. Truly, I am very thankful for their unwavering help, unconditional support and love.

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ABBREVIATION AND ACRONYMS

AGM: Annual General Meeting

ANOVA: Analysis of Variance

DT: Deposit Taking

DTSs: Deposit Taking Saccos

ICA : International Cooperative Alliance

ICT : Information Communication Technology

IIA: Institute of Internal Auditors

NON-DTSs: Non-Deposit Taking Saccos

NPLs: Non-Performing Loans

PAR: Portfolio At Risk

R&D: Research & Development

SACCOS: Savings & Credit Cooperatives Societies

SASRA: Sacco Society Regulatory Authority

VUCA: Volatile, Uncertainties, Complexity & Ambiguity

WOCCU: World Council Of Credit Unions

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OPERATIONAL DEFINITION OF TERMS

SACCO Performance This is the overall effectiveness of a Savings and Credit Cooperative Organization in achieving its strategic goals. In this study, evaluation of performance was based on key factors including management competence, innovation and technological advancements, and the effectiveness of internal controls. It was measured using the quality of the loan book, membership growth, and profitability.

Strategic Factors These are essential elements that influence the organization's ability to achieve its goals and maintain a competitive edge. In this study, evaluation was conducted in terms of management competence, innovation and technological advancements, and internal controls.

Innovations & Technological Advancements This refers to the adoption of modern technologies to enhance operational efficiency and member engagement. Key components include the automation of processes to streamline operations, the development of mobile applications to improve member access and services, and the integration with payment systems to facilitate seamless transactions.

Internal Controls This is the structured framework of policies and procedures that ensure effective governance, asset protection, and operational efficiency. Key elements include board oversight, risk management, and information systems that ensure data integrity and facilitate informed decision-making. These controls are essential for enhancing compliance and improving

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overall performance.

Deposit Taking SACCO	This is a member-based financial institution that accepts deposits from its members while providing loans and other financial services. These SACCOs are regulated and licensed by the Sacco Societies Regulatory Authority (SASRA) to ensure safety of deposits. They play a crucial role in promoting savings, providing credit, and enhancing financial inclusion among their members.

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ABSTRACT

SACCOS play a pivotal role in the economy and the financial landscape, particularly in empowering individuals and communities through collective savings and access to credit. This study was driven by the increasing number of SACCOs facing deregistration and and others have collapsed due to poor performance and failure to fulfill their obligations to members. This study investigated the influence of strategic factors on performance of the Deposit-taking SACCOS in Kiambu County Kenya. The study sought to deepen the understanding of the strategic factors influencing the performance of Deposit-Taking SACCOs in Kiambu County. The objectives of the study were to examine the influence of innovation and technological advancements, to determine the influence of management competence, and to assess the influence of the role of internal controls on the performance of Deposit-Taking SACCOs in Kiambu County. The study was anchored on Resource- Based View, Schumpeter's Theory of Innovation, Agency Theory, and Transformational Leadership Theory. A descriptive research design was adopted, focusing on all the 13 Deposit-Taking SACCOs in Kiambu County registered with SASRA as of December 30, 2022. A census was taken because the SACCOs licensed by SASRA were only 13 in number. The study focused on the management team consisting of 110 individuals and gathered data using semi-structured questionnaires. The collected data was analyzed using inferential and descriptive statistics. Inferential data were examined using a multiple linear regression model, while descriptive data was analyzed through content analysis and presented in form of figures and tables. The quantitative analysis showed that all three factors had a positive influence on SACCO performance, with internal controls having the most significant effect. Specifically, robust internal controls proved crucial for maintaining financial accuracy and operational efficiency, while effective management competence and technological advancements fwere found to enhance SACCO performance. The study highlighted the need for SACCOs to prioritize on strengthening internal controls, invest in technological innovations, and improve management practices. The study provided essential recommendations for various stakeholders in the realm of Deposit-Taking SACCOs (DT-SACCOs). Policymakers and government agents were encouraged to develop models that enhance corporate governance and strategic leadership within the sector. Regulatory bodies were advised to enforce stringent standards for internal controls and facilitate training programs tailored for SACCO management. Consultants were positioned to leverage these insights to guide SACCOs in the effective implementation of strategic initiatives and technological integration. Furthermore, it was emphasized that SACCO management and boards of directors should prioritize leadership training and establish accountability measures within their operational policies. These recommendations aim to bolster the performance and sustainability of DT-SACCOs in a competitive financial landscape

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizational performance is a measure of a firm's actual outputs against its goals (Onyango, 2014). It is the firm's capacity to achieve its goals through effective management, robust governance, and a continuous commitment to delivering results (John & Morris, 2011). There are different ways of measuring performance. According to Onyango (2014), fostering flexible and high-performing organizations is essential for gaining a competitive advantage in an environment characterized by rapid and continuous change. According to Owino (2015), sustainability demands businesses to run in an effective and efficient manner for them to generate enough profit that will improve their wealth. To optimize organizational performance, it is essential to align strategic aspects with specific strategies and value drivers. These elements may include the organization's inherent structures, innovations, and management competencies (Mulei, 2019). Such alignment enables organizations to effectively leverage their unique strengths, thereby enhancing overall performance.

In today's business environment, a company's success is dependent on identifying and leveraging its strategic factors. These factors are primarily determined by the top management of an organization as they are distinct from the operational issues which are handled by middle managers or front-line managers. The strategic factors are related to the day-to-day functioning of a business, especially at the shop floor level. Hence, it is crucial to identify these factors to mobilize the right resources to achieve business success. Berko (2013) asserted that not all resources can be considered strategic and therefore, it is essential to have a clear understanding of these factors to allocate resources effectively. When an organization identifies its strategic performance factors, it can use these factors as core competencies to exploit critical success factors for industry advantage over its competitors. Thus, identifying the strategic performance factors can lead to a sustainable competitive advantage and help organizations stay ahead in the market thus registering good performance. Kamau (2018) contended that in a constantly evolving environment, an organization's success in maintaining a sustainable competitive edge depends on its ability to swiftly adapt and strategically realign. For long-term sustainability,

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businesses must operate efficiently, manage resources effectively, and achieve profitability to increase their overall value.

According to Egessa and Odero (2020), leadership is a critical factor in ensuring that an organization achieves a high level of performance. Effective leadership is key to improving organizational performance. By engaging in strategic factors such as promoting management competence, innovation and technological advancement and implementing proper internal controls, leaders can achieve better results and take their organization to new heights.

1.2 Deposit Taking SACCOs

A SACCO is a self-governing group of people that come together voluntarily to address their shared social, economic, cultural needs, and goals through a collectively owned and democratically managed organization (Maosa, 2020). Kenya is ranked among the most attractive globally in the progress of the SACCOS (WOCCU, 2021). Out of 118 member states, it emerged among the top 10 in terms of deposits and shares, asset base, loan book, membership, and number of SACCOS. Also, Kenya registered a penetration of 30.42% which was way above the global penetration average of 12.69%.However, it is ranked 4th in penetration reflecting a big opportunity for the SACCOS in Kenya to do better.

In Africa, Kenya has the 3rd highest number of SACCOS after Ethiopia and Rwanda (WOCCU, 2021). The SACCO is essential for offering sustainable credit and financial support, serving as a key model for increasing productivity. With over 80% of Kenyans depending on the cooperative sector for their income, whether directly or indirectly, its impact is substantial (Karuoya & Waithaka, 2023). SACCOs have recently been embraced by Kenyans as a means of financial empowerment and investment vehicles both in urban and rural areas. In Kenya, the government is incharge of regulating the SACCOs through a body called SACCO Societies Regulatory Authority (SASRA). This authority falls within the State Department of Cooperatives under the Ministry of Cooperatives and Micro, Small and Medium Enterprise (MSME) Development. Formed under the SACCO Societies Act of 2008, SASRA was given the key role of licensing and regulating all the DT SACCOs in Kenya which commenced its operations in 2009 (Otieno et al., 2015).

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As per the SASRA (2023), there were 176 deposit-taking SACCOs across the country which had been authorized to receive deposits from the members of the public. According to the SACCO supervision annual report 2022, the total assets of the 176- DT-SACCOs during the period ending December 2022 was Kshs 763.50 billion, a membership of 6.42 Million with a total loan book of 586 Billion. Once a SACCO is registered, it must comply with the regulations set forth by the Sacco Societies Regulatory Authority (SASRA) to maintain its license, which is renewed annually. This compliance is essential for the SACCO to continue providing services to its members (SASRA Regulation, 2010). According to Gakuru and Maina (2016), SASRA, continues to withdraw licenses from certain DT-SACCOs as a result of non-compliance issues and also poor performance. This study noted that 9 DTSs had their licenses withdrawn within a year.

According to Waihenya (2018), some SACCOs have closed down due to financial crises. The problems affecting members' investments include fraud and liquidity issues that undermine the SACCO's ability to meet its financial commitments. Waihenya (2018) noted that some cases of fraud were led by staff, falsification of documents, and breaking codes of conduct that govern SACCOs. According to the SASRA Supervision Report for 2019, the authority revoked the licenses of five SACCOs for failing to meet their financial obligations and other regulatory requirements. These SACCOs collectively served a membership of 18,769, held deposits totaling Sh641 million, and reported assets worth Sh1.9 billion, with a loan portfolio of Sh517 million. The revocation of licenses led to substantial financial losses and damaged the credibility of the affected SACCOs, potentially resulting in their closure due to misappropriation of funds.

Karuoyaand Waithaka (2023) noted that SACCOs are facing challenges in performance due to stiff competition from other financial institutions which have continued to grow in number, modern technology is volatile, uncertain, and ambiguous environment problems in financial management, poor leadership, and governance issues. The world has become challenging, changes have become norms, while competition, market, technology, and people are all dynamical (Mugendi, 2019). It's clear from the statistics that SACCOs are controlling a huge wealth of members' investments and thus play a major role in the economy of our country (Maosa, 2020). The government of Kenya has invested well in policies and legislation that

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support SACCOs but despite this, there is a significant number of SACCOs failing to meet their obligations (Mulei, 2019).

1.2.1 Strategic Factors and Sacco Performance

Wamukota et al. (2022) established that the performance of SACCOs holds significant importance in the context of financial inclusion and community development. According to ICA, SACCOs are member-owned and member-operated financial institutions which play a crucial role in providing accessible financial services to individuals and communities. The performance of SACCO's is affected by different factors and the key among them is innovation & technological advancement, internal controls, and management competence (Owino, 2015). Understanding the factors influencing SACCO performance is essential for policymakers, regulators, and stakeholders seeking to enhance the impact of these cooperatives on economic development. According to Ogolla (2019) managers need to be hands-on in the organizations they are leading to enable them create appropriate strategies for success in business environments and uncertainties.

The main asset of a SACCO is the loan book which generates 86.12% of the total incomes made by SACCOs (SASRA, 2022). The regulator is therefore very keen on this and monitors the progress using the portfolio at risk which should be at 5% or below. According to SASRA (2022), 104 out of 176 SACCOs had a Portfolio at Risk (PAR) exceeding 5%. When a SACCO faces a high PAR, it incurs significant provisioning costs, as loans must be provisioned for each risk category: Performing (1%), Watch (5%), Substandard (25%), Doubtful (50%), and Loss (100%). This implies that if the loan book is not managed effectively, the provisioning expenses could consume all generated income, potentially leading the SACCO to operate at a loss. If the loans are not again repaid, it means the SACCO is not generating enough revenues which is heavily generated from the loan book. Lending requirements are necessary conditions that are set for members to fulfill before disbursement (Baariu & Njoka, 2023). The strategic leadership will offer proper policies which are the most significant set of documents used by employees to manage the loan book.

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Another key parameter for performance is memebrship. A study conducted by Kipai et al. (2020) highlighted the size of membership in SACCOs as a vital factor influencing their financial performance. SACCOs with a larger membership base have greater opportunities to accumulate substantial capital and, consequently, to disburse more loans compared to those with fewer members. Thus, a larger membership in SACCOs positively impacts revenue generation and subsequently enhances their overall financial performance.

The traditional methods faces a challenge in dynamic business environment where stiff competition calls for innovative ways of conducting the SACCO business. Implementing innovative technologies such as mobile banking apps, online account management systems, and digital loan processing platforms improve the convenience and accessibility of SACCO services for members. Easy access to financial services encourage membership growth by attracting individuals who value convenience and flexibility.

Strategic factors are key elements that significantly influence an organization's ability to achieve its goals and objectives. They encompass both internal and external variables that affect decision-making, resource allocation, and overall performance (Bryson, 2018). In the context of Savings and Credit Cooperative Organizations (SACCOs), strategic factors include innovation and technological advancements, management competence, and internal controls. These elements are vital for shaping performance outcomes such as profitability, quality of the loan book, and membership growth.

Innovation and technological advancements are crucial for enhancing operational efficiency and service delivery. By adopting technologies like mobile banking and automated loan processing, SACCOs can streamline operations, reduce costs, and provide members with convenient access to services, which ultimately drives profitability (Pishdad-Bozorgi & Babai, 2019). Furthermore, these innovations facilitate better data management, allowing SACCOs to tailor financial products to meet the specific needs of their members, thereby promoting membership growth (Karanja & Nyaboga, 2018).

Management competence is another essential strategic factor that directly impacts SACCO performance. Effective leadership characterized by integrity and strong decision-making skills fosters a culture of accountability and motivates employees, enhancing service quality and

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member satisfaction (Karanja & Nyaboga, 2018). Competent managers are also better positioned to implement strategic initiatives that improve the quality of the loan book, ensuring prudent risk management and reducing default rates. This focus not only enhances profitability but also builds member trust, leading to increased retention and growth.

Internal controls serve as a foundational strategic factor that ensure operational integrity and financial accountability within SACCOs. Robust internal controls, including governance structures and risk management frameworks, mitigate the risk of financial mismanagement and foster trust among members (SASRA, 2010). When members feel secure in their SACCO operations, they are more likely to increase their deposits and utilize loan services, contributing to profitability and membership expansion. Additionally, effective internal controls support the rigorous loan approval processes necessary for maintaining a high-quality loan book, further preserving the SACCO's capital and enhancing its reputation.

1.3 Statement of the problem

The Kenyan government has implemented policies and laws to support SACCOs, but despite this, many SACCOs still struggle to fulfill their obligations (Mulei, 2019). About 80% of Kenyans derive their livelihood either directly or indirectly from the SACCO sector (Karuoya & Waithaka 2023). The SACCO industry in Kenya has been recorded as the largest in Africa as a continent having a total asset to gross domestic product (GDP) at 5.7% compared to Rwanda which is at 3% and Ethiopia at 0.7% SASRA (2020).

The number of Kenyans depending on the SACCOS calls for measures to safeguard and protect the members' funds amidst stiff competition and the VUCA business environment. Through the published statistics by SASRA (2022), key performance parameters like asset base, PAR, and surpluses among others rank SACCOS at different levels. Some are doing brilliantly well while others are struggling. Some have been denied License renewal due to deteriorating performance and non-compliance, others have been put under inquiries for inability to meet members' basic financial services. It has been observed that SACCOs often experience financial under-performance due to ineffective management practices and instances of fraud (Mbuti, 2014). According to SASRA (2018), factors contributing to the poor performance of SACCOs in Kenya include mismanagement, fraudulent activities, corrupt practices, and the use of creative accounting methods to disguise poor performance. This raises a concern on employees integrity

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and management competence and quality of internal controls in place to safeguard members' funds.

Nevertheless, the SACCO sector remains highly competitive, facing emerging challenges related to technological advancements. These developments have resulted to increased cybersecurity threats, necessitating the implementation of stronger controls to safeguard members' funds. Wamukota et al. (2022) found that numerous governance scandals have adversely affected various organizations, including SACCOs. These entities have faced numerous financial and corporate governance challenges, indicating that they have not been immune to such issues. The withdrawal of licenses from previously licensed SACCOs raises critical concerns regarding the underlying reasons for such actions and the subsequent impact on members who relied on these institutions for savings and financial services.

The lack of comprehensive research on the strategic factors influencing Saccos' performance hampers the ability to optimize its operations and enhance their impact. While some studies have addressed these aspects individually (Millan et al., 2015; Kamau & Oluoh, 2016; Mbuti, 2014), there remains a critical need for a holistic examination that integrates these factors into a comprehensive framework. Such an approach would facilitate a deeper understanding of the synergies and trade-offs among various strategic elements and their collective impact on the performance of SACCOs. This study focused on exploring the influence of strategic factors on the performance of Deposit-Taking SACCOs in Kiambu County, specifically examining three key determinants: management competence, innovation and technological advancements, and internal controls.

Based on the discussions presented, the primary aim of this research was to address the gaps identified in prior studies by examining the strategic factors influencing the performance of Deposit-Taking SACCOs (DT-SACCOs) in Kiambu County. Specifically, the study identified key strategic factors affecting DT-SACCO performance, including management competency, innovations and technological advancements, and internal Controls. By exploring these elements, the study provided valuable insights that can enhance the strategic decision-making processes of SACCOs, ultimately fostering sustainable growth and contributing to the overall stability of the sector. This comprehensive analysis not only aims to mitigate the risks of SACCO collapse but also to accelerate growth and improve performance within Kiambu County.

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1.4 Objectives of the Study

The general objective of this study was to investigate the influence of strategic factors on the performance of DT-SACCOs in Kiambu County.

1.4.1 Specific objectives

i. To examine the influence of innovation and technological advancements on the performance of DT-SACCOS in Kiambu County.
ii. To determine the influence of Management Competence on the performance of DT SACCOS in Kiambu County
iii. To assess the influence of internal controls on the performance of DT SACCOS in Kiambu County

1.5 Research Questions

i. What is the influence of innovation and technological advancements on the performance of DT SACCOS in Kiambu County?
ii. What is the influence of Management Competence on the performance of DT SACCOS in Kiambu County?
iii. What is the influence internal controls on the performance of DT SACCOS in Kiambu County?

1.6 Justification Statement

The results of this study provide documented evidence on the factors influencing the performance of DT- SACCOS within Kiambu County. It also provides opportunities for policymakers, consultants, and development practitioners to make informed decisions on how best to manage the SACCOS. Therefore, thisenables the policy developers and the government agents and regulatory bodies to come up with workable models that will uphold good corporate governance, strategic leadership, sustainability and high performance of DT-SACCOs. Lastly the researcher offers suggestions for improved management of DT-SACCOs and recommend areas that requires further inquiry. Additionally, the results provides significant value to the existing body of literature by enhancing our understanding of strategic leadership initiatives, with a particular focus on their implementation within the SACCO sector within Kenya.

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1.7 Scope of the Study

This study was limited to SACCOS licensed by SASRA to conduct deposit-taking business in Kiambu County in the year 2022. The research evaluated various strategic factors including Management Competence, Innovations and technological advancement and Internal controls. It also evaluated SACCO performance on the quality of the loan book, membership growth, and profitability. The study employed a combination of quantitative and qualitative research methods, and utilized questionnaires to gather comprehensive data on strategic factors and SACCO performance.

1.8 Limitations of the Study

This study focused specifically on the following strategic factors; management competence, innovations and technological advancement and internal controls and their influence to SACCOs performance in terms of the quality of loan book, membership growth and profitability. During the data collection, some respondent need to be assured of the confidentiality of information shared and anonymity for fear of being victimized. This was effectively managed by assuring respondents that their information would remain confidential and clarifying how the data would be used. Additionally, the confidentiality was reinforced with an authorization letter from the University and a research permit from the National Council for Science, Technology, and Innovation (NACOSTI) of Kenya. Therefore, respondents cooperated very well and assured the researcher of being honest in their responses.

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CHAPTER TWO

2 LITERATURE REVIEW

2.1 Introduction

The chapter presents a theoretical framework which have been selected based on the importance of topics which relates to the study subject. The theories anchor the study and helped to findanswers to the study questions and also interpreting the research results. The chapter also presents the conceptual framework and identifies the research gaps that this study sought to address.

2.2 Theoretical Review

Theoretical review establishes a connection between the researcher and existing literature, demonstrating comprehension of theories relevant to the research topic (Kennedy, 2007). This study was achored on four theories: Resource-Based View, Schumpter's Theory of Innovation, Transformational Leadership Theory, and Agency Theory to provide an understanding of how these elements collectively contribute to SACCO's performance.

2.2.1 Resource-Based View

Resource-Based View (RBV), was developed by Edith Penrose in (1959) and later enhanced by Wernefelt (1984). This theory states that the competitiveness of an organisation depends on its internal resources and emphasis on the intrinsic capabilities and resources of a firm, highlighting the importance of internal resources in shaping organizational performance. The firm's capabilities and resources are the basis upon which a firm strategy is built (Kiswili, 2021). Berko (2013) highlighted that not all resources contribute equally to a firm's success. By focusing on strategic resources that provide a competitive edge, organizations can position themselves better in their respective markets, ensuring long-term sustainability and effectiveness.

In the context of SACCOs, Resource-Based View provides a framework for leveraging internal resources to enhance performance. SACCOs can be viewed as coordinated bundles of resources, including management competence, internal controls, Innovation and technological resources which are internal resources the organisation has control over as backed up by the Resource -Based View. By effectively identifying and utilizing these resources, SACCOs can improve their

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service offerings and operational efficiency. Amina and Mbugua (2018) stated that the primary goals of business organizations, particularly, are to secure a competitive advantage and improve their performance compared to rivals. Striving to achieve these objectives is essential for long-term success and market relevance. Technology improves efficiency in service delivery and cost reduction in SACCOs (Kiswili, 2021) making it a strategic resource that improves performance. Waihenya (2018) noted that the senior managers and the top management team are an important strategic resource for the organization. Aligning these resources with strategic goals impacts decision-making and organizational performance.

Resource-Based View offers valuable insights into the strategic determinants of SACCO performance, enabling them to establish a competitive advantage over traditional financial institutions. By focusing on their unique internal resources and capabilities, SACCOs can enhance operational effectiveness and member satisfaction. As the cooperative landscape continues to evolve, embracing Resource-Based View principles will be vital for SACCOs seeking to navigate challenges and seize opportunities, ensuring their long-term sustainability and contribution to the broader cooperative sector.

The theory is therefore significant to this study, as it suggests that if DT SACCOs within Kiambu effectively leverage their strategic resources such as innovation and technological advancements, management competence, and robust internal controls they can enhance the quality of their loan books, which are the primary assets of the SACCOs. Effective monitoring will not only improve the loan portfolio but also foster the development of competitive products through innovation, thereby attracting and retaining more members. This strategic approach is expected to enhance operational efficiency and increase profitability, ultimately leading to improved overall performance for DT SACCOs within Kiambu County.

2.2.2 Schumpeter Theory of Innovation

The Schumpeterian theory of innovation proposed by the economist Joseph Schumpeter (1942), emphasizes the role of entrepreneurship and innovation in driving economic development and growth. Schumpeter (1942) emphasis that innovation is a disruptive force that creates new products, processes, and markets, leading to dynamic changes within industries and economies. Schumpter argued that entrepreneurs who could be independent research and development or engineers in large organizations created opportunity for new profits with their new innovations.

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The theory suggests that innovation is a key determinant of long-term competitiveness and performance.

Schumpeter argued that innovation is crucial for long-term economic growth and competitive advantage. Porter (1992) supported this view by noting that to compete effectively in international markets, a nation's businesses must continuously innovate and upgrade their competitive advantages. According to Kiswili (2021), technology is necessary for both public and private firms as it allows organizations to meet the needs of their clients fast and effectively. Preko (2014) indicates that investments in information technology enhance a firm's profitability and performance by enabling it to capitalize on market opportunities, thereby improving its competitive positioning. SACCOs thus must innovate and advance in technology to retain their competitive edge and financial viability amidst the ever-evolving dynamics and competition within the financial sector. The success of these institutions hinges on their ability to continuously improve their products and services. In light of the rapid pace of technological advancements, SACCOs must stay ahead of the curve by embracing innovation as a key driver of sustainable growth. Failure to do so may lead to their eventual obsolescence in the marketplace. The theory therefore supportted this study by looking at the influence of innovations and technology advancements on the performance of SACCOS.

2.2.3 Transformational Leadership Theory

The idea of transformational leadership originated with Downton (1973). This theory encourages leaders to demonstrate authentic, strong leadership with the idea that employees will be inspired to follow suit. It was later elaborated upon by Burns (1978) who indicated that transformational leadership occurs when leaders and followers make each other advance to a higher level of morality and motivation. Transformational leaders utilize their vision and charisma to inspire followers, shifting their expectations, perceptions, and motivations toward shared objectives. Bass (1985), further developed this concept by introducing methods to assess the effectiveness of transformational leadership. According to Bass (1985), transformational leadership theory consists of four key components: inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence.

Transformational leadership has continued to receive considerable attention based on its potential implications on the performance of an organization (Mutua, 2021). Among the key issues that

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this theory focuses on are visionary leadership. Transformational leaders are expected to articulate a compelling vision that speaks about the future of the organization, with deliberate moves to inspire followers to work towards a set and well communicated common goal. SACCOs have steers who should communicate a clear and inspiring vision for the cooperative's future, emphasizing financial stability, member empowerment, and community impact to remain competitive and register good performance. This vision serves as a guiding force for members and staff. Transformational leadership plays a crucial role in driving change within organizations, groups, and individuals by inspiring followers to achieve goals that exceed their initial expectations or perceived possibilities (Mutua, 2021).

The other key thing asserted by transformational theory is inspiration and Motivation. Transformational leaders inspire and motivate individuals to go beyond their self-interests and contribute to the collective success of the organization. SACCO leaders can motivate members by emphasizing the social and financial benefits of cooperative membership. Highlighting success stories, showcasing the impact of SACCO services, and recognizing member contributions create a sense of shared purpose. Bass (1999) appreciated that transformational leadership will motivate the followers to accomplish for reasons beyond immediate self interests through idealized stimulus, charisma, motivation, intellectual stimulation and individual consideration. It also gives an emphasis on ethical leadership. Transformational leaders demonstrate high ethical standards and integrity, earning the trust and respect of followers. SACCO leaders should prioritize ethical conduct and transparent communication. Upholding the highest ethical standards in financial transactions, member relationships, and decision-making builds trust and ethics.

Transformational leaders focus on the needs and aspirations of their followers. A member-centric approach involves prioritizing the financial well-being and satisfaction of SACCO members. Leaders who emphasize member needs can contribute to increased loyalty and improved SACCO performance. Transformational leaders encourage innovation and adaptability. In the financial sector, including SACCOs, the ability to innovate in response to changing market conditions and technological advancements is crucial for sustained success. Transformational leaders can instill a culture of innovation, positively impacting SACCO performance. Njoki et al. (2023), showed that transformational leadership is strongly associated with SACCOs

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performance. The study found that leaders need to keep track of shifts in the organizational culture, which will aid them in developing effective strategies to adapt to changes in the business environment. By embracing these cultural changes, leaders can leverage the best practices to improve employee commitment and gain a competitive edge, ultimately driving organizational success. Transformational leadership supports management competence by fostering a culture of inspiration, empowerment, innovation, support, and role modeling, thus enabling managers to excel in their roles and contribute effectively to organizational success.

2.2.4 Agency Theory

Agency theory, a foundational construct in organizational economics and corporate governance, has undergone significant evolution since its formal introduction by Michael C. Jensen and William H. Meckling in their seminal 1976 paper. This theoretical framework clarifies the dynamics of the principal-agent relationship, specifically addressing the conflicts of interest that arise when one party delegates decision-making authority to another. Jensen and Meckling's foundational work established the concept of agency costs—expenses incurred to monitor and align the interests of agents with those of principals. Subsequent advancements in agency theory include Kathleen M. Eisenhardt's influential 1989 article, which broadened the applicability of the theory beyond traditional corporate contexts, and the contributions of Eugene F. Fama in the 1980s and 1990s, which underscored the significance of governance mechanisms in mitigating agency problems. As organizations increasingly navigate complex and dynamic environments, the insights derived from agency theory continue to inform best practices aimed at aligning managerial actions with shareholder interests and enhancing overall organizational performance.

In the Savings and Credit Cooperative Organizations (SACCOs), agency theory provides a crucial framework for understanding the relationship between members (principals) and managers (agents). The potential for conflict of interest highlight the need for effective internal controls, particularly through robust board oversight, which ensures that managerial actions align with members' interests and mitigates agency costs (Mulei, 2019). Agency theory suggests that in contemporary institutions with dispersed share ownership, managerial actions often diverge from those that would maximize shareholder returns (Owino, 2015). Thus, comprehensive risk management practices are essential for safeguarding members' assets, while effective communication fosters transparency and trust.

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This is particularly relevant when management might prioritize their own interests over those of the shareholders (Kandukuri et al., 2015). SACCO members can establish monitoring mechanisms to oversee the actions of the management and the board and ensure compliance with established policies, laws and guidelines (Kiilu, 2021). By applying agency theory, it helps in understanding and managing principal-agent relationship using internal control mechanisms reducing the risks of mismanagement and fraud, ultimately reinforcing the cooperative's mission to serve its members effectively and promoting long-term organizational resilience.

2.3 Empirical Review

Several scholars had extended their researches on the strategic factors and their effects on performance. Their results demonstrated some significant relationship between these factors and performance. This chapter looks into studies done on management competence and performance, innovations and technology advancements and performance, internal controls and performance.

2.3.1 Management Competency and Performance

Competence is a term that connects people and their actions (Mpangane, 2013). It is getting in touch with the operating environment constructively. Managerial competence is the power to make use of the available organizational resources in an efficient manner while maintaining high levels of employee performance and in a manner that meet organizational objectives (Owino, 2015). Managers have a responsibility of demonstrating core competencies consisting of skills, knowledge, and attitudes while performing managerial tasks and in delivering their managerial responsibilities Kakemam et al. (2020). Managerial competence will enable agents make better organizational choices thus leading to better performance of the SACCO which will benefits both the mangers and members (Mpangane, 2013).

According to Frederick and Kyomuhendo (2022), managerial competence is the management's ability to implement matters profitably and efficiently. When managers are professionally trained and attend seminars that help in improving their competencies, it will result in improved financial performance (Frederick & Kyomuhendo, 2022). According to Kotter (2014), the necessity of developing strategic initiatives and appointing suitable individuals to drive change within the dynamic Volatility, Uncertainty, Complexity, and Ambiguity (VUCA) environment cannot be overstated. Failure to implement changes swiftly and effectively may result in the loss of potential benefits and the risk of reverting to original states.

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SACCOs face a very volatile and competitive operating environment and thus require that there are sound strategies comprising a clear vision with forward-looking leaders who are competent having the ability to articulate the vision in a transformative manner, inspire the organizational team, and drive the entire membership to achieve set objectives (Miriti, 2021). Omollo and Ronga (2016) established that SACCOs have recently come under tighter regulation and oversight due to several issues that emerged which include financial losses, reduced profitability, the migration of members to banks, unqualified staff, and weak corporate governance. Mpangane (2013) noted that the role of a manager compares to a nerve center and turbulent handler which make or break the organizations.

DT SACCOS thus need a competent workforce to meet their goals. Effective management is paramount to the success of SACCOs, and it impacts various dimensions of their performance. Competent leadership enables SACCOs to achieve operational efficiency thus bringing membership growth, engaging members effectively, managing risks appropriately, governing sustainably, and innovating to stay relevant. SACCOs with effective management are better positioned to overcome obstacles and seize opportunities, leading to lasting success in advancing their mission of enhancing financial inclusion and empowering communities. Therefore, investing in management competence is crucial for SACCOs to achieve their goals and make a positive impact in society.

Various studies have been conducted on management competence and performance. Mpangane, (2013) conducted a study in Mushanga SACCO in Uganda which established a strong relationship between employee skills and financial performance. The study confirmed that management team of Mushanga SACCO played a crucial role in making key decisions that impacted corporate performance. Financial decisions, in particular, had a significant effect on the overall performance of the company. The study also highlighted that skills are beneficial only when staff members are honest, consistent, and diligent, as these qualities enable them to meet organizational goals and objectives. However the current study indentified a contextual gap by focusing exclusively on Mushanga Sacco, limiting the generalizability of findings to other SACCOs. Thus to address the gap, the current study was carried out in Kiambu County, Kenya.

Owino (2015) conducted a study on public service vehicle SACCOs in Nairobi County and found that an increase in management competence was positively associated with SACCO

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performance. Conversely, a decrease in management competence led to a decline in performance. The study suggested that SACCOs should elect individuals with strong managerial skills to oversee their operations. The study recommended that SACCO directors should appoint highly capable staff to assist in managing the SACCOs, as effective management competence was found to positively influence SACCO performance. This study identified a contextual gap, as the differing socio-economic environments between Kiambu and Nairobi may have yielded distinct influences on SACCO performance, justifying the need for localized study.

2.3.2 Innovation & Technological Advancements and Performance

Among the key factors influencing the performance of current companies is innovation (Owino, 2015). Innovations and technology involve the development and application of new ideas, methods, products, or processes that enhance efficiency, productivity, and competitiveness. This includes the adoption and integration of technological advancements within an organization. SACCOS are facing stiff competition and are also experiencing disruption due to continuous evolving methods of doing business. The development of the ICT sector in cooperative societies in Kenya has been substantially affected by both local and global trends Ondoro et al. (2021). Transactional and operational costs precipitate the need for innovation (Kamau, & Oluoch, 2016). A study done on commercial banks established that automation reduces costs of doing business and improves customer relations (Kamau & Oluoch, 2016).

Egessa and Odero (2020) noted that successful leaders of rapidly growing companies recognize that innovation is the key driver of growth. Innovation is defined as the process of introducing new ideas, products, or processes that enhance operational efficiency and effectiveness (Kumar & Bansal, 2020). This can encompass both incremental improvements and radical changes that transform existing practices. Technological advancement, on the other hand, refers to the development and implementation of new technologies that significantly improve productivity and service delivery across various sectors (Morduch, 2019).

In the context of DT Savings and Credit Cooperative Organizations (SACCOs), the integration of innovation and technological advancements plays a pivotal role in enhancing organizational performance. For instance, digital platforms facilitate improved service delivery, allowing SACCOs to offer online banking, mobile payments, and automated customer support. These

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innovations not only enhance member convenience but also foster greater engagement (Morduch, 2019).

Further, technological advancements contribute to operational efficiency by streamlining internal processes and reducing administrative costs. The use of data analytics enhance risk management capabilities, enabling SACCOs to make more informed lending decisions and proactively identify potential risks, thus growing a quality loan book (Osei & Appiah, 2021). Additionally, the adoption of user-friendly applications can significantly improve member engagement and satisfaction leading to growth in membership (Suleiman et al., 2020). Leveraging innovation and technological advancements enables DT- SACCOs to attract and retain members, reduce operational costs, and ensure sustainable long-term growth in an increasingly competitive financial landscape thereby enhancing performance.

Various studies have been conducted on innovation and technological advancement and performance. Koellinger (2008) evaluated the relationship between technology, innovation, and firm performance on e-business in Europe and found out that innovative firms are more likely to grow. Hernández Ponce et *a*l. (2023) conducted a study that established a positive correlation between the financial performance of tourist companies and their technological resources with their strategic management practices. It recommended enhancing the companies' innovative capabilities to strengthen their market position. The study was carried out in Mexico and on tourism companies thus present a contextual gap hence the current study.

Wambui (2018), studied Telcom Kenya on the innovation strategies influencing organizational performance. The study established that operational efficiency, effectiveness, sales growth, and market rank performance come as a result of process innovation as they enable the organization of the firm to launch more enhanced products and services at a low cost which meets the needs of the customer. The study also found out that firms that engage in active innovation experience improved performance levels. This study looked at Telkom Kenya while the current study looks at the DT SACCOs presenting the contextual gap.

Further study condcuted by Ondoro et al. (2021) on strategic information communication technology adoption on performance found that financial institutions needs to implement ICT policies for them to grow. The study found a positive impact on the performance of deposit-taking SACCOs, focusing specifically on those in the Kisii region. Performance was assessed

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based on membership growth and dividend rates. Thus, this study aims to fill the contextual gap by exploring the interplay of multiple strategic factors and their collective impact on SACCO performance in a different geographical and operational context.

Njihia (2018) examined how strategic innovation affects financial performance within Kenya's commercial banking sector and found that commercial banks effectively employed innovation process management to enhance their performance. It concluded that managing innovation processes was a key strategy employed by banks to boost their overall effectiveness. The approach allowed the banks to innovate their products and services successfully. The contextual gap in this study on the findings on commercial banks which may not be directly applicable to SACCOs, which have distinct challenges and member-oriented objectives is addressed by the current study.

2.3.3 Internal Controls and Performance

The Institute of Internal Auditors (IIA) (2012) defines internal control as a comprehensive system of methods, procedures, and precautions put in place by an organization to enhance the likelihood of reaching its business objectives and goals. Internal control systems are vital for organizations, as they help achieve financial performance objectives and ensure adherence to relevant laws and regulations (Kiyieka & Muturi, 2018). They help in monitoring the assets and maintaining the reliability of the company's accounts which also keep very strict checks on fraudulent activities building members confidence (Umar & Dikko, 2018).

Umar and Dikko (2018) examined how internal controls affect the performance of commercial banks in Nigeria and discovered a positive relationship between the effectiveness of internal controls and the banks' performance. Kiyieka and Muturi (2018) conducted a study on effect of internal controls on financial performance of Deposit-Taking Saving and Credit Cooperative Societies in Kisii County, Kenya. The study established that SACCOs with effective and efficient internal controls had comparatively stronger and better financial performance as compared to those who are not keen to implement internal controls.

Frederick and Kyomuhendo (2022) researched on internal controls, managerial competence, and financial performance of ABU SACCO and concluded that internal controls positively influence financial performance. The study recommended that the management shouldfollow all the

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internal controls, which are monitoring, clear communication and information, and control of activity and environment, which will increase in financial performance of the organization.

2.3.4 Firm's Performance

Organizational performance refers to the attainment of ultimate goals of the organization as set out in the key organizational plans (Ghosh & Ansari, 2018). According to Charles and Ochieng (2023), despite the fact that firms collectively contribute to the socio-economic development of the national economy, most firms face difficulties in maintaining superior firm performance which is occasioned by unmanageable business environment, uncertainty, and changes. Performance of an organization can be measured using different parameters as demostrated by different researchers carrying studies on different organizations. Various studies have used different ways to measure performance.

Frederick and Kyomuhendo (2022) studied SACCOs in Uganda and measured financial performance using profitability, financial efficiency, and liquidity. This study showed that proper internal controls improve financial performance and management competence positively influenced financial performance. The current study measures performance on quality of loan book, membership growth and profitability.

Adamade and Gunu (2017) studied the effects of firm strategic factors on manufacturing companies' performance in Nigerian and measured performance in terms of return on invested capital. The study concluded that firm strategic factors influenced returns on invested capital differently for manufacturing firms.

Egessa and Odero (2020) studied deposit taking SACCOs in Kenya and measured performance using the parameters like customer satisfaction, membership base, asset base, and deposit base to measure the effect of innovation on performance. The study confirmed that innovation had a positive and significant effect on the performance of Deposit Taking SACCO's in Kenya.

Ghosh and Ansari (2018) studied the influence of corporate governance practices on performance of savings and credit cooperative societies in the central region of Kenya and measured prformance in terms of number of active accounts, amount of customer deposits, Return on Assets (ROA) and profitability. This study established that good corporate governance

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practices in SACCOs lead to improved interest rates, a larger customer base, enhanced deposit mobilization, the establishment of internal incentives, and increased income, assets, and profitability.

Charles and Ochieng (2023) conducted a research on strategic outsourcing and firm performance. The study established that service integration and management, offshore outsourcing, and multi-sourcing as measures of strategic outsourcing affect firm performance measured in terms of firm efficiency, firm profitability, competitive advantage, customer satisfaction and employee productivity.

2.4 Research Gap

The table below shows an analysis of some of the most relevant studies in the area of study, which were thoroughly reviewed to provide valuable insights.

Table 1 Research Gap

AUTHOR & YEAR	RESEARCH TOPIC	SUMMARY OF FINDINGS	RESEARCH GAP	HOW THE GAP IS CLOSED
(Mulei, 2019)	Strategic Management factors affecting the performance of DT SACCOS in Machakos Sub-County	The study revealed that ICT affects the performance of DT-SACCOs in the Machakos Sub-county to a great extent.	This is a study that was carried out in Machakos Sub-County	Done at Kiambu County
(Kiilu, 2021)	Effects of corporate governance practices on organizational performance: A case of coffee cooperative societies in Machakos County	Corporate governance positively and significantly influences coffee cooperative societies' performance in Machakos County.	Study conducted on coffee Cooperatives in Machakos	The Study was done on DT Saccos in Kiambu
(Njihia, 2018)	Effect of strategic innovation on financial performance in Commercial Banks Sector in Kenya	Innovation process management was a strategic innovation that banks heavily deployed to enhance their firm	The study was done on Commercial Banks and looked at innovation only presenting both contextual and	The study was done on DT Saccos and looking at

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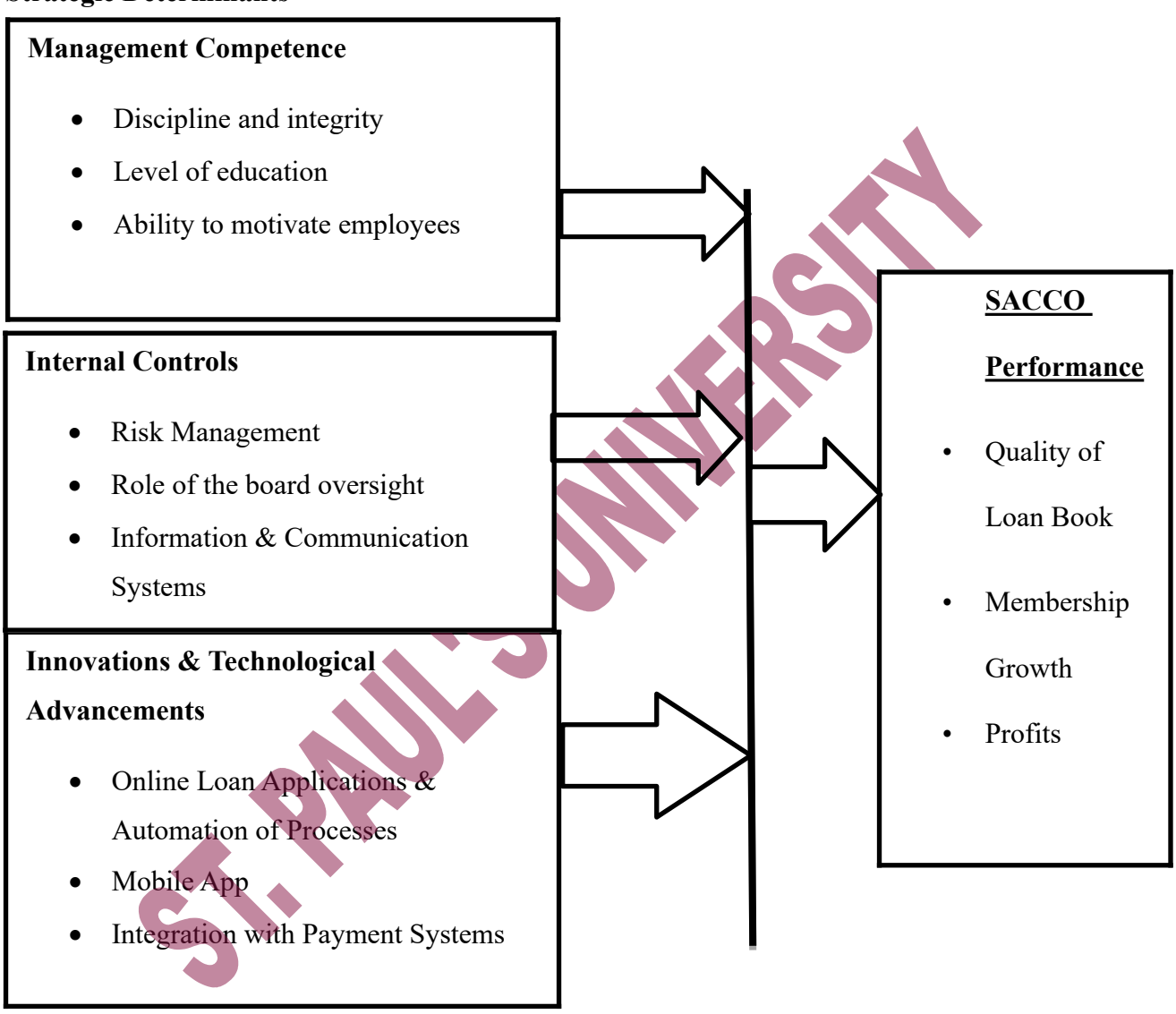
		performance.	theoritical gap.	innovation, management, competence and internal controls
Umarand Dikko (2018)	Effect of internal controls on the performance of commercial banks in Nigeria	A positive relationship between internal controls and banks' performance.	Both geographical and contextual gaps were identified having the stdy conducted in Nigeria and for banks and not DT Saccos.	The study carried out within Kenya. It was done on DT-SACCO
(Wambui, 2018)	Innovation strategies influence on organizational performance	Strong relationship between active innovation and performance levels	A contextual gap was identified where the research studied Telkom Kenya, a telecommunications sector which is different from SACCOs which have different regulations and odes of operations	The currect research looked at DT SACCOS and strategic factors influencing performance
(Owino, 2015)	The effect of management competence, competition, and working environment on performance of public service vehicle Saccos in Nairobi county	The study noted a positive relationship between management competence and SACCO performance such that as management competence rises, SACCO performance rises and falls when management competence falls	The study was done on matatu SACCOs within Nairobi County, it also looked at management competence only on the performance of SACCOs	This stud focused on DT SACCOS and has looked into various factors that affect Sacco performance

Source (Author, 2024)

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2.5 Conceptual Framework

Figure 1: Conceptual Framework



Source: Author (2024)

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2.5.1 Management Competence

Management competence is essential for organizational effectiveness, particularly in maintaining integrity and accountability. Discipline and integrity create a culture of trust that minimizes fraud risk and enhances stakeholder confidence. Management's commitment to ethical decision-making positively impacts staff morale and fosters a strong organizational culture. A manager's level of education is crucial for informed decision-making that drives growth: qualified leaders implement policies that promote talent development, boosting employee productivity and encouraging high-quality work. By fostering creativity and regularly reviewing its reward policy, management effectively motivates and recognizes staff, further enhancing engagement. Through these efforts, competent management not only protects the organization's reputation but also drives long-term success and sustainability.

2.5.2 Innovations and Technological Advancements

In today's fast-paced environment, innovations and technological advancements are crucial for organizational efficiency. Online loan applications and internal automation processes streamline operations, reducing processing times and enhancing customer satisfaction. User-friendly mobile apps allow members to manage their accounts and transact at their convenience. Reliable payment system integration ensures seamless transaction processing, improving cash flow and member experience. Together, these advancements enhance loan processing efficiency and position organizations for sustainable growth and success.

2.5.3 Internal Controls

Effective internal controls are paramount for maintaining the operational integrity and sustainability of organizations. Robust risk management practices are employed to rigorously assess the creditworthiness of borrowers, ensuring prudent lending decisions. Additionally, the organization implements comprehensive strategies to mitigate operational risks, including fraud and cybersecurity threats, which are increasingly relevant in today's digital landscape. The board of directors plays a critical role in oversight, effectively representing the interests of members while ensuring compliance with regulatory requirements and upholding ethical standards. Moreover, the organization prioritizes the security and confidentiality of member data within its

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information systems. By providing comprehensive training and support to staff, the organization ensures that employees can effectively leverage these systems, fostering a secure and efficient operational environment.

2.5.4 SACCO Performance

In the context of SACCO performance, the quality of the loan book, membership growth, and profits are essential indicators of organizational health and sustainability. The loan book is a major asset and a primary source of income. Its quality directly influences the level of provisioning required, which in turn impacts profitability. Effective internal controls and risk management strategies ensure that loans are extended to creditworthy borrowers, thereby reducing defaults and enhancing financial stability. Membership growth reflects the organization's appeal, driven by innovations like user-friendly mobile apps that enhance accessibility, alongside competent management that fosters member engagement. Profits, ultimately, are a result of this operational efficiency, where a strong loan portfolio generates revenue and cost-control measures maximize profitability. Together, these parameters interplay significantly with internal controls, innovations, and management competence, creating a synergistic environment that positions the SACCO for long-term success and sustainability.

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CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a discussion of the research methodology that was used to carry out this study. It describes the research design, target population, procedures of data collection and the model of analysis.

3.2 Research Design

A descriptive research design was adopted for this study. Descriptive research design gathers data that describes individuals, organizations, settings, or phenomena. It provides a detailed understanding of the subject matter, identifies key issues, and enables informed decisions. (Sekaran & Bougie, 2013). The study explored the connection between the independent and dependent variables. This helped in gaining a deeper understanding of the relationships between the variables.

3.3 Target Population

The target population in research refers to the entire group of individuals or elements that meet the criteria for inclusion in a study (Creswell & Creswell, 2018. This research targeted all the 13 Saccos within Kiambu County that were registered as Deposit-taking Saccos by SASRA as of 30th December 2022 which was the latest release of the supervisory regulatory report. The research targeted 110 senior, middle managers and lead supervisors from the 13 DT SACCOs.

3.4 Census

A census target population refers to the entire group of individuals or elements that exhibit the specific traits relevant to the researcher's study. In a census, data is collected from every member of this population, leaving no one out (Creswell & Creswell, 2017). This study targeted all the registered DT-SACCOs within Kiambu County.

3.5 Data Collection Tool

This research utilized semi-structured questionnaires, which were administered to the respondents through drop and pick later. This survey instrument combines open-ended and

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closed-ended questions. They include a mix of predetermined questions with set response options as well as open-ended questions that allow respondents to provide more detailed and personalized responses. The study employed a Likert scale, which is an interval measurement tool consisting of five response options: strongly disagree, disagree, neutral, agree, and strongly agree. This scale is perfect for gauging attitudes and beliefs and measures the degree to which a respondent agrees or disagrees with a certain opinion or question, (Mugenda, A & Mugenda, O. (2013).

3.5.1 Validity Test for Data Collection Instrument

Validity is the measure of accuracy and meaningfulness of inferences which are founded on the research outcomes (Cooper & Schindler, 2006). The validity will exist if the data measures what it was expected to measure. In order to test and intensify the validity of the questionnaire, seven questionnaires' were pilot tested on a SACCO regulated by SASRA within Nairobi County. This helped to receive feedback on areas of improvement on the questionnaire as well as the expertise from the supervisors.

3.5.2 Reliability Test for Data Collection Instrument

Reliability refers to how well the data collection tool gives results that are consistent (Ledgerwood, 2019). This study employed Cronbach's Alpha Coefficient, an internal consistency measure, to assess the reliability of the questionnaire through a pilot test. Mohammadbeigi et al. (2015) indicate that a Cronbach's Alpha Coefficient above 0.7 signifies that the measurement tool demonstrates acceptable reliability. Pilot study data were coded and entered into SPSS, where the Cronbach's alpha was calculated. A coefficient above 0.70 indicated acceptable reliability, confirming that the scale items consistently measured the intended constructs.

3.6 Data Analysis

According to Gravetter and Wallnau (2017), data analysis involves inspecting, cleaning, transforming, and modeling data to uncover useful information and support decision-making. It includes a variety of techniques and methods depending on the type of data and research questions. The data for this study was presented using tables, graphs, frequency distributions, and percentages. SPSS was utilized for data analysis, and the results were presented descriptively. To identify the strategic factors influencing the performance of DT-SACCOs in Kiambu County, the study employed multiple regression analysis with a regression model. In this

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analysis, variables such as members' income, interest rates, and SACCO size were held constant. The linear regression model used was follows: -

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where:- Y= was the dependent variable SACCO performance.

X_1 = Management Competence.

X_2 = Innovations & Technological Advancements.

X_3 = Internal Controls.

$\boldsymbol{\beta_0}$ = Constant

$\boldsymbol{\beta_1, \beta_2, \beta_3,}$ =Coefficients of independent variables.

$\boldsymbol{\varepsilon}$=Error term of the model.

The study employed a 95% confidence interval with a 5% margin of error for analyzing the data. The model's validity was verified as both ANOVA and F-test results produced values under the alpha threshold of 0.05, demonstrating statistical significance. Additionally, the coefficient of determination (R^2) was used to evaluate how strategic factors influence the performance of deposit-taking SACCOs in Kiambu County. The results of the data analysis were presented through tables, figures, and charts. Qualitative data from open-ended questions were analyzed using content analysis.

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3.7 Ethical Considerations

Research ethics involve the principles and guidelines that govern the conduct of research to ensure the protection and well-being of participants, the integrity of the research process, and the credibility of the findings. After receiving approval from St. Paul's University to conduct the study, the study sought approval from the National Commission for Science, Technology, and Innovation (NACOSTI), which is responsible for coordinating, regulating, and overseeing research and development activities to ensure adherence to ethical standards and compliance with regulations. Following this, approval to collect data was sought from the respective authorities of the SACCOs. I ensured confidentiality of information and informed the

participants of their right to participate willingly without coercion. The raw data was also destroyed after analysis

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CHAPTER FOUR

4 RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The purpose of this study was to investigate the influence of strategic factors on the performance of DT SACCOs in Kiambu County. This chapter provides a detailed analysis of the data collected during the research study. It presents and interprets the findings in a manner that aligns with the research objectives outlined in previous chapters. Further, the Chapter presents information on how management competence, innovations & technological advancements, and internal controls influence the performance of DT SACCOs in Kiambu County.

4.2 Reliability Statistics

Table 2 **:Reliability Statistics**

Variable	Cronbach's Alpha	No of Items
SACCO performance	.801	4
Management Competence	.796	7
Innovations & Technological Advancements	.809	7
Internal Controls	.839	6
overall	.914	24

Source: Survey Data, (2024)

The reliability statistics from the pilot test showed a strong internal consistency across various variables. Each variable, SACCO performance, management competence, innovations & technological advancements, and internal controls achieved Cronbach's Alpha values ranging from 0.796 to 0.839, all surpassing the 0.7 threshold. These results indicated that the items within each variable were consistently measuring their respective aspects with a high degree of accuracy. The overall Cronbach's Alpha of 0.914 for the complete scale of 24 items signified acceptable reliability, reflecting a highly consistent and well-structured measurement tool. This high alpha value demonstrated that the combined measures across all variables were seamlessly integrated, ensuring that the scale effectively assessed the intended aspects.

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4.3 Response Rate

The study analyzed the responses from questionnaires administered to the respondents. Out of the 110 respondents targeted, a total of 82 completed questionnaires were received. This response rate was adequate as proposed by Kothari (2011), who stated that responses between 60% and 70% were adequate, while responses above 70% were considered excellent. This response rate offered a solid foundation for the subsequent data analysis and interpretation. Table 3 presents the findings showing a rate of response at 75%.

Table 3 : Response Rate

	Frequency	**Percentage**
Response	82	75%
Non-response	28	25%
Total	**110**	**100%**

Source: Survey Data, (2024)

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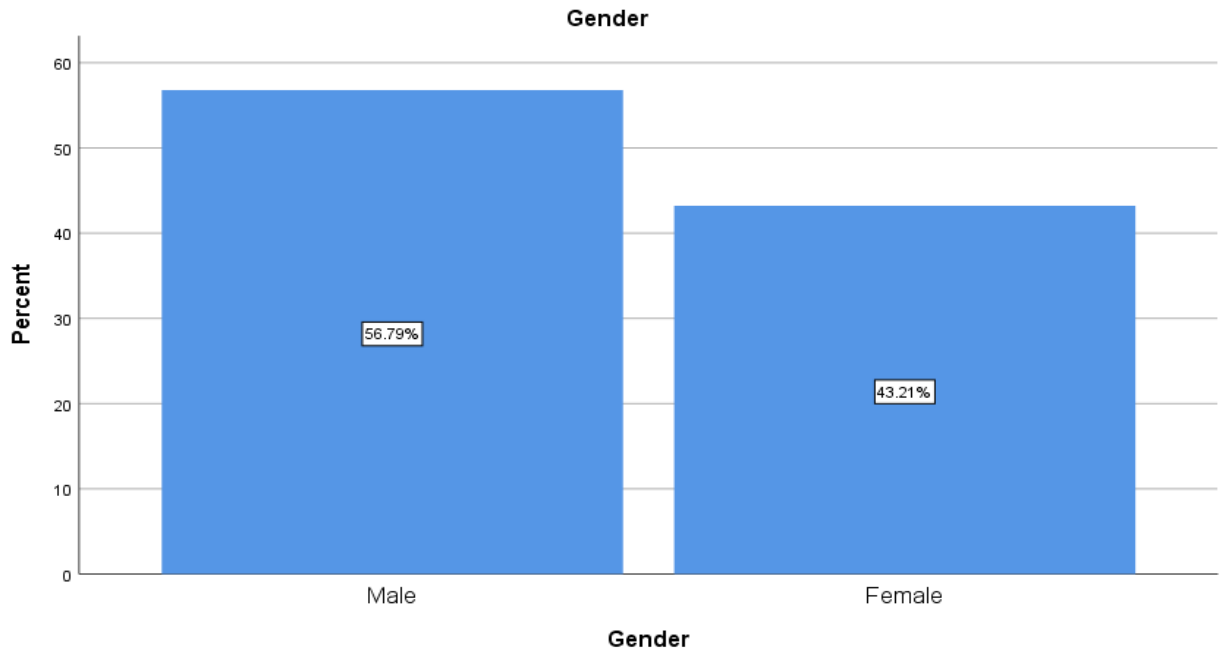
4.4 Demographic Analysis

This study conducted a review of the demographic composition of the respondents, focusing on key variables including gender, age, work experience, highest level of education, and management level. Analyzing these demographic factors was essential for evaluating the relevance and appropriateness of the respondents' profiles in relation to their roles and responsibilities within the organization. Such analysis not only provides insights into the respondents' qualifications and experience but also allows for an examination of their skill levels and professional development over time. By understanding these demographic dimensions, the study aimed to assess how these factors might have influenced respondents' perspectives and their ability to contribute effectively to the research objectives.

4.4.1 Gender of Respondent

Gender demographics establish the distribution and representation of genders within the respondent, which can influence the interpretation of the research findings. The representation reflected diverse perspectives and showed that both gender were well represented. The respondents were requested to indicate their gender and the findings were obtained as below:-

Figure 2 : Gender of the Respondent



Source: Survey Data, (2024)

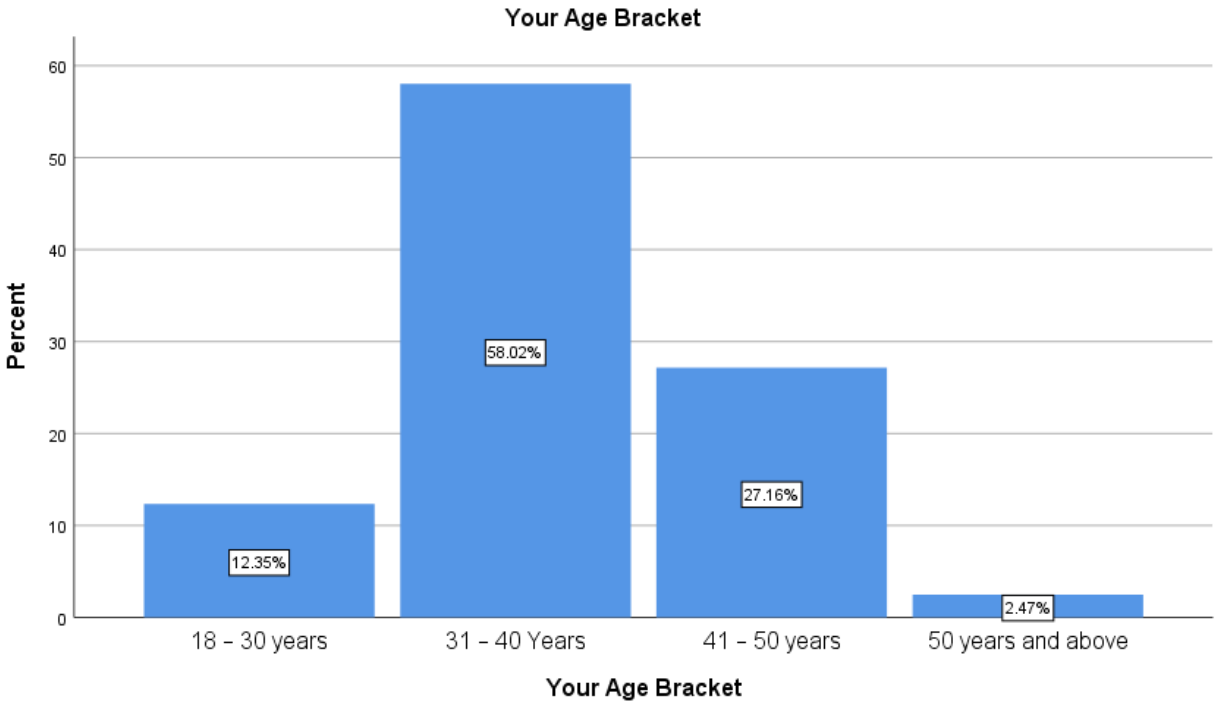
From the analysis, it was found that 56.79% of the respondents were female, while 43.21% were male. This distribution indicated a relatively balanced representation of both genders among the respondents. Consequently, the responses were considered to be unbiased, reflecting a fair representation of both gender perspectives.

4.4.2 Age Bracket of the Respondent

Analyzing the age bracket of respondents was important for understanding how different life stages and generational perspectives influenced their responses and viewpoints. This information helped in identifying potential age-related patterns and trends, allowing for a more nuanced interpretation of the research findings and ensuring that the results reflected the diverse

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Figure 3: Age of the respondents



Source: Survey Data, (2024)

The analysis of the age brackets of the respondents revealed the following distribution: 12.3% were between 18 and 30 years old, 58.0% were between 31 and 40 years old, 27.2% were between 41 and 50 years old, and 2.5% were aged 50 years and above. This distribution highlighted a predominance of respondents within the 31 to 40-year age range, suggesting that this group represented the majority of the respondent. The data indicated a well-rounded representation of different age groups, though the higher concentration in the 31 to 40-year range suggested that this age cohort had a more significant presence in the study. The total number of valid responses were 81, with one response missing, resulting in a complete dataset of 82.

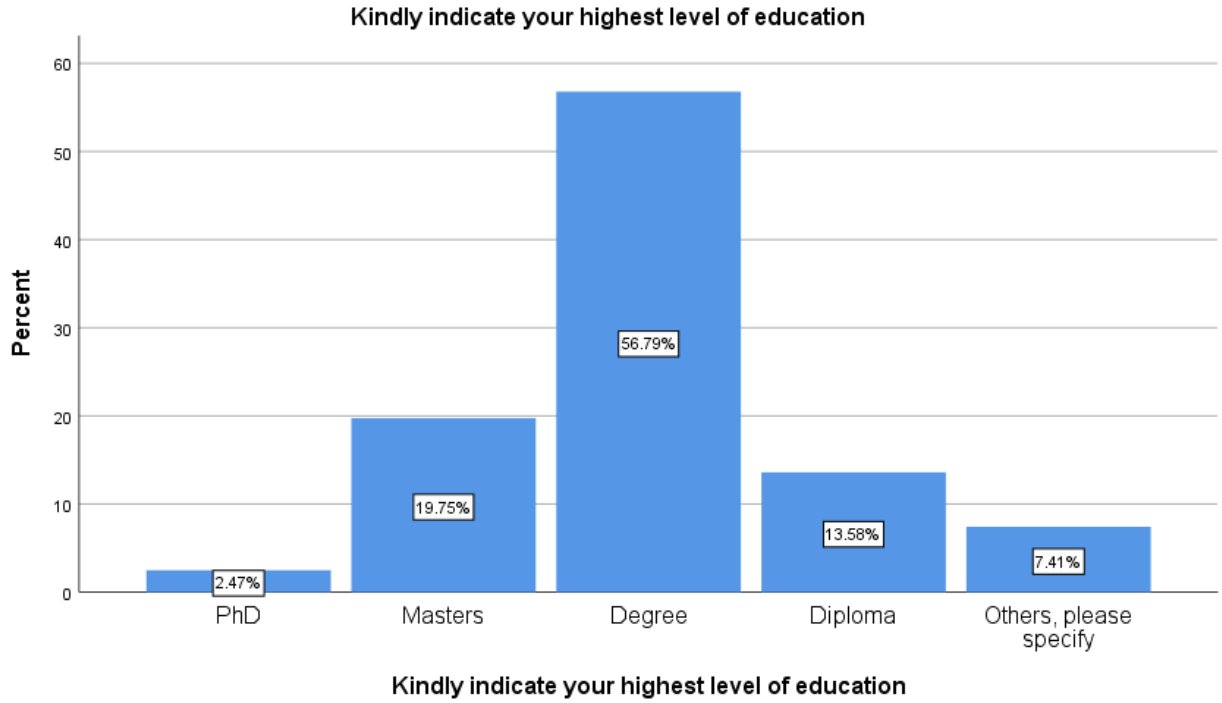
4.4.3 Respondent Highest Level of Education

Indicating the highest level of education was essential for assessing the educational qualifications and intellectual expertise of the respondents, which could impact their insights and responses. This information was vital for evaluating the diversity of the respondents and ensuring that the

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study's findings were representative of various educational backgrounds. Data collected reflected the following:-

Figure 4 : Highest level of education



Source: Survey Data, (2024)

The analysis of respondents' highest level of education showed a diverse educational background among the sample. Specifically, 2.5% of respondents hold a PhD, while 19.8% had completed a Master's degree. The majority of respondents, 56.8%, possessed a Bachelor's degree, indicating a strong presence of individuals with undergraduate education. Additionally, 13.6% had a Diploma, and 7.4% selected "Other" categories, suggesting a variety of additional qualifications. With 81 valid responses and one missing, the data provided a comprehensive overview of the educational qualifications within the respondents, highlighting a well-rounded representation across different levels of higher education

4.4.4 Work Experience

Asking how long respondents had worked with the current organization provided insights into their level of experience and familiarity with the organization's operations. This information was

crucial for understanding the depth of their knowledge and its potential impact on their perspectives and responses within the finance sector. The following data was obtained.

Table 4: Duration of service in the SACCO

How long have you worked with the current organization?					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Less than 1 year	3	3.7	3.7	3.7
	1 -5 years	31	37.8	37.8	41.5
	6 -10 years	26	31.7	31.7	73.2
	10 years and above	22	26.8	26.8	100.0
	Total	**82**	**100.0**	**100.0**	

Source: Survey Data, (2024)

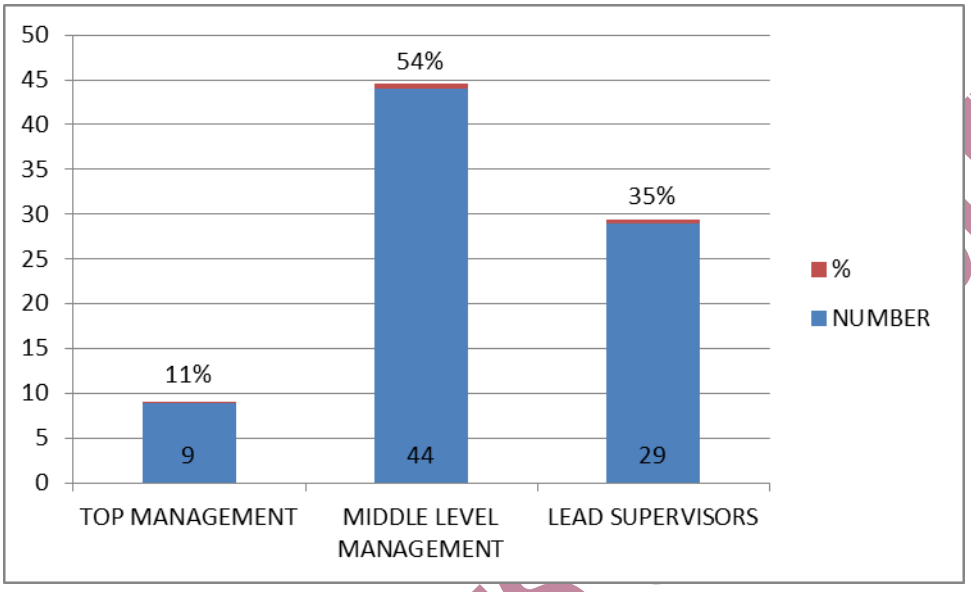
The analysis of the respondents' tenure with the current organization showed a varied distribution of experience levels. The data collected showed that 3.7% of respondents had been with the organization for less than 1 year, indicating a small proportion of relatively new employees. The majority of the respondents, 37.8%, had worked with the organization for 1 to 5 years, reflecting a substantial segment of employees with moderate tenure. Additionally, 31.7% of respondents had been with the organization for 6 to 10 years, showing a significant number of individuals with considerable experience. Finally, 26.8% of respondents had been employed for 10 years or more, highlighting a notable portion of long-term employees. This distribution provided a comprehensive view of the respondents' experience levels, which was crucial for understanding their depth of knowledge and stability within the organization.

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4.4.5 Respondent Managerial Level

Indicating one's position within the SACCO was important in understanding the respondent's level of responsibility and influence within the organization. The results were as follows:-

Figure 5 : Managerial Level



Source: Survey Data, (2024)

The analysis of respondents' positions within their SACCOs indicated a diverse range of roles, reflecting a broad spectrum of responsibilities within the organizations. The distribution of 11% top management, 54% middle management, and 35% lead supervisors among the DT SACCOs in Kiambu ensured a comprehensive response to the questionnaire, as it captured perspectives from both strategic oversight and operational execution, reflecting a well-balanced view of how these factors impact organizational effectiveness. This distribution provided a comprehensive overview of the hierarchical and functional structure within the SACCOs, which was crucial for understanding how different roles might influence respondents' perspectives and insights in the study.

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4.5 Descriptive Analysis

4.5.1 Management Competence on the Performance of DT SACCOs

Respondents were asked to assess the influence of management competence on the performance of DT SACCOs using a 5-point Likert scale, which included the following options: "SA = Strongly Agree; A = Agree; D = Disagree; SD = Strongly Disagree; NS = Not Sure."The data collected indicated the following:

4.5.2 Descriptive statistics for management competence

Table 5: Descriptive Statistics For Management Competence

	N	NS = Not Sure	SD = Strongly Disagree;	D = Disagree;	A = Agree;	SA = Strongly	Mean	Std. Deviation
The employees delivers high quality work based on their skills and knowledge	82	1.2	0	0	34.1	64.6	4.6098	0.62373
The organization policies promote talent development among employees which enhance employee productivity	82	2.4	3.7	6.1	54.9	32.9	4.122	0.86624
The organization encourages creativity among employee which has positively affected the organization policies	82	4.9	4.9	13.4	51.2	25.6	3.878	1.01093
The management regularly review its reward policy which positively affected the organization policies	82	3.7	8.5	26.8	45.1	15.9	3.6098	0.97823
SACCO management demonstrates a commitment to maintaining discipline within the organization	82	3.7	4.9	3.7	54.9	32.9	4.0854	0.94544
SACCO management consistently upholds ethical standards and integrity in decision-making processes.	82	3.7	7.3	2.4	58.5	28	4	0.96864
The discipline and integrity demonstrated by SACCO management positively impact staff morale and organizational culture	82	3.7	3.7	2.4	51.2	39	4.1829	0.93132

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Aggregate Score	**4.0697**	**0.903504**

Source: Survey Data, (2024)

The analysis demonstrated that the management competence significantly influenced the performance of DT SACCOs in Kiambu County. The first question indicated a strong consensus (mean = 4.61, SD = 0.62) that employees' competencies contributed to high-quality work. A low standard deviation here suggests that responses were closely clustered around the mean, indicating a strong agreement among employees. In terms of talent development, a mean score of 4.12 (SD = 0.87) suggested employees felt supported in their growth, enhancing productivity. However, the perception of creativity encouragement was less favorable (mean = 3.88, SD = 1.01), with a higher standard deviation indicating greater variability in opinions on how well the organization fostered creativity. Additionally, a mean score of 3.61 (SD = 0.98) for reward policy review pointed to dissatisfaction and a disconnect between management practices and employee expectations.

Management's commitment to maintaining discipline received a positive response (mean = 4.09, SD = 0.95), while trust in ethical standards was affirmed (mean = 4.00, SD = 0.97). The influence of management's discipline and integrity on staff morale was also noted, with a mean score of 4.18 (SD = 0.93) indicating a positive impact on workplace culture. The average mean score of approximately 4.07 (SD = 0.90) suggested that employees perceived a generally supportive workplace. However, areas such as creativity encouragement and reward management revealed opportunities for improvement, particularly as higher standard deviations in these areas highlighted diverse employee experiences and differing viewpoints.

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4.6 Innovation and Technological Advancements on The Performance of DT SACCOS

Participants were asked to evaluate the effect of innovation and technological advancements on the performance of Deposit-Taking SACCOs using a 5-point Likert scale with the following options: "Strongly Disagree," "Disagree," "Not Sure," "Agree," and "Strongly Agree."

4.6.1 Descriptive Statistics for Innovation and Technological Advancements

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Table 6: Descriptive Statistics for & Technological Advancement

Source: Survey Data (2024)

	N	NS = Not Sure	SD = Strongly Disagree;	D = Disagree;	A = Agree;	SA = Strongly	Mean	Std. Deviation
The mobile app provided by my SACCO is user-friendly	82	1.2	0	0	42.7	56.1	4.5366	0.57079
Majority of our members use mobile app to transact	82	3.7	0	13.4	43.9	39	4.1463	0.91789
The mobile app has improved convenience in accessing SACCO services compared to traditional methods.	82	0	0	0	32.9	67.1	4.6707	0.47284
The payment systems integrated with the SACCO are reliable and consistent in processing transactions.	82	3.7	0	3.7	46.3	46.3	4.3171	0.85891
Integration with payment systems has facilitated faster and more efficient transactions within the SACCO	82	6.1	0	1.2	39	53.7	4.3415	0.99653
Automation of processes has enabled SACCO staff to focus on more value-added tasks	82	3.7	0	2.4	45.1	48.8	4.3537	0.85161
Automation of processes has improved the efficiency of loan processing within the SACCO	82	3.7	0	4.9	43.9	47.6	4.3171	0.87317
Aggregate Score							**4.383286**	**0.791677**

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The analysis of the influence of innovation and technological advancements on the performance of DT SACCOS revealed several key insights. The user-friendliness of the mobile app received a mean score of 4.54 (SD = 0.57), indicating strong agreement that it is easy to use. The mean score for app usage in transactions was 4.15 (SD = 0.92), suggesting variability in opinions about how frequently members use the app.

The app's convenience in accessing SACCO services scored the highest, with a mean of 4.67 (SD = 0.47), reflecting strong consensus on its effectiveness. The reliability of integrated payment systems received a mean score of 4.32 (SD = 0.86), indicating a positive perception but with some variation in responses. The facilitation of faster transactions scored 4.34 (SD = 0.99), suggesting general approval while highlighting diverse experiences.

Members viewed automation positively, with a mean of 4.35 (SD = 0.85) for enabling staff to focus on value-added tasks and 4.32 (SD = 0.87) for improvements in loan processing efficiency. Overall, the aggregate score of approximately 4.38 (SD = 0.79) reflects a favorable view of the mobile app and automation efforts. However, the variability in certain areas indicate the need for management to consider diverse member experiences and make improvements where perceptions differ.

4.7 Internal Controls on the Performance of DT SACCOS

The participants were also requested to indicate the effect of internal control on DT Saccos performance. Using the 5-point Likert scale, "Strongly Disagree," "Disagree," "Not Sure," "Agree," and "Strongly Agree, the results were as per the table below.

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4.7.1 Descriptive Statistics for internal controls on the performance of DT SACCOS

Table 7: Descriptive Statistics for Internal Controls

Source: Survey Data, (2024)

	N	NS = Not Sure	SD = Strongly ~	D = Disagree;	A = Agree;	SA = Strongly	Mean	Std. Deviation
The SACCO employs effective methods to assess the creditworthiness of borrowers	82	12.2	3.7	8.5	51.2	24.4	3.7195	1.23002
The SACCO has robust strategies in place to address operational risks such as fraud and cybersecurity threats	82	4.9	3.7	22	58.5	11	3.6707	0.90342
The board represents the interests and concerns of SACCO members effectively	82	9.8	2.4	22	51.2	14.6	3.5854	1.08811
The board ensures compliance with regulatory requirements and ethical standards.	82	6.1	1.2	13.4	65.9	13.4	3.7927	0.91271
The SACCO ensures the security and confidentiality of member data in its information systems	82	1.2	1.2	4.9	65.9	26.8	4.1585	0.67531
The SACCO provides adequate training and support to staff members to effectively utilize information systems.	82	11	3.7	13.4	53.7	18.3	3.6463	1.15867
Aggregate Score							**3.7621 83**	**0.994707**

The data analyzed reflects members' perceptions of the SACCO's effectiveness in various operational and governance areas, rated on a Likert scale. The effectiveness of methods for assessing borrowers' creditworthiness received a mean score of 3.72 (SD = 1.23), indicating general positivity but also significant variability in opinions, reflecting a lower level of consensus. Similarly, the SACCO's strategies for addressing operational risks, such as fraud and cybersecurity threats, scored 3.67 (SD = 0.90), showing moderate agreement but some uncertainty among members.

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The board's effectiveness in representing member interests scored lower at 3.59 (SD = 1.09), indicating considerable disagreement and a lack of consensus among members. In contrast, the board's compliance with regulatory requirements received a mean of 3.79 (SD = 0.91), suggesting a moderately positive perception with better agreement. The SACCO's commitment to securing member data was the most positively rated, with a mean of 4.16 (SD = 0.68), indicating strong consensus on its effectiveness.

Finally, the adequacy of training and support for staff in utilizing information systems scored 3.65 (SD = 1.16), reflecting varied perceptions and a lower level of consensus. Overall, the aggregate score of approximately 3.76 (SD = 0.99) suggests a generally positive view of the SACCO's operations. However, the variability in responses highlights areas where consensus is lacking, particularly regarding board representation and staff training.

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4.8 SACCO Performance

The respondent were requested to evaluate Sacco performance interms of profitability, quality of loan book, membership growth and portfolio at risk using 5-point Likert scale, "Strongly Disagree," "Disagree," "Not Sure," "Agree," and "Strongly Agree. The responses were tabulated as per the table below.

4.8.1 Descriptive Statistics SACCO Performance

Table 8 : Descriptive Statistics SACCO Performance

	N	NS = Not Sure	SD = Strongly Disagree	D = Disagree	A = Agree:	SA = Strongly Agree	Mean	Std. Deviation
Profitability has increased in consecutive years.	82	1.2	3.7	17.1	47.6	30.5	4.0244	0.86031
The quality of loan book has improved over the years	82	3.7	3.7	22	50	20.7	3.8049	0.93543
Membership has grown in the consecutive years	82	4.9	1.2	6.1	57.3	30.5	4.0732	0.9267

Portfolio At Risk has reduced in consecutive years	82	1.2	4.9	37.8	37.8	18.3	3.6707	0.87566

Source: Survey Data, (2024)

The data presented a generally positive assessment across the surveyed metrics. The data reflected members' perceptions of key performance indicators of the SACCO, using a Likert scale ranging from Strongly Disagree (SD) to Strongly Agree (SA). The statement regarding profitability increasing in consecutive years had a mean score of 4.02 (SD = 0.86), indicating that most members agreed or strongly agreed with this assessment, although some variability suggested that not all were confident.

The quality of the loan book scored 3.80 (SD = 0.93), showing that members tended to agree that it had improved over the years, but opinions varied, with some members possibly being unsure or disagreeing. Membership growth received a score of 4.07 (SD = 0.93), indicating strong agreement among members about positive trends in membership, with many agreeing or strongly agreeing that growth was evident.

Conversely, the statement regarding the reduction in Portfolio at Risk scored 3.67 (SD = 0.88). While this score indicated general agreement, the variability suggested that not all members were confident in the effectiveness of the SACCO's risk management strategies, with some possibly unsure or disagreeing. Overall, while members recognized improvements in profitability, loan quality, and membership growth, the differing levels of agreement, especially concerning Portfolio at Risk, pointed to opportunities for the SACCO to engage with members and address any concerns.

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4.9 Regression Analysis

The study performed a regression analysis to assess the combine effect of internal controls, innovation and technological advancement and management competence on the performance of DT SACCOs within Kiambu County.

4.9.1 Model Summary

This study sought to ascertain the R-squared value which is the proportion of variance in the dependent variable which can be explained by the independent variables within the model.

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Table 9: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.758[a]	.575	.559	.47339

a. Predictors: (Constant), internal controls , innovation and technological advancements, Management Competence

Source: Survey Data, (2024)

The model summary showed a strong and significant relationship between the predictors — internal controls, innovation and technological advancements, and management competence — and SACCO performance. The correlation coefficient (R) of 0.758 indicated a strong positive linear association, suggesting that the predictors had a substantial influence on SACCO performance. The R Square value of 0.575 showed that approximately 57.5% of the variance in SACCO performance was accounted for by internal controls, innovation and technological advancement and management competence, highlighting their considerable explanatory power. The Adjusted R Square of 0.559 further supported the model's validity by accounting for the number of predictors and the complexity of the model. The standard error of the estimate, at 0.47339, reflected the average deviation of observed values from predicted values, offering insight into the model's accuracy. Overall, these results demonstrated that the model effectively identified key factors impacting SACCO performance

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4.9.2 Analysis of Variance for Strategic Factors and Performance

Analysis of the Variance (ANOVA) was used to evaluate the significance of the data used in this study. In this analysis, a significance level of 0.05 was chosen to evaluate whether the observed effects were significant.

Table 10 : ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.649	3	7.883	35.177	.000[b]

Residual	17.480	78	.224
Total	41.129	81	

a. Dependent Variable: SACCO PERFORMANCE

b. Predictors: (Constant), internal controls , innovation and technological advancements, Management Competence

Survey Data, (2024)

The analysis of the regression model showed that the predictors;internal controls, innovation and technological advancements, and management competence,account for a significant portion of the variance in SACCO performance. The results signify that the overall regression model was significant based on F (3, 78) = 35.177, $p < 0.05$. This suggests that the strategic factors; internal controls, innovation and technological advancements, and management competence reliably predicted SACCO performance at the 5% significance level.

4.9.3 Beta Coefficients of Study Variables

Table 11: Regression Coefficients

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	.250	.458		.545	.587
	Management Competence	.198	.114	.170	1.735	.037
	Innovation and technological advancements	.196	.108	.153	1.811	.024
	Internal controls	.525	.092	.555	5.711	.000

a. Dependent Variable: SACCO PERFORMANCE

Survey Data, (2024)

From the above table, the following regression equation was derived

$Y = 0.25+0.198X_1+0.196X_2+0.525X_3$

SACCO PERFORMANCE=0.250+0.198 · Management Competence+0.196 · Innovation and Tec

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hnological Advancements+0.525 · Internal Controls.

The output in the Table 11 show that with all other factors held constant, a one-unit increase in management competence, innovation and technological advancements, or internal controls lead to an increase in SACCO Performance by 0.198, 0.196, and 0.525 units, respectively, while the constant term of 0.25 represents the baseline SACCO Performance when all other variables are zero.

The constant term was B = 0.250 with a standard error of 0.458. The t-value was 0.545, and the significance level (p) was 0.587. This indicated that the constant was not statistically significant, suggesting that when all predictors were zero, it did not have a meaningful impact on SACCO performance.

For management competence, the unstandardized coefficient was B = 0.198, with a standard error of 0.114. The standardized coefficient (Beta) was 0.170, accompanied by a t-value of 1.735 and a significance level of p = 0.037. Since the p-value was below the common threshold of 0.05, it indicated that management competence significantly and positively influenced SACCO performance. The findings concure with Kyomuhendo (2022) study which established a strong relationship between managerial competence and financial performance.

In the case of innovation and technological advancements, the unstandardized coefficient was B = 0.196, with a standard error of 0.108. The standardized coefficient was Beta = 0.153, with a t-value of 1.811 and a significance level of p = 0.024. This p-value also fell below 0.05, suggesting a significant positive effect on SACCO performance. This concured with the findings by Egessa and Odero (2020) which established a positive relationship between innovation and performance of DT SACCOs in Kenya.

Lastly, the unstandardized coefficient for internal controls was B = 0.525, with a standard error of 0.092. The standardized coefficient was Beta = 0.555, and the t-value was 5.711, with a significance level of p = 0.000. This very low p-value indicated a highly significant positive impact on SACCO performance, making internal controls the most influential factor among the

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predictors.

Overall, the analysis indicated that management competence, innovation and technological advancements, and internal controls all positively predicted SACCO performance, with internal controls showing the strongest effect. The significance levels (p-values) confirmed that these predictors were critical to enhancing performance outcomes, particularly with internal controls being highly significant at $p < 0.001$.

4.10 Content Analysis Results

From the qualitative questions, a key research question was posed to respondents regarding the impact of innovation and technology on SACCO performance. Analysis of the responses showed that innovation and technological advancements had significantly enhanced SACCO performance. Notable improvements included increased operational efficiency, reduced costs, and heightened member satisfaction through streamlined processes and digital services. The integration of technology also expanded outreach, boosted income, and fostered improved financial management. However, challenges such as initial implementation costs and digital literacy barriers were acknowledged. These findings are consistent with the study by Egessa and Odero (2020), which similarly concluded that innovation positively influences performance.

Respondents were also asked to identify the features provided by the SACCO's mobile app. The feedback provided indicated that the inclusion of mobile banking features had evidently improved SACCO operations. Members benefited from convenient access to services such as withdrawals, deposits, fund transfers, loan applications, and account statements. These features enhanced operational efficiency and customer satisfaction by streamlining transactions and enabling real-time account management.

Furthermore, the study examined the impact of internal controls on the performance of DT SACCOs in Kiambu County. The data collected demonstrated that effective internal controls were crucial in shaping SACCO performance by ensuring financial accuracy, minimizing fraud, and enhancing operational efficiency. Strong internal controls were found to improve risk management, boost staff morale, and increase member trust, thereby supporting the SACCO's

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stability and profitability. Conversely, instances of weak internal controls historically led to financial losses, operational inefficiencies, and diminished member confidence.

CHAPTER FIVE

5 SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter gives a summary of key findings on strategic factors influencing the performance of DT-SACCOs in Kiambu County. It includes the conclusions drawn from the study, recommendations for improving SACCO operations, and recommendations for future research.

5.2 Summary of Key Findings

5.2.1 Management Competence

The first objective of the study was to determine the extent to which management competence influenced the performance of DT SACCOS in Kiambu County. The findings indicated that management competence had a positive and substantial impact on SACCO performance, with a beta coefficient of 0.170 and a significance level of 0.037. This indicated that improvements in management skills and capabilities were associated with enhanced SACCO performance. The significance of management competence underscored the essential role of effective leadership and managerial practices in achieving superior operational outcomes.

5.2.2 Innovation and Technological Advancements

The second study objective was to examine the influence of innovation and technological advancements on the performance of DT SACCOS in Kiambu County. Innovation and technological advancements were found to positively influence SACCO performance, with a beta coefficient of 0.153 and a significance level of 0.024. The analysis of responses to the research question on innovation and technology showed that these factors significantly enhanced SACCO performance. Key improvements included increased operational efficiency, reduced costs, and heightened member satisfaction through streamlined processes and digital services.

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The integration of technology expanded outreach, boosted income, and improved financial management, despite challenges such as initial implementation costs and digital literacy barriers. Additionally, the introduction of mobile banking features in SACCO apps significantly enhanced operations, offering members convenient access to various services and thereby improving operational efficiency and customer satisfaction.

5.2.3 Internal Controls

Internal controls demonstrated the most pronounced effect on SACCO performance, with a beta coefficient of 0.555 and a significance level of 0.000. This substantial impact highlighted the critical role of effective internal control systems in ensuring financial accuracy, operational efficiency, and risk mitigation. The findings indicated that robust internal controls were crucial for enhancing overall SACCO performance, increasing member trust, and supporting stability and profitability. Notably, instances of weak internal controls historically led to financial losses, operational inefficiencies, and diminished member confidence.

5.3 Conclusion

The study concluded that management competence, innovation and technological advancements, and internal controls each had a substantial impact on the performance of DT SACCOs in Kiambu County.

5.3.1 Internal Controls

Internal controls emerged as the most critical element influencing performance. This finding underscored the necessity for SACCOs to prioritize and strengthen their internal control systems to enhance operational effectiveness, ensure long-term success, and support growth and continuity within the sector. Effective internal controls were essential for safeguarding members' funds from fraud and mismanagement and relied on well-developed and regularly updated policies.

The findings showed that strong internal controls are foundational to the success of DT SACCOS. The significant impact of internal controls on performance indicates that SACCOs must prioritize the establishment and maintenance of comprehensive control systems. This

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involves regular audits, risk assessments, and staff training to foster a culture of compliance and accountability. By reinforcing internal controls, SACCOs can mitigate risks associated with financial mismanagement and operational inefficiencies, thereby enhancing their overall resilience and capacity to serve their members effectively.

5.3.2 Management Competence

Management competence was found to significantly impact SACCO performance. Competent management teams were crucial for implementing internal control policies effectively and driving operational excellence. Skilled management was necessary for executing strategies that integrated internal controls, innovation, and technology to achieve superior results.

The findings clearly demonstrate that management competence is not merely a supplementary factor but a core driver of SACCO performance. The substantial effect of management competence highlights the need for ongoing investment in training and development initiatives focused on enhancing managerial skills. SACCOs that prioritize cultivating competent management teams will likely see a ripple effect in operational efficiency and member satisfaction. To sustain this positive trajectory, it is imperative for SACCOs to embrace a culture of continuous learning and adaptive leadership, ensuring they are well-prepared to navigate the complexities of the financial landscape.

5.3.3 Innovation and Technological Advancements

The results showed that innovation and technological advancements positively affected SACCO performance by improving operational efficiency, reducing costs, and increasing member satisfaction. The integration of technology streamlined processes and enabled real-time account management, which enhanced service delivery and expanded outreach. Thus, while internal controls were identified as the most critical factor, the synergy between management competence and technological innovation also played a significant role in optimizing SACCO performance.

The findings affirmed that innovation and technological advancements are pivotal to enhancing SACCO performance in today's digital age. The ability to leverage technology not only streamlines operations but also fosters greater member engagement and satisfaction. Automation of processes significantly reduces transaction times, allowing members to conduct business

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swiftly and efficiently, which is crucial in a fast-paced environment. Moreover, the introduction of accessible digital channels empowers members to perform transactions — such as deposits, withdrawals, and loan applicationsanytime and anywhere, thereby increasing convenience and enhancing their overall experience.

The cost reductions associated with technology integration further bolster SACCO performance. By minimizing manual processes and reducing operational overheads, SACCOs can allocate resources more effectively, ultimately benefiting their members through lower fees and improved services.

To fully harness the benefits of technological integration, SACCOs must proactively invest in training programs that enhance digital literacy among both staff and members. This investment will ensure that all users can navigate new systems confidently and utilize the available tools to their fullest potential. Furthermore, a strategic approach to technology implementationconsidering both cost and accessibility,will empower SACCOs to overcome existing barriers and capitalize on new opportunities for growth and member service excellence. Embracing these innovations not only positions SACCOs for future success but also fosters a more inclusive and responsive financial ecosystem for their members.

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5.4 Recommendations

Based on the study conclusions, it was recommended that DT SACCOs in Kiambu County focus on several strategic areas.

5.4.1 Internal Controls

Strengthening internal control systems was deemed essential to ensure financial accuracy and operational efficiency, which would significantly boost SACCO performance. To strengthen internal controls, SACCOs should conduct regular audits and risk assessments. Establishing a routine schedule for these evaluations will help identify weaknesses in control systems, allowing for proactive measures to mitigate risks and enhance financial accuracy and accountability. Empowering the board of directors to oversee these processes is crucial; they should be actively

involved in reviewing audit findings and ensuring that corrective actions are implemented effectively.

Enhancing communication channels within the organization is equally important. Clear and open lines of communication between management, staff, and the board will facilitate the timely sharing of information regarding potential risks and control deficiencies. Regular meetings and updates can foster a culture of transparency, ensuring that everyone is informed about risk management strategies and internal control measures.

In addition, implementing comprehensive risk management policies will safeguard members' funds and address potential risks effectively. These policies should outline the procedures for identifying, assessing, and mitigating risks associated with financial operations. Regular training sessions should educate staff about these policies, compliance requirements, and fraud prevention strategies. Fostering a culture of discipline and integrity is essential for maintaining robust internal controls, and policies that outline consequences for non-compliance can reinforce the importance of adherence to established guidelines.

Finally, leveraging technology for monitoring and reporting, can significantly improve internal control effectiveness. SACCOs should utilize automated reporting systems to streamline processes, reduce human error, and provide real-time insights into financial activities and compliance status. Furthermore, integrating reward systems for staff who consistently uphold internal controls and demonstrate integrity can encourage a proactive approach to risk management. By recognizing and incentivizing adherence to risk management policies, SACCOs can cultivate a culture of accountability that contribute to overall organizational stability and protects members' interests.

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5.4.2 Management Competence

Enhancing management competence through targeted training and development programs was recommended to improve overall performance. To enhance management competence, SACCOs should invest in comprehensive leadership development programs. These programs should focus on critical skills such as strategic decision-making, team management, and effective communication. By providing workshops, mentorship opportunities, and formal education, SACCOs can cultivate a strong leadership pipeline essential for driving organizational success.

Additionally, establishing clear performance metrics and feedback mechanisms for managers is crucial. Developing specific performance indicators that align with organizational goals will help identify areas of improvement and recognize effective leadership practices. Regular feedback sessions and performance reviews can create a culture of accountability and continuous improvement within management teams. Moreover, implementing policies that promote discipline and integrity, such as code of ethics and regular ethics training, will reinforce the importance of ethical behavior among management.

Finally, fostering a culture of continuous learning is vital for enhancing management competence. SACCOs should encourage regular professional development by supporting staff attendance at the industry conferences, seminars, and training sessions. Furthermore, creating reward systems for outstanding performance and professional growth will motivate managers to excel in their roles. This commitment to lifelong learning will enable managers to stay abreast of best practices and innovations in the financial sector, ultimately benefiting the entire organization.

5.4.3 Innovation and Technological Advancements

Investment in, and adoption of innovative technologies was recommended to streamline operations and enhance service delivery. To fully leverage innovation and technological advancements, SACCOs should implement user-friendly digital platforms that facilitate easy access to services. Prioritizing the development and maintenance of intuitive mobile banking applications will allow members to conduct transactions seamlessly and efficiently, enhancing overall member satisfaction.

Promoting member education on digital tools is equally important. SACCOs should create educational programs and resources to help members understand how to effectively use new technologies. Workshops, tutorials, and informational materials can empower members to maximize the benefits of digital services, ultimately driving higher engagement and usage. Additionally, establishing policies that encourage feedback from members on technological innovations can lead to continuous improvement and adaptation.

Finally, adopting agile technology strategies will enable SACCOs to remain responsive to member needs. By embracing agile methodologies for technology implementation, SACCOs can

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quickly adapt and improve solutions based on user feedback. Further, recognizing and rewarding innovative ideas and contributions from staff can foster a culture of creativity and proactive problem-solving, ensuring that technological offerings continue to meet the evolving demands of members and enhance operational efficiency.

The study therefore offers the following recommendations for various stakeholders. Policymakers and government agents are encouraged to develop models that promote corporate governance and strategic leadership within Deposit-Taking SACCOs (DT-SACCOs). Regulatory bodies should enforce standards of internal controls and facilitate training programs for SACCO management. Consultants can leverage these insights to guide SACCOs in implementing strategic initiatives and integrating technology. SACCO management and boards of directors should prioritize leadership training and accountability measures within their policies.

5.5 Areas for Further Research

Given the compelling evidence linking internal controls to SACCO performance, future research could assess the effectiveness of different internal control frameworks in improving SACCO performance. Investigating on the role of regular internal audits and compliance monitoring, could also yield valuable insights. The study recommends that similar studies are done in other counties in order to assess the generalization of the findings from Kiambu County.

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Appendix I: Letter of Transmittal

Grace Wanjiru Kung'u

Email: mbadist385523@spu.ac.ke

Tel. No. 0714878619

10th April, 2024

Dear respondent,

RE: STRATEGIC FACTORS INFLUENCING THE PERFORMANCE OF DEPOSIT-TAKING SACCOS. A CASE OF KIAMBU COUNTY

I am a student at St. Paul's University, Kenya, pursuing a Master of Business Administration (Strategic Leadership) degree . As part of the degree requirement, I am conducting a study on the Strategic Factors Influencing the Performance of Deposit-Taking Saccos in Kiambu County. I have developed a questionnaire to collect data on this subject. Your valuable input is highly appreciated. Please take a few moments to answer the questions in the instrument. Thank you for your time. The data seeks to purely serve academic goals. I will adhere to ethical standards and maintain confidentiality throughout the data collection and analysis phases and give a personal commitment to uphold this.

Kind regards.

Grace Wanjiru Kung'u

REG. NO: MBADIST385523

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Appendix II: Questionnaire

I am a student at St. Paul's University, currently carrying out a research study on Strategic Factors Influencing the Performance of Deposit-Taking Saccos in Kiambu County. I request that you kindly fill the following questionnaire to the best of your knowledge. The details given by you shall purely be used for purposes of research only and therefore you are assured of confidentiality.

INSTRUCTIONS: Kindly answer by filling in the provided spaces or simply tick where necessary

Section A: Background Information

1. Gender

☐ Male

☐ Female

2. Your Age Bracket

☐ 18 – 30 years

☐ 31 – 40 Years

☐ 41 – 50 years

☐ 50 years and above

3. Kindly indicate your highest level of education

☐ PhD

☐ Masters

☐ Degree

☐ Diploma

☐ Others specify…….

4. **How long have you worked with the current organization?**

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☐ Less than 1 year

☐ 1 -5 years

☐ 6 -10 years

☐ 10 years and above

5. Please indicate your position in the Sacco

……

Indicate the level of your agreement on the statements below:

SA = Strongly Agree; A = Agree; D = Disagree; SD = Strongly Disagree; NS = Not Sure;

SECTION B: What is the influence of management competence on the performance of DT SACCOS

	1. MANAGEMENT COMPETENCE	SA	A	D	SD	NS
1	The employees delivers high quality work based on their skills and knowledge					
2	The organization policies promote talent development among employees which enhance employee productivity					
3	The organization encourage creativity among employees which has positively affected the organization policies					
4	The management regularly review its reward policy which positively affected the organization policies					
5	SACCO management					

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	demonstrates a commitment to maintaining discipline within the organization.					
6	SACCO management consistently upholds ethical standards and integrity in decision-making processes.					
7	The discipline and integrity demonstrated by SACCO management positively impact staff morale and organizational culture					

SECTION C: What is the influence of innovation and technological advancements on the performance of DT SACCOS

	2. INNOVATIONS & TECHNOLOGICAL ADVANCEMENTS	**SA**	**A**	**D**	**SD**	**NS**
1	The mobile app provided by my SACCO is user-friendly					
2	Majority of our members use mobile app to transact					
3	The mobile app has improved convenience in accessing SACCO services compared to traditional methods.					
4	The payment systems integrated with the SACCO are reliable and consistent in processing transactions.					
5	Integration with payment systems has facilitated faster and more efficient transactions within the SACCO					
6	Automation of processes has enabled SACCO staff to focus on more value-added tasks					

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7	Automation of processes has improved the efficiency of loan processing within the SACCO					

How has innovation and use of new technology affected the sacco

performance?.....

……

What features does the mobile app provide to members?

……

…..……

SECTION D: What is the influence of internal controls on the performance of DT SACCOS

	3. INTERNAL CONTROLS		**SA**	**A**	**D**	**SD**	**NS**
1	The SACCO employs effective methods to assess the creditworthiness of borrowers						
2	The SACCO has robust strategies in place to address operational risks such as fraud and cybersecurity threats.						
3	The board represents the interests and concerns of SACCO members effectively						
4	The board ensures compliance with regulatory requirements and ethical standards.						
5	The SACCO ensures the security and confidentiality of member data in its information systems						
6	The SACCO provides adequate training and support to staff members to						

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	effectively utilize information systems.						

Do you think internal controls affect SACCO's performance?

Yes…….NO……..

If yes kindly explain……

……

……

SECTION E: SACCO PERFORMANCE

	4. SACCO PERFORMANCE	**SA**	**A**	**D**	**SD**	**NS**
1	Profitability has increased in consecutive years**.**					
2	The quality of loan book has improved over the years					
3	Membership has grown in the consecutive years					
4	Portfolio At Risk has reduced in consecutive years					

Kind regards for offering your time to attend to the above questions.

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Appendix III: List oF DEPOSIT-TAKING SACCOS in Kiambu County

1) BIASHARA SACCO SOCIETY LTD
2) BINGWA SACCO SOCIETY LTD
3) DIMKES DT SACCO
4) FARIJI SACCO SOCIETY LTD
5) JACARANDA SACCO SOCIETY LTD
6) JOINAS SACCO SOCIETY LTD
7) GDC SACCO SOCIETY LTD
8) K-UNITY SACCO SOCIETY LTD
9) METROPOLITAN SACCO SOCIETY LTD
10) NRS SACCO SOCIERY LTD
11) ORIENT SACCO SOCIETY LTD
12) TAI SACCO SOCIETY LTD
13) UKRISTO NA UFANISI SACCO SOCIETY LTD

Source: (SACCO Supervision Annual Report, 2022)

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Appendix IV: Introduction Letter to NACOSTI

ST. PAUL'S UNIVERSITY

Private Bag 00217 LIMURU, KENYA
Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20-2020505/10
Mobile: +254 (0) 728 - 669000
(0) 736 - 424440

BOARD OF POSTGRADUATE STUDIES

13th June, 2024

National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.

Dear Sir/Madam,

RE: RECOMMENDATION FOR GRACE WANJIRU KUNGU – MBADIST385523 TO CONDUCT RESEARCH

This letter confirms the above-named person is a student in the Master of Business Administration Program at St. Paul's University.

The second year consists of a major research work leading to a Thesis. The student's selected topic is:

"Strategic factors influencing the performance of Deposit-Taking Saccos: A Case of Kiambu County - Kenya."

Kindly grant this student the required permit.

Yours Faithfully,

DIRECTOR POSTGRADUATE STUDIES
ST. PAUL'S UNIVERSITY
12 JUN 2024
TEL: 020-2020505/2020
PRIVATE BAG - 00217, LIMURU

Dr. John Muhoho
Director Board of Postgraduate Studies

Appendix V: ISERC Approval

ST. PAUL'S UNIVERSITY

Private Bag 00217 Limuru,
Kenya
Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20-2020505/10
Mobile: +254 (0) 728-669000
(0) 736-424440

REF: SPU/175/2024 **Date: 13th June 2024**

TO: Grace Kungu,
St. Paul's University

Dear Grace,

==========

REF: Strategic Factors Influencing the Performance of Deposit-Taking Saccos. A Case of Kiambu county - Kenya

==========

Greetings,

This is to inform you that SPU- Institutional Scientific Ethics Review Committee has reviewed the above-named research proposal. **Your ERB approval number is 184, for the period between 13th June 2024 – 13th June 2025 (1 year).**

This approval is subject to compliance with the following requirements;

i. Only approved documents including (informed consents, study instruments) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SPU- Institutional Scientific Ethics Review Committee.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SPU- Institutional Scientific Ethics Review Committee within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to *SPU- Institutional Scientific Ethics Review Committee* within 72 hours

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v. Clearance for export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days upon completion of the study to SPU- Institutional Scientific Ethics Review Committee.
viii. Please note that it is within the ISERC's mandate to monitor your research and to do random visits to the site. All research is subject to post approval monitoring.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://research-portal.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely,

Dr. Daniel Nzengya, PhD
Chairperson
SPU- Institutional Scientific & Ethics Review Committee

ST. PAUL'S UNIVERSITY
(ISERC)
APPROVAL WITH
CONTIGENCIES
RESEARCH
DIRECTORATE
INSTITUTIONAL SCIENTIFIC ETHICS REVIEW COMMITTEE

Appendix VI:NACOSTI License

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **101149**

Date of Issue: **04/July/2024**

RESEARCH LICENSE



This is to Certify that Ms.. Grace Wanjiru Kung'u of St. Paul`s University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kiambu, Nairobi on the topic: STRATEGIC FACTORS INFLUENCING THE PERFORMANCE OF DEPOSIT-TAKING SACCOS. A CASE OF KIAMBU COUNTY for the period ending : 04/July/2025.

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101149

Applicant Identification Number

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