FACTORS AFFECTING COMPETITIVENESS OF DEPOSIT TAKING SACCOS: A CASE OF EMBU COUNTY IN KENYA

BY

Charles Maina Gakuru

This dissertation is submitted in partial fulfilment of the requirements for the award of a Master of Development Studies (MDS) from St. Paul's University

May 2016

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Supervisor 1: Dr. John Muhoho
Supervisor 2: Dr. Paul Gesimba

MAY 2016

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DECLARATION

This dissertation is a product of my own work and is not the result of anything done in collaboration. It has not been previously presented to any other institution. I agree that this dissertation may be available for reference and photocopying, at the discretion of the University.

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We confirm that the work reported in this dissertation has been done by the student under our supervision.

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DATE…….

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DEDICATION

To my family and colleagues for their understanding during the period of study.

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ACKNOWLEDGEMENT

I am grateful to the Almighty God for through Him this Study has been possible.

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TABLE OF CONTENTS

Chapter **Page**

DECLARATION ..... **III**
DEDICATION ..... **IV**
ACKNOWLEDGEMENT ..... **V**
LIST OF FIGURES ..... **IX**
LIST OF TABLES ..... **X**
ABSTRACT ..... **XI**
CHAPTER ONE **1**
INTRODUCTION **1**
1.1 BACKGROUND OF THE STUDY 1
1.2 PROBLEM STATEMENT 5
1.3 OBJECTIVES OF THE STUDY 6
1.3.1 GENERAL OBJECTIVE 6
1.3.2 SPECIFIC OBJECTIVES 6
1.3.3 RESEARCH QUESTIONS 6
1.4 SIGNIFICANCE OF THE STUDY 7
1.5 SCOPE OF THE STUDY 8
1.6 DEFINITION OF SIGNIFICANT TERMS 9
1.7 LIMITATIONS OF THE STUDY 9
CHAPTER TWO **10**
LITERATURE REVIEW **10**
2.1 INTRODUCTION 10
2.2 THEORETICAL REVIEW 10
2.2.1 The Porter's Diamond Model *10*
2.2.2 Balanced Scorecard Model *13*
2.2.3 Resource-Based View (RBV) Theory *16*
2.2.4 Agency Theory *17*
2.3 COMPETITIVENESS AND ITS MEASURES IN DTSS 18
2.4 EMPIRICAL LITERATURE REVIEW ON FACTORS AFFECTING COMPETITIVENESS OF DTSS 21
2.4.1 Effect of Governance in DTSs Competitiveness *22*
2.4.2 Effect of Performance Measurement Systems in DTSs *24*
2.4.3 Effect of Regulation in DTSs *27*
2.4.4 Effect of Training in DTSs *28*
2.5 CONCEPTUAL FRAMEWORK 29
2.6 SUMMARY OF LITERATURE REVIEW 30
CHAPTER THREE **32**
METHODOLOGY **32**
3.1 INTRODUCTION 32
3.2 RESEARCH DESIGN 32
3.3 STUDY POPULATION AND SAMPLING 32
3.3.1 STUDY POPULATION 32
3.3. 2 SAMPLING 33
3.4 DATA COLLECTION 35
3.5 PILOT TESTING 35

ST PAUL'S UNIVERSITY

3.5.1 Reliability of the Data Collection Instruments *35*
3.5.2 Validity of the Instrument *36*
3.6 DATA ANALYSIS 37
CHAPTER FOUR **41**
PRESENTATION OF FINDINGS, INTERPRETATION AND DISCUSSION **41**
4.1 INTRODUCTION 41
4.2 DEMOGRAPHIC INFORMATION 41
4.2.1 Gender Distribution *41*
4.2.2 Distribution of Respondents by Age *42*
4.2.3 Distribution of Respondents by Education Level *43*
4.2.4 Distribution of Respondents by Position Held *43*
4.2.5 Distribution of Respondents by Duration Worked at DTS *44*
4.3 RESEARCH OBJECTIVES FINDINGS 45
4.3.1 Corporate Governance and Competitiveness *45*
4.3.2 Performance Measurement System and Competitiveness *54*
4.3.3 SASRA Regulations and Competitiveness *62*
4.3.4 Staff Training and Development and Competitiveness *72*
DISCUSSION OF FINDINGS 74
4.4.1 Linking with the Theories *74*
4.4.2 Linking with Literature *76*
CHAPTER FIVE **78**
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS **78**
5.1 INTRODUCTION 78
5.2 SUMMARY 78
5.3 CONCLUSIONS 80
5.4 RECOMMENDATIONS 81
5.4.1 Policy Recommendations *81*
5.4.2 Recommendations for Further Research *82*
APPENDICES **92**
APPENDIX I: INTRODUCTION LETTER 92
APPENDIX II: STAFF QUESTIONNAIRE 93
APPENDIX III: FOCUS GROUP INTERVIEW GUIDE FOR BOARD MEMBERS 102

ST. PAUL'S UNIVERSITY

ABBREVIATIONS AND ACRONYMS

ATM	Automatic Teller Machine
BSC	Balanced Scorecard
CAMEL	Capital adequacy, Assets, Management capability, Earnings, Liquidity and Sensitivity
CAR	Capital Adequacy Ratio
CBK	Central Bank of Kenya
CEO	Cheif Executive Officer
CRM	Customer Relationship Management
DTS	Deposit Taking Savings and Credit Organization
FOSA	Front Office Service Activity
GDP	Gross Domestic Product
ICT	Inflrmation Communication Technology
IT	Inflrmation Technology
MFI	Micro-Finance Institutions
MIS	Management Information Systems
NPL	and Non-Performing Loan
NSE	Nairobi Securities Exchange
PEARL	Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity and Signs of growth
RBV	Resource-Based View
ROA	Rate of return on Assets
ROE	Rate of return on Equity
SACCO	Savings and Credit Cooperative Societies
SASRA	Sacco Societies Regulatory Authority
SPSS	Statistical Package for Social Sciences
WOCCU	World Council of Credit Unions

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LIST OF FIGURES

Figure Page

Figure 1. 1: Map of the Study Area 8
Figure 2.2: Porter Diamond Model 11
Figure 2.3: Balanced Scorecard Model 14
Figure 2.4: Levels of Competitiveness 18
Figure 2.5: Illustration of the Nature of DTS Business 21
Figure 2.6: Conceptual Framework 30
Figure 4.7:Distribution of Respondents by Gender 42
Figure 4.8: Distribution of Respondents by Age 42
Figure 4.9: Distribution of Respondents by Education Level 43
Figure 4.10: Distribution of Respondents by Position Held 44
Figure 4.11: Distribution of Respondents by Duration Worked at DTS 45
Figure 4.12: Presence of Corporate Governance Instruments in DTS 46
Figure 4.13: Board Size 51
Figure 4.14: Leadership Structure 52
Figure 4.15: Board Composition 53
Figure 4.16: CEO Duality Role 54
Figure 4.17: Opinion on Measuring Perfromance 55
Figure 4.18: Analysis of Type Of Measures 57
Figure 4.19: Conformity of Measures to BSC Perspectives 57
Figure 4.20: Mapping of DTS Measures Using the BSC Model 58
Figure 4.21: Analysis of Type Of Measures 59
Figure 4.22: Analysis of Type Of Measures 60
Figure 4.23: Employees' Perception on their Competence 72

ST. PAUL'S UNIVERSITY

LIST OF TABLES

Table Page
Table 3.1: Distribution of respondents- Staff 34
Table 3.2: Distribution of FGDs participants 35
Table 3.3: Reliability Coefficients 36
Table 3.4: Operationalization of Independent Variables 38
Table 3.5: Operationalization of Dependent variables 40
Table 4.6: Distribution of Respondents by Work Sections/Units 44
Table 4. 7: Importance of Corporate Governance in DTS 46
Table 4.8: Corporate Governance Principles 47
Table 4.9: Corporate Governance Mechanism 50
Table 4.10: Supervisory Board Independence 54
Table 4.11: Financial Measures 55
Table 4.12: Non-Financial Measures 56
Table 4.13: Top Leadership Commitment 61
Table 4.14: Organization ICT Infrastructure 61
Table 4.15: Knowledge on Performance Measurement Systems 62
Table 4.16: Licensing 63
Table 4.17: Capital Adequacy (Minimum Capital Requirement) 64
Table 4.18: Minimum and Maximum Levels of Cash Management 65
Table 4.19: Opening a Branch 66
Table 4.20: Operating an Agency 66
Table 4.21: Members' Shares 67
Table 4.22: Non-withdrawable Deposit 67
Table 4.23: Withdrawable Deposit 68
Table 4.24: Credit Management 69
Table 4.25: External Borrowing 69
Table 4.26: Inter-SACCO Borrowing 70
Table 4.27: Insider Lending 70
Table 4.28: Approving a Product 71
Table 4.29: Investment 71
Table 4.30: Employees' Perception on their Competence 72
Table 4.31: Organization Commitments towards Training and Development 73
Table 4.32: Budget Allocation Towards Staff Training and Development 74

ST. PAUL'S UNIVERSITY

ABSTRACT

The objective of this study was to determine factors affecting the competitiveness of Deposit Taking SACCOs (DTSs). Specifically, this study sought to examine the effect of corporate governance, performance measurement systems adopted, SASRA regulation and staff training on the competitiveness of DTSs. The study was anchored on four theories: Porter's diamond model, balanced scorecard model, resource-based view theory and agency theory. A descriptive research design was adopted and a census survey was done since the target population was the DTSs in Embu County licensed by SASRA by the end of December 2014 and all the five DTSs that met this criterion participated. Primary data was collected from 54 respondents using semi-structured questionnaires along with five focus groups discussions using interview guides and which 35 elected officials participated. Qualitative data from the questionnaires was quantized, which enabled quantitative data analysis using SPSS and Excel and presentation using percentages and frequencies in tables and charts. Qualitative data from focus group discussions was also analyzed and the result used to confirm, collaborate or to validate quantitative data. On corporate governance, board size and the duality role of the CEO were found to have no adverse effect on competitiveness as opposed to which negatively affected the competitiveness of deposit-taking SACCOs. The findings further revealed that SACCOs emphasized more on financial measures than non-financial in their performance measurement systems. In addition, the DTSs applied more of internal business processes related measures followed by financial and then the customer, with the learning and growth perspectives having the least, though expected to be the 'engine' for competitiveness. Staff competence in performance measurement, top leadership support and inadequate ICT infrastructure including a fully functional management information system for real-time information were found to be major factors affecting DTSs competitiveness. Regarding SASRA regulations, the study found out that there were regulations that affected DTS's performance negatively. Some of these were the regulations on licensing, capital adequacy, minimum and maximum levels of cash management, opening a branch, operating an agency and inter-SACCO borrowing. The study recommends that SASRA as the regulatory authority should revise the regulations, especially the provisions relating to the composition of the board. The authority should consider also the need to apply some of the regulations by size and area of DTS operation. Further, the regulator should look at the SACCOs inter-lending provisions with a view to coming up with a mechanism to establish by law, a Central Liquidity Facility to enable inter-lending among DTSs. The study also recommends that the top management of the DTSs should fully embrace or adopt the concept of performance management to enable the DTSs to exploit the unique hidden potential availed by intangible assets.

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CHAPTER ONE
INTRODUCTION

This chapter presents the background of the study, starting with a brief introduction on the concept of competitiveness followed by a general perspective of Deposit Taking Savings and Credit Co-operative Societies (DTSs). It also presents the statement of the problem, objectives of the study and research questions. Finally, the chapter provides the significance, scope, definitions of significant terms and limitations of the study.

1.1 Background of the Study

Competitiveness has become an important subject for business because of the highly dynamic environment they operate in. Economic liberalisation, technological changes, new regulations and globalisation has increasingly compelled business managers to improve their firm's competitiveness for survival (Yokoi-Arai & Yoshino, 2006). This is particularly true for firms in developing countries where competitiveness can allow firms to overcome the limitations of their small home markets in order to achieve their maximum potential (Liargovas & Skandalis, 2010). In the financial sector, practical and effective competitiveness continues to be promoted not only within a nation but also in a region or bloc because it results in innovativeness, efficient and effective production and delivery of high-quality financial services (Claessens, 2009; Yokoi-Arai & Yoshino, 2006).

The concept of competitiveness is multidimensional and is viewed from different levels of aggregation. Yokoi-Arai and Yoshino (2006) assess competitiveness in terms of two dimensions such as at the national level and enterprise level, while Donald (1995) understands competitiveness in three levels; firm level, industry and level and the nation level. Markovics (2005), adds that the phenomenon of global competition has resulted to regional or bloc positioning hence nations coming together to form an additional level of competitiveness. In seeking to differentiate the meaning at the various levels, Markovics defines competitiveness as the commitment

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in market competition in case of companies in different industries and success in international competition in case of countries and regions.

The focus of this study was on competitiveness at the firm level. Depperu and Cerrato (2005), defines competitiveness as "firm's ability to design, produce and market products superior to those offered by competitors" (p.4). Attila (2008) terms competitiveness as the capability of a firm to sustainably meet customer needs at a profit by offering goods and services which customers value higher than those offered by other players in the same market. Altomonte, Navaretti, Mauro, & Ottaviano (2011) view competitiveness as the ability of a foreign firm in a given country to mobilise and efficiently employ the productive resources required to offer goods and services. Cetindamar and Kilitcioglu (2013) add that competitiveness implies that a firm can compete in a specific market by increasing its market share and entering international markets for sustainable growth and profitability. This dissertation focused on the competitiveness of Deposit Taking Savings and Credit Societies (DTSs), therefore part of financial institutions which seek to transform their competitiveness from focusing on achieving quantitative to qualitative superiority (Yokoi-Arai &Yoshino, 2006).

According to Yokoi-Arai and Yoshino (2006), the financial sector has become a truly knowledge-based service sector in which innovation and comparative advantage determine a firm's survival. The sector is characterised by high level of competition and sector players must strive to discover their strengths, weaknesses, opportunities and threats in order to choose the appropriate strategies and develop expertise in key strategic areas to remain competitive. In this case, firm competitiveness is based on three key pillars, namely: competitive outcome or performance, firm resources and the managerial processes and capabilities (Cetindamar & Kilitcioglu, 2013).

In Kenya, major players in the financial sector are the mainstream commercial banks, micro-finance institutions (MFIs) and Savings and Credit Cooperative Societies (SACCO's) which the World Council of Credit Unions (WOCCU) refer to as credit

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unions. These SACCOS are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Their membership is based on a common bond which is a linkage shared by savers and borrowers who belong to a specific community, organisation, religion or place of employment. They are understood to pool their members' savings,deposits and shares to finance their own loan portfolios rather than relying on outside capital. Further, SACCOs are known to improve their members' financial positions by making it possible for the members to access credit using their deposits and security of guarantors as opposed to using of assets as collaterals which are the common practices for other financial institutions (SASRA, 2014). A key advantage for SACCOs over other financial institutions is their geographical spread. They effectively reach out to the poor segment of the society through front office services which are opened even at village levels. This proximity is one of SACCOs' positioning strategy towards competing with other financial institutions. Other strategies lie in their ability to reach out to clients in areas that may not be attractive to banks and advance loans at lower interest rates and better repayment terms compared to other financial providers.

According to World Council of Credit Unions [WOCCU], (2014) the world has about 57,000 credit unions in 105 countries with a total membership of 217 million people. These organisations account for $1.5 trillion in Savings & Shares and $1.2 trillion in Loans. Africa as whole accounts for 20,422, $18.8 million, $5 billion and $6 billion as the number of credit unions, members, savings & shares and loans respectively. Kenya accounts for 4,965, 5 million, $3 billion and $4 billion as the number of credit unions, members, savings & shares and loans respectively. Kenyan SACCO subsector remains as the largest and most vibrant cooperative financial institution in Africa and is ranked at position 11 in the world (Sacco Societies Regulatory Authority [SASRA], 2014). According to the Ministry of Industrialization and Enterprise Development, which is responsible for the development of cooperatives in the country, SACCOs account for 35% of the total national savings while the subsector contributes about 17% to the GDP (Financial

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Sector Regulators Forum, 2013). These features have seen the SACCO subsector being identified as a key mobilizer for savings in the country by the Vision 2030. The sub-sector is able to create a vibrant and globally competitive financial sector in Kenya with employment opportunities. The country also recognises that with over 5 million people directly depending on SACCOs for their financial needs, there is a need for adequate capacity to enable them to compete in the financial market.

In Kenya, SACCOs are categorised into four sub-groups. These categories include SACCOs for salaried people, community-based, those that belong to the informal sector and those formed in the diaspora. According to SASRA (2014), the SACCO subsector can also be categorised into two; Deposit Taking and non-Deposit Taking. Deposit Taking SACCOs (DTSs) are those licensed and regulated by SASRA while non-Deposit Taking SACCOs are supervised by the Commissioner for Co-operative. Non-deposit SACCOs' business is limited to the mobilization of deposits (non-withdrawable) for purposes of lending to members. On the other hand, the DTSs undertake both withdrawable and non-withdrawable deposits where the former may be used as collateral and are not refundable unless on withdrawal from membership while the latter is accessible by the members at any time. The specific services offered by the DTSs include the mainstream business of members saving and provision of credit, provision of basic banking services such as demand deposits, payments services and being channels for quasi-banking services like use of automated teller machine (ATM). Kenya had 181 licensed and operational deposit-taking SACCOs by the end of 2014, all which could be considered as new entrants in the market given that they were first licensed by Sacco Societies Regulatory Authority (SASRA) in 2010.

In Kenya, a nearly free market condition has brought about increased competition in the financial sector as all the players target similar markets and clients and offer similar financial products and services. According to Maina (2011), DTSs have recognised the need to improve their competitiveness. Identifying factors that affect their competitiveness in the financial sector is, therefore, crucial in informing strategy implementation to ensure DTS's remain afloat and relevant.

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1.2 Problem Statement

The SACCO subsector in Kenya remains the largest and most vibrant cooperative financial institution in Africa and is ranked at position 11 in the world (SASRA, 2014). The importance of the SACCOs in the national economy is demonstrated by its significant contribution to the realisation of economic pillar of Vision 2030 as well nation's Nation's Gross Domestic Product, averaging 17% p.a (Kivuvo & Olweny, 2014). Further, out of the 19 million Kenyan adult population, 17.6% are served by SACCOS while commercial banks and MFIs share 22.5% (Ademba, 2010).

DTSs, in particular, are important sources of affordable financial capital for businesses, farming, building family homes, meeting hospital bills and educating children (www.woccu.org/about/creditunion). In Kenya, DTSs operate in a very competitive financial market that comprises of 41 mainstream commercial banks and micro-finance institutions (Central Bank of Kenya [CBK], 2015). The players in this financial market target the same clients and offer similar products. Both researchers and practitioners have noted that DTSs' business in this highly competitive sector is threatened, even with their efforts to transform from the traditional practices to modern business approaches and operations (Maina, 2011). Njenga, Kiragu, and Opiyo (2015) opines that SACCOs have continuously been losing their market share to other financial providers. The regulatory authority, SASRA, continues to revoke licenses for some of the DTSs due to non-compliance issues and poor performance. Currently, there are 177 licensed DTSs down from 181 in 2014 meaning a total of nine DTSs have had their licenses withdrawn within one year (http://www.sasra.go.ke/). This has put to risk the interest of member deposits and financial sustainability of the deposit-taking business. It is feared that the collapse of DTSs in Kenya can cause negative and significant effects in the entire financial sector and the economy due to the large market share they have in the country (Kivuvo & Olweny, 2014).

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Despite this awareness and glaring evidence that members deposits were at risk, no one has attempted to determine factors affecting the competitiveness of DTSs. The researcher also notes that, not only has there been scarce literature on cooperatives in general, and DTSs in particular, past studies on competitiveness only focused more at the macro level yet competitiveness is a microeconomic concept (Altomonte et al., 2011; Cetindamar & Kilitcioglu, 2013; Fontagné & Santoni, 2014).

It is based on this background that this research study was carried out to determine factors affecting DTSs' competitiveness. The essence of this research was therefore to answer the key question; what factors affect the competitiveness of DTSs in Embu County, Kenya?

1.3 Objectives of the Study

The study was guided by a general and specific objectives.

1.3.1 General Objective

To determine factors affecting the competitiveness of DTSs in Embu County, Kenya.

1.3.2 Specific Objectives

i) To identify corporate governance practices affecting the competitiveness of DTSs in Embu County.

ii) To investigate how the adopted performance measurement systems affect the competitiveness of DTSs in Embu County.

iii) To examine how SASRA regulations affect the competitiveness of DTSs in Embu County.

iv) To establish the staff training and development issues that affect the competitiveness of DTSs in Embu County.

1.3.3 Research Questions

i) How does corporate governance practices affect the competitiveness of DTSs in Embu County?

ii) How do the adopted performance measurement systems affect the competitiveness of DTSs in Embu County?

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iii) How does SASRA regulations affect the competitiveness of DTSs in Embu County?

iv) What are the staff training and development issues affecting the competitiveness of DTSs in Embu County?

1.4 Significance of the Study

The focus of this study was to determine factors affecting the competitiveness of DTSs. It was expected that the research findings will be useful in informing DTSs managers and board of directors in making decisions that can enhance competitiveness. This is to inform DTSs managers on the appropriate factors to consider during the implementation of organisation strategies towards competitiveness.

The findings of the study were also expected to be useful to the Ministry of Industrialization and Enterprise Development, SASRA, policy makers and other stakeholders as they provided useful information on competitive strategies adopted by DTSs and provide the required incentives and policies since the SACCO subsector is a high contributor to the economy. Further, the findings might also be useful in formulating policies by the relevant government agencies not only to enhance DTSs competitiveness in the financial sector but also to build confidence in the sector that thrives on competition.

This study was also expected to contribute to the body of knowledge on factors that affects DTS competitiveness. In addition, it was expected to motivate scholars and more students to conduct further studies not only on competitiveness and cooperatives but also in other business fields normally subjected to private equity companies only. Noted from literature is that the cooperative sector has not been considered a keen area of interest by many scholars.

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1.5 Scope of the Study

The focus of this study was to determine factors affecting the competitiveness of DTSs in Embu County, Kenya. Embu County has five deposit taking SACCOs with four owned by farmers as shareholders while the other is for teachers as the shareholders (SASRA, 2014). The DTSs included: Nawiri and Winas with headquarter offices in Embu town, Daima and Gastameco with their headquarters at Manyatta and County Sacco based at Kanja market center.

Evident from literature is that there are various factors affecting the effective competitiveness of firms and DTSs in particular. This study only focused on a few selected factors namely corporate governance, performance measurement, SASRA regulation and staff training to allow a more in-depth study of each of the factors. Targeted for the survey were all the 61 employees' assigned managerial duties and responsibilities and 35 elected officials in the five DTSs. Elected officials were the executive and supervisory board members mainly targeted for FGDs held in each of the DTS. The map below shows the study area.

Embu County location on Kenyan map



Map of Embu County



Figure 1. 1: Map of the Study Area
Source: https://www.google.com/search?q=map+of+embu+county

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1.6 Definition of Significant Terms

Deposit Taking SACCO: A financial institution under the savings and credit cooperative societies sub-sector licensed by SASRA to, in addition to the normal SACCO business also engage in deposit taking from members.

Competitiveness: A situation where, in the eyes of the customers, an organisation is able to deliver a better value when compared with its competitors and in the eyes of its shareholder it is able to provide a satisfactory return on investment in the short, medium and long terms (Feurer & Chaharbagh,1994).

Performance measurement: the process of quantifying the efficiency and effectiveness of action (Neely, 1994).

Performance Measurement System: the set of metrics used to quantify both the efficiency and effectiveness of actions (Neely, 1994).

Training: Any learning activity which is directed towards the acquisition of specific knowledge and skills for the purposes of all occupation or task (Cole, 2002).

SASRA Regulations: Refers to only five aspects of the regulations, namely (a) licensing requirements (b) capital adequacy, (c) liquidity, asset and liability management (d) credit management and (e) investment policy.

1.7 Limitations of the Study

The study aimed to administer questionnaires so as to enhance the rate of returned responses from the respondents. While the study concentrated on the organisation, a challenge was foreseen in securing the employees precious time considering their busy working schedules. Proper arrangements were made with employees to avail themselves for the study off-time hours as well as motivating the employees by informing them on the value of the study.

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CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the literature relating to firm's competitiveness specifically competitiveness of DTSs. It contains the theoretical foundation of firm's competitiveness, competitiveness and its measures in DTSs and a review of empirical studies on factors that affect financial firm competitiveness. The chapter also presents the conceptual framework of the study based on the literature review to test the independent variables and dependent variables.

2.2 Theoretical Review

The theoretical framework represents a map that hold or supports a theory underpinning the knowledge base of the phenomena under study (Sinclair, 2007). Theory helps make sense of complex situations by directing attention to key issues and by guiding methods of analysis (Zikmund, Carr, & Griffin, 2009). Numerous theories or models have been proposed regarding firm competitiveness with the aim of providing guidance in explaining why some firms achieve their goals more efficiently and effectively than their competitors. This study was anchored on four theories; Porter's diamond model, balanced scorecard model, resource-based view theory and agency theory.

2.2.1 The Porter's Diamond Model

Porter introduces a model that explains the fundamental factors that lead to some nations being more competitive than others as well as some industries within nations being more competitive than others (Porter, 1998). The Porter's diamond model (Figure 2.2) is a dynamic system in which firm strategy, structure and rivalry, demand condition, related and supporting industries and factor conditions are interlinked, interact, and reinforce each other to provide a competitive advantage to a firm. Figure 2.2 also shows two more determinants of firm competitiveness; government and chance. The two are recognised as they are necessary to make the model holistic. Government is seen as having the capacity to foster advantages at a national level since it can formulate appropriate policies that can promote the growth of industries to strong competitive position (Porter, 1998).

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Mehrizi and Pakneiat (2008) consider chance as the unforeseen external factors which may influence performance either positively or negatively. They include political decisions, economic, social, technological and ecological inter alia.

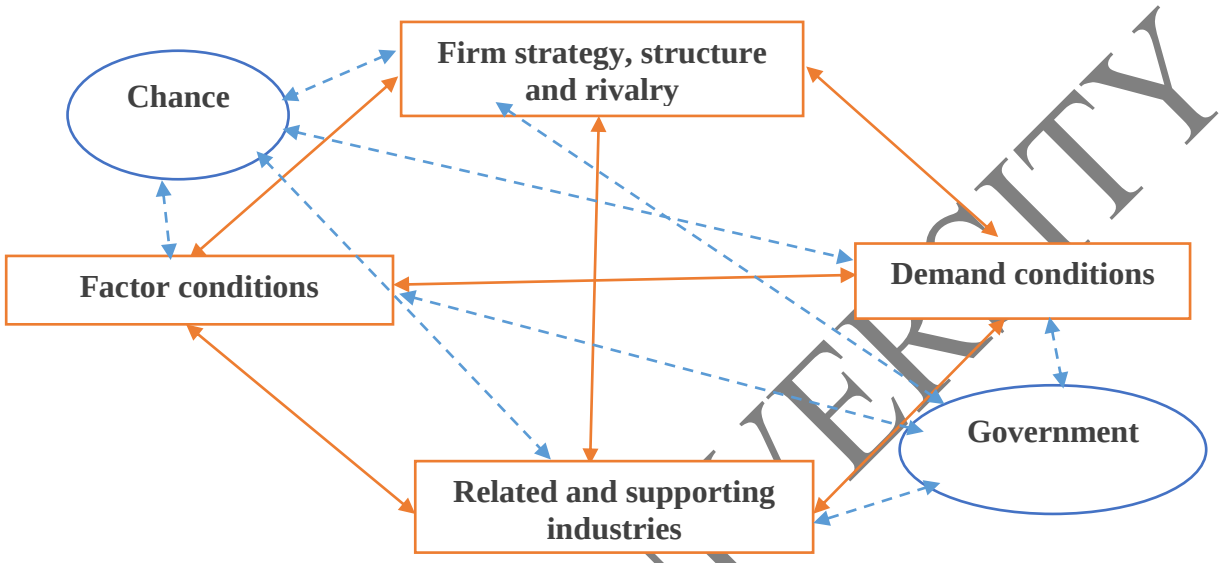


Figure 2.2: Porter Diamond Model
Source: Porter (1990)

Porter introduces a model that explains the fundamental factors that lead to some nations being more competitive than others as well as some industries within nations being more competitive than others (Porter, 1998). The Porter's diamond model (Figure 2.2) is a dynamic system in which firm strategy, structure and rivalry, demand condition, related and supporting industries and factor conditions are interlinked, interact, and reinforce each other to provide a competitive advantage to a firm. Figure 2.2 also shows two more determinants of firm competitiveness; government and chance which are both recognised as they are necessary to make the model holistic. Governments can foster advantages at a national level formulating appropriate policies that promote the growth of industries to strong competitive position (Porter, 1998). Mehrizi and Pakneiat (2008) consider chance as the unforeseen external factors which may influence performance either positively or negatively. They include political decisions, economic, social, technological and ecological inter alia. The factor conditions in the model go beyond the factors of production (land, capital, natural resources, and labour) which mainly offer the initial competitive advantage. According to Porter (1990), the most important factors of

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production are those that involves sustained and heavy investment, scarce, difficult to imitate and are more specialised. Further, factors that are not inherited but created, meaning that nations or even firms may succeed in industries where they are predominantly good at factor creation. They include human, physical, knowledge, capital and Infrastructural resources. Porter emphasises on human and knowledge resources as the key factors likely to offer a competitive advantage faster than the others. According to Mehrizi and Pakneiat (2008), competitive advantage can also be created through the efficient and effective usage of these factors instead creating new ones. In the financial industry, human, physical, knowledge, and financial resources are key determining factors for competitiveness (Doyran, 2013).

Demand conditions refer to the nature of home market demand for products and services from any given industry (Porter, 1990). According to the model, home demand informs the emerging consumer needs and compels firms to attain competitive advantage through innovation that meet the high-quality needs in the market (Kuah & Day, 2005). Home demand condition is summarised into three landscapes that determine the attainment of the competitive advantage; construction of the domestic market, anticipatory consumer needs and sophisticated and demanding consumers (Bakan & Dogan, 2012).

The presence or absence in the nation of related industries and support industries which interact with the target sector is a basic factor for competitiveness (Mehrizi & Pakneiat, 2008). In the financial sector, related and supporting industries include the main sources of credit, for instance, the mainstream commercial banks in Kenyan case. There are alternative sources of funds such as the stock market, mortgage companies, pension and insurance funds which can constitute a group of related and supporting industry (Doyran, 2013). IT industry has also come out strongly in support of the financial sector which is evident in the provision of financial services through the partnership with IT companies.

Firm strategy refers to the long-term direction and scope through which an organisation achieves competitive advantage in a changing environment through its

ST. PAUL'S UNIVERSITY

configuration of resources and competences (Johnson, Scholes, & Whittington, 2005). The structure is the entire industry arena in which competition takes place and is defined by five competitive forces; the threat of new entrants, rivalry among existing competitors, bargaining power of suppliers, bargaining power of customers and threat of substitutes (Porter, 2007). Each industry has a distinctive structure that shapes the nature of competitiveness of a firm among the competitors. The rivalry is practised in the form of price discounting, the introduction of new product, advertising campaigns and service improvements. It occurs when competitors are numerous, are roughly equal in size and power, when there is a slow growth in the industry, therefore, occasioning fights for market share or if exit barriers are high such that companies fight to remain in the market even though they are earning low or negative returns (Porter, 2008).

The model is relevant to this study as a theoretical foundation for informing competitiveness of financial institutions and DTSs in particular because of their contribution to macroeconomic pillars of development (Porter, 1990). In addition, all the four elements for competitiveness as per the model are the key determinants in the financial sector business. Third, the basis for Porter's diamond model is innovativeness as dictated by pressure and challenges in the environment, a situation that characterises the financial sector under which DTSs operate.

2.2.2 Balanced Scorecard Model

Balanced scorecard (BSC) is one of the renowned systems born of the evolution of performance measurement systems which play a crucial role in strategy implementation (Kaplan, 2010). It aids in translating a firm's strategy into results and communicate the outcomes and areas that require adjustments, monitor progress, provide feedback, and motivate employees to improve a firm's performance (Chenhall, 2003; Chenhall, 2005; Kaplan & Norton, 2001). The introduction of BSC in 1992 was inspired by the desire to improve the planning, control and performance measurement functions of management accounting by integrating both the tangible and intangible assets into firm's performance measurement (Davis & Albright, 2004; Kaplan 2010; Kaplan & Norton,

ST. PAUL'S UNIVERSITY

1996; Neely et al., 2005). The earlier performance measurement systems used financial measures only and focused on short-term financial results while sacrificing long-term prospects thus ineffective for the modern business enterprise (Isoraite, 2008; Kaplan & Norton, 1996). Three more performance measures; customer satisfaction, internal business processes and innovation and learning were thus added (Hoque, 2014; Kaplan 2010; Kaplan & Norton, 1996). These new performance measures helped in enabling organisation measure intangibles and non-financial parameters.

The BSC framework, as shown in Figure 2.3, presents four categories of measures which are meant to ensure there is a balance between financial and non-financial measures, short-term and long-term objectives, lagging and leading indicators and between internal and external performance (Kaplan and Norton, 2004).

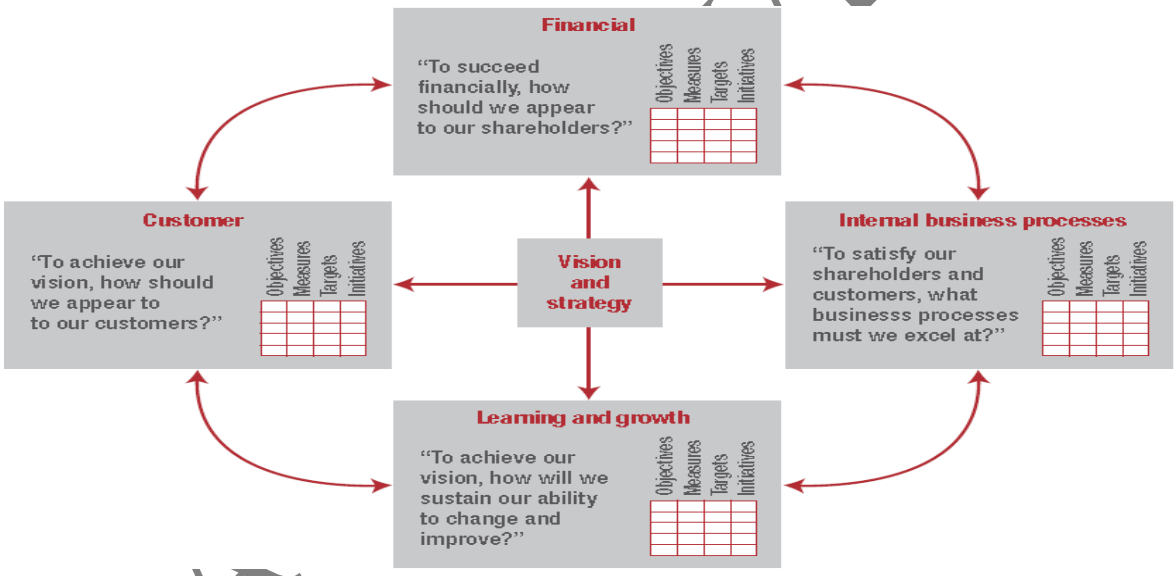


Figure 2.3: Balanced Scorecard Model
Source: Kaplan and Norton (1992)

Financial perspective is concerned with how a firm operating in a purely commercial environment should appear to its shareholders in order to succeed financially. Shareholder value is created when firms generate revenue over and above the cost (Institute of Management Accountant, 1997). As opposed to the investor-owned business enterprise model, the cooperative sector has a different interpretation of financial perspective. A co-operative enterprise business model focuses on the maximisation of member benefits (Mazzarol, 2009). In addition,

ST. PAUL'S UNIVERSITY

shares are not publicly traded and it's difficult to get the real value of basic earnings per share, shareholder's fund's return on average, shareholder's funds and dividend per share (Rixon & Beaubien, 2012). In some cases, profits are often not set up to distribute dividends meaning that whatever surplus is available is used as retained earnings in the business for reinvestment purposes. This means that measures like profit before tax, profit for shareholders and net interest might not be useful in cooperatives (Mazzarol, 2009). There is a need therefore for managers to select appropriate measures that resonate with the owners of cooperatives.

Customer perspective presents two questions to the management; how the firm is viewed by its targeted customers and how it should act towards the customers in order to achieve the set objectives expected to contribute towards the realisation of financial goals (Kaplan & Norton, 1992). Higher levels of customer satisfaction have been found to lead to greater customer loyalty, hence helps secure future revenue, reduce the costs of future transactions, and improve customer retention. Firms providing superior quality products or services enjoy higher economic returns. Parvatiyar and Sheth (2002) asserts that it is this realisation that more companies are adopting Customer Relationship Management (CRM), a combination of customer-centric strategies, programs, tools, and technology for efficient and effective customer relationship management. CRM provides core measures under customer perspective in terms of customer acquisition, satisfaction, retention, profitability, market and account share (Kaplan and Norton, 1992; Reichold, Kolbe, & Brenner, 2004). In a typical co-operative enterprise business model, a perception of a customer is different from that of an investor-owned model. Members who are the owners may also be the supplier and customer at the same time. As such, members as customers would seek for lower prices and as suppliers, they would demand higher prices. In SACCOs, members save (supplier) and borrow (customer), measures for this perspective in SACCOs need therefore to balance the two conflicting needs (Mazzarol, 2009).

Internal business process perspective is concerned with both short and long-term processes that will have the greatest impact on customer satisfaction and financial

ST. PAUL'S UNIVERSITY

perspective objectives (Kaplan & Norton, 1996). This, therefore, demands objectives and measures for financial and customer perspectives to be formulated first before objectives and measures for this perspective for alignment purposes. Internal processes measurement are the drivers of the business and BSC proposes that SACCOs find new processes and create new products and services that would meet the emerging needs of the current and future customers (Asefeso, 2013).

Learning and growth perspective plays an important role of mapping out what the firm has to learn in order to seal the gaps that emerge during the identification of objectives and measures of the financial, customer and internal business process perspectives. According to Kaplan and Norton (1996), the three distinctive objectives for learning and growth perspective is to build human, information system and organisation capital. The human capital component is concerned with the intangible assets (skills, talent and know-how), information capital entails strategic technologies (information systems, databases, networks, and infrastructure) while organization capital refers to the ability to mobilize and sustain the process of change required to execute the strategy through strategy awareness and motivation (Marr, 2010). Similarly, possible measures for learning and growth perspective may include the amount of revenue that comes from new ideas and measures of the types and length of time spent on human development (Isoraite, 2008).

2.2.3 Resource-Based View (RBV) Theory

The resource-based View (RBV) theory is founded on the principle that the source of competitive advantage lies in the firm internal resources. The resources referred to as the assets, capabilities, processes, attributes, information and knowledge enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991). However, since not all resources are strategically relevant, Barney specifies conditions under which the firm resources can be relevant as a source of competitive advantage. They must be valuable, rare, imperfectly imitable and strategically unsubstitutable.

ST. PAUL'S UNIVERSITY

RBV theory stipulates that a firm enjoys a competitive advantage when it is implementing a value creating strategy that is not being implemented simultaneously by the other firms. Barney (1991) argues that when every other firm is using the same valuable resource, it means that each of them has the capability of exploiting the resource the same way hence a possibility of all firms ending up with a similar strategy. To avoid this scenario, RBV is based on assumptions that firm resources are heterogeneous and immobile. Barney suggests that in order to create sustained competitive advantage, managers should focus more on firm resource heterogeneity and immobility to be unique. Firm resources are either tangible or intangible and since it is possible to replicate tangible resources like financial capital, plant and equipment, the real source of competitive advantage is in the intangible assets such as human capital, organizational culture, knowledge, management skills and firm image (Liu, Timothy, & Gao, 2010). In the banking sector, for example, competitive moves are easily imitated and sustained competitive advantage does not last for long. This explains why banks appear to continuously innovate in terms of systems, processes and services that are intangible in nature. According to RBV theory, players in the financial market have no choice other than to concentrate on creating the best and most unique resources relevant for the provision of financial services (Bridoux, 2004).

2.2.4 Agency Theory

The Agency theory is credited to Ross and Mitnick as originators. Ross (1973) introduced the study of agency in terms of problems of compensation contracting such that agency was seen as an incentives problem. Mitnick introduced the now common insight that institutions form around agency (Mitnick, 1986). Over time, the agency theory has been used to explain the relationship between the owners of an organisation and managers of the same. It, therefore, applies when one party (the principal) delegates work to another (the agent) who performs that work (Eisenhardt, 1989). According to the theory, as shareholders delegate decision-making authority to the agent (CEO), they do it with the expectation that the agent will act in their best interest. There are two agency problems likely to occur in this relation namely

ST. PAUL'S UNIVERSITY

conflicting goals of the principal and agent and the difficult by the principal to verify the actions of the agent towards the performance of the organisation. Therefore, with the possibility of the principal and agent preferring different actions, the theory is meant to help determine the most efficient contract to govern the principal-agent relationship (Eisenhardt, 1989). In relation to corporate governance in DTSs, this theory is applicable given that agents or managers may not always act in the best interest of shareholders. Managers may tend to play it safe and seek an acceptable level of competitiveness and growth because they are more concerned with perpetuating their own existence than with maximising the value of the firm to its shareholders (Bonazzi & Sardar, 2007). Regarding performance measurement, the applicability of agency theory is evident in Striteska and Spickova (2012) observation that, the theory is the foundation of performance measurement in that both the principals and the agents strike a balance on performance measures and actions that need to be implemented in order to achieve the organisation overall objectives.

2.3 Competitiveness and its Measures in DTSs

Different concepts behind competitiveness are reflected by studies focusing on different levels of analysis ranging from firm level, sectors, regional (area, place, locality, territorial, city, urban), national, bloc (regional) and the international or global competitiveness (Balkytė & Tvaronavičienė, 2010) as shown in Figure 2.4.

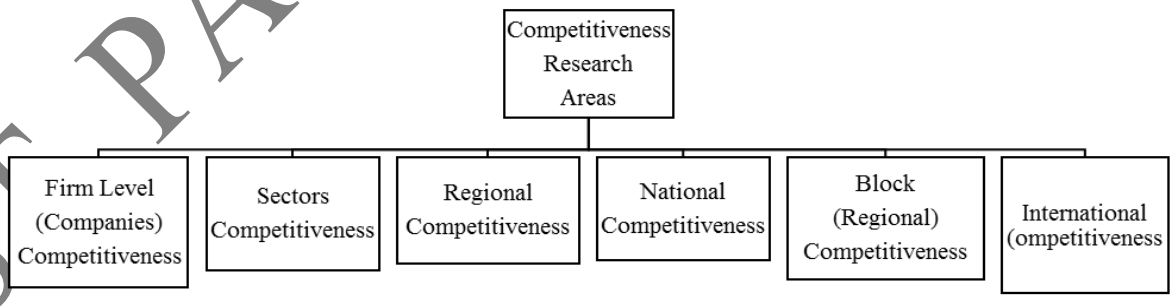


Figure 2.4: Levels of Competitiveness
Source: Balkytė and Tvaronavičienė (2010)

This study considered competitiveness at the firm level and specifically DTSs. There was a need therefore to have a working definition of 'competitiveness for DTS'.

ST PAUL'S UNIVERSITY

Given that this study was about a unique cooperative business model that is different from a purely commercial enterprise, the author deliberately revisited and adopted the understanding of competitiveness by Feurer and Chaharbagh (1994) which highlights the reason why the organisation exist and the key players who determine its survival. Feurer and Chaharbagh research opines that there is a need to redefine the concept of competitiveness by integrating the notions of customer and shareholder values as well as the organisation's ability to act and react within its changing competitive environment. Feurer and Chaharbagh (1994) posit that an organisation is competitive in the eyes of its customers if it is able to deliver a better value when compared with its competitors and competitive in the eyes of its shareholder if it is able to provide a satisfactory return on investment in the short, medium and long terms. They added that an organisation is competitive if it has the ability to retain the competitive position of an organisation by satisfying the expectations of customers and shareholders and finally ensuring sustainability to both the customers and shareholders.

This understanding of competitiveness befits the cooperative business model because the shareholder and customers are in most cases one and the same. Thus, the value creation for each need to be balanced between financial and non-financial to take care of the social benefits inferred by the cooperative business model (Mazzarol, 2009; Rixon, 2013; Rixon & Beaubien, 2012). Guided by this understanding of competitiveness, a review of the measures used in equity owned financial firms' vis a vis shareholder and customer value creation measures within the cooperative philosophy is important, to inform competitive measures for DTSs.

Standard measures for competitiveness in purely commercial financial institutions may be seen in the light of efficiency of a firm through various financial management indices and size. Efficiency perspective provides measures like Rate of return on Assets (ROA) or (profit/assets), Rate of return on Equity (ROE) or (Profit/Share capital) and other financial management indices such as Capital Adequacy Ratio (CAR) and Non-Performing Loan (NPL). CAR is (Own capital/Risk-weighted assets) where risk-weighted assets are computed by adjusting

ST. PAUL'S UNIVERSITY

each asset class for risk in order to determine a bank's real world exposure to potential losses. Non-performing loan ratio- is the ratio of the amount of nonperforming loans in a bank's loan portfolio to the total amount of outstanding loans the bank holds. The NPL ratio measures the effectiveness of a bank in receiving repayments on its loans. In terms of size, competitiveness measures include market share (share of deposits and lending) and retail sales (number of branches, the size of assets and deposits) (Yokoi-Arai &Yoshino, 2006). While all the other measures of competitiveness have been comfortably applied by the cooperative sector and DTSs in particular, use of ROA and ROE have been challenged. The numerator of both ROA and ROE is profit, meaning an emphasis on firm profitability. Use of profitability as a measure in the cooperative sector remains debatable, as researchers have been unable to address the dual objectives of cooperatives empirically. This is whether to focus more on profitability or member benefits (Soboh, Lansink, Giesen & Dijk, 2009). Mazzarol (2009) asserts that a "co-operative is for the benefit of its members and is not a charity set up to provide services to non-members. It cannot be used for a purpose other than the benefit of its members" (p.17). It is argued that profitability, as a measure is applicable to private equity firms as they are able to maximise profit by keeping costs of operations as low as possible while charging premium prices for the products or services. This is not necessarily the case for a cooperative enterprise since a co-operative will aim at returning value to its members by offering competitive prices to them as suppliers or customers, rather than via profit or dividends to them as shareholders (Mazzarol, 2009).

This study had no intention of investigating the case for or against the objective of profitability, rather recognised Feurer and Chaharbagh (1994) definition that approached competitiveness measures from shareholder's and customer's value perspectives. By doing this, this study recognised and used the common private equity measures as empirically tested and added a few other benefits that are important in improving shareholder's and customer's value within the understanding

ST. PAUL'S UNIVERSITY

of the cooperative philosophy. A mix of the two sets of measures was informed by the nature of DTSs, which is illustrated in figure 2.5 below.

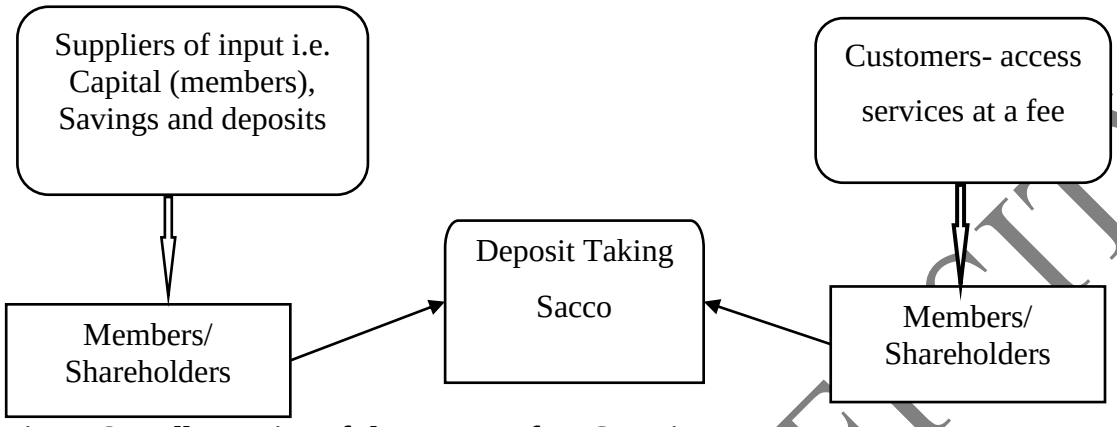


Figure 2.5: Illustration of the Nature of DTS Business
Source: The Researcher

Given the dual objectives of cooperatives, recognised measures for competitiveness in this study include ROA, ROE, CAR and NPL under efficiency. In terms of size, the competitive measure is the market share (share of deposits and loan portfolio) and retail sales (number of branches, the size of assets and deposits) (Yokoi-Arai &Yoshino, 2006). Additional in terms of members benefits include cost of borrowed funds (interest rate on loans), interest on savings and deposits, relevance of the product to members, quality of service (Centre for the study of cooperative- Canada, 2015) and percentage surplus returned to members (dividend) (Rixon, 2013).

2.4 Empirical Literature Review on Factors Affecting Competitiveness of DTSs

Empirical review refers to a search of published works, including periodicals and books that discuss and presents empirical results that are relevant to the topic at hand (Zikmund et al., 2009). This section reviews studies previously done on factors affecting competitiveness in DTSs with the particular focus on corporate governance, performance management system, regulations in the sector and training for improving human resource competencies.

ST. PAUL'S UNIVERSITY

2.4.1 Effect of Governance in DTSs Competitiveness

The use of the term corporate governance in this study is as understood by Basel Committee on Banking Supervision such that as "a set of relationships between a company's management, its board, its shareholders and other stakeholders which provide the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are met" Bank for International Settlements, 2015, p. 1). Corporate governance, therefore, helps organisations to define the way authority need to be allocated and how corporate decisions should be made.

Corporate governance has attracted various research studies, out of which there is empirical evidence that corporate governance has a direct relationship with the company overall performance and therefore competitiveness. Pavel, Stanislav, Pirožek Petr, and Pavel (2012) study on corporate governance against recommendations (of governance codes) using the cases of the strong executive and the strong ownership revealed that strong ownership resulted in below average ROA which is a recognised measure of competitiveness. The findings showed that strong ownership might only be effective in small (and especially family run) organisations as the same in the larger organisation might lead to overloading of owners and therefore low organisation performance. This conclusion was however offered with a caution that strong executive might also make owners dependent on the managers and therefore a high risk of misuse of the authority. In terms of the board size, Dabor, Isiavwe, and Ajagbe (2015) found that large board reduces profitability, while board independence played a positive and significant impact on firm profitability. They recommended small but representative board size. Nath, Islam, and Saha (2015) opine that an average board size should be of eight (8) members, which they found being consistent with Jensen (1993) and Lipton and Lorsch (1992) studies.

Chugh, Meador, and Kumar (2011) analysed the relationship between the financial performance and characteristics of corporate governance for Indian firms. They

ST. PAUL'S UNIVERSITY

concluded that while the board size and performance were positively related, excessive board autonomy had a negative relationship. In addition, CEO duality roles such that being in the board and in management at the same time had a negative relationship as duality only increased agency costs and did not create synergies therefore impaired performance. Otman (2014) investigated the relationship between corporate governance and firm performance looking at perception of stakeholder's in two fronts namely: application of corporate governance principles and corporate governance mechanism. The findings showed that rights of shareholders, equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and responsibility of the board of directors positively influenced the performance of the organization.

Mwangi (2013) examined the effect of corporate governance on the financial performance of companies listed on Nairobi Securities Exchange (NSE) and established that board size affected the financial performance negatively while CEO duality positively influenced the financial performance. These finding contradicted the findings of Chugh et al. (2011) on the two issues of the CEO duality and board size. Mwangi further found that the composition of the board also influenced the financial performance and therefore recommended that the board need to comprise of well-educated people as well balancing the executives and non-executive directors.

Mwangi, Nyachwaya, and Cheruyoit (2015) found that corporate governance was positively correlated with financial performance, implying that poor corporate governance practices were associated with poor financial performance and vice versa. Awino (2014) established that most SACCO lacked key policies or operational manuals as part of the control functions of the board, therefore evidence of poor governance practice. Ondieki (2011) in a study on the effect of external financing on the financial performance of savings and credit societies in Kisii District also noted poor governance and limited transparency as some of the major challenges inherent in the SACCOs in Kenya. Wanyoike (2013) study on the effect of compliance to SACCO regulations on the financial performance of SACCOs revealed that quality of the board of directors was an important aspect in improving the SACCOs'

ST. PAUL'S UNIVERSITY

financial performance. However, a modification on SACCO regulation was necessary to upgrade the roles and qualifications of the board members to enable them to play a more influential role in improving the financial performance of the SACCOs.

In Kenya, SASRA circulated new guidelines on good governance practices for DTSs. The main objective of the new guidelines was to ensure that the members of SACCOs, the Board of Directors, individual directors, management and other stakeholders clearly understood their various roles, duties and obligations within the confines of the law and good practices (Rogers, 2007).

2.4.2 Effect of Performance Measurement Systems in DTSs

Hakkak and Ghodsi (2015) study on the development of a sustainable competitive advantage model based on BSC found that BSC implementation had an undeniable positive effect on sustainable competitive advantage. Davila (2000) empirical study on the drivers of management control systems' design in new product development found that performance management systems main role were to provide information that was used to close the gap between the information required and the amount of information already possessed. Ajibolade, Arowomole, and Ojikutu (2010) analysis of management accounting systems, perceived environmental uncertainty and companies' performance in Nigeria showed the superiority of performance measurement systems as a source for strategic information. The study findings further showed that information collected and analysed through performance measurement systems enabled companies to price their products more competitively and therefore gained some advantage over their competitors that were unable to access information that could show the true costs (Ajibolade et al., 2010). Liu et al. (2010) found that information made possible by performance measurement system provided useful strategic ideas relevant in creating intangible resources that were immobile, inimitable, rare and which were used to create competitive advantage.

Neely et al. (2005) found that an effective performance measurement system was one that was characterised by the financial and non-financial set of measures (internal

ST. PAUL'S UNIVERSITY

and external). Upadhaya, Munir, and Blount (2014) study on the association between performance measurement systems and organisational effectiveness concluded that non-financial measures improved effectiveness and therefore the overall performance of the organisation. Ibrahim (2015) study investigating the use of the four BCS perspectives revealed that banks utilised both the financial and non-financial measures and followed all the perspectives without any formal recourse to BSC. The study results showed that financial perspective related measures were more in number followed by customer perspective measures. Internal business processes were least utilised followed by learning and growth perspective.

Rixon (2013) undertook a study on key performance indicators reported by credit unions in North America and found that the main focus by all the credit unions were the financial metrics. This was also found to be true in Kenya where, according to Kivuvo and Olweny (2014) in a study on financial performance analysis of the SACCO sector, SACCOs emphasised more on financial measures. Kivuvo and Olweny's study attributed this to the use of CAMELS and PEARL. The former stand for Capital adequacy, Assets, Management capability, Earnings, Liquidity and Sensitivity while the latter is an acronym for Protection, Effective financial structure, Asset quality, Rates of return and costs, Liquidity and Signs of growth. Introduced first in the USA banking system, CAMELS was designed to take into account and reflect all significant financial and operational factors and is currently the common performance measurement being used by (Karagu & Okibo, 2014). On the other hand, PEARL, was developed as an "early warning system", to help in identification of problems and to offers possible and meaningful solutions to serious institutional deficiencies (Richardson, 2002).

A study by Waweru and Spraakman (2009) on the appropriateness of performance measurement systems in the micro finance sector in Kenya found that the number of measures, clarity, ownership, achievability, controllability, timely feedback and compensation were critical success factors for the realization of the full benefits offered by performance measurement systems. According to Waweru and Spraakman, key challenges in the implementation of performance measurement

ST. PAUL'S UNIVERSITY

systems in micro-finance sector included inadequate knowledge on designing and implementation performance measurement as evidenced by the inability to identify the number of measures, difficulties in clarity, ownership, achievability, controllability and timely feedback and linking the system to staff compensation. Nyangayo (2014) study on BSC and performance of the co-operative bank of Kenya revealed that use of BSC enhanced the bank's competitive edge. The study results also showed that poor selection of measures and performance measurement tools like the ICT infrastructure, inefficient data collection and reporting and poor top management guidance affected performance.

Turban, Volonino, and Wood (2013) pointed out that what managers can accomplish or achieve depends on what the company's ICT can do and its business survival depended on ICT-enabled innovations. In the cooperative sector and specifically SACCOs in Kenya, it is observed that time and money has been invested in computerising business operations and is currently serving them well in terms of functionality, efficiency, reliability, ease of use and portability (Mbiwa, 2014). Makori, Munene, and Muturi (2013) however expressed their concerns over some of the SACCOs' IT capabilities to compete in the market. Alukwe, Ngugi, and Ogollah (2015) found out that most of the DTSs had inadequate ICT systems and had not been able to integrate both the front and back office meaning lack of a complete system that could provide a holistic view of the organisation. Mbiwa (2014) and Obure and Muturi (2015) found that DTSs had problems with system support, technical training and implementation process.

Domanovic (2013) found top management support as an additional prominent organisational factor with an impact on performance measurement systems. Domanovic opined that all performance measures should be relevant, reliable and communicated clearly so that managers could receive useful information for making decisions, and employees gain a better understanding of the decisions for greater commitment and efficiency.

ST. PAUL'S UNIVERSITY

2.4.3 Effect of Regulation in DTSs

Regulation is understood to mean the employment of legal instruments for the implementation of social-economic policy objectives which is done mainly to correct market failures or to address current challenges. Typical about legal instruments is that individuals or organisations can be compelled by Government to comply with prescribed behaviour under penalty or sanctions (Chumo, 2013). From a public policy interest perspective, Sacco's are cooperatives, member-owned organisations and hence are public organisations in the broad sense making accountability to the members and stakeholders very central for their success. Therefore, the ultimate goal of regulation of the SACCOs is to ensure that rights and interests of the different stakeholders are respected and protected in pursuit of the Sacco's objectives (SASRA, 2014). Sacco's specific regulatory framework consists of the Cooperative Societies Act, 1997, the Sacco Societies Act, 2008 and Sacco Society Regulation, 2010. Competitiveness in the financial sector only exists where there is a level playing field established by regulation, given the market imperfection and information asymmetry in the sector (Atristain, 2013; Yokoi-Arai &Yoshino, 2006). According to Mitchell (2011), regulation in the financial sector is a global concern as seen in the world's largest economies pledging major regulatory reforms in the sector because of the desire for a competitive financial sector. Mitchell's study findings on financial sector compliance and competitiveness with its survey sample drawn from Western Europe revealed that regulations had an impact on financial institutions competitiveness. According to Mitchell, regulations increased the firm cost base, hampered ability to introduce new products and services, adversely affected financial performance and the overall competitiveness of the institutions.

In Kenya, Ngaira (2011) study on the impact of SASRA regulations on SACCO operations found that most SACCOs reported improvement in their performance both in membership, loan portfolio and general efficiency as a result of the introduction of SASRA regulations. Confirming these findings, Kiragu (2014) study on the effect of SASRA regulations on the financial performance of SACCOs in Nairobi County found that compliance with liquidity and capital adequacy

ST. PAUL'S UNIVERSITY

regulations enhanced financial performance. Macharia (2008) study also affirmed this in the study on the effect of licensing requirements on the performance of DTSs in Nakuru County. Macharia's study found that licensing requirements helped improve SACCOs' performance though only to an average extent. However, Chumo (2013) study on the effects of regulatory compliance on the financial performance of DTSs revealed critical aspects that had a direct relationship to the overall organisation performance and the competitiveness of the DTSs. Chumo found out that lack of enough funds, regulation cost, governance issues, management information systems (MIS) were the major challenges that SACCOs faced towards compliance. Thus, capital requirements, regulatory requirement of insider trading and external borrowing requirement affected the financial performance of SACCOs in Kenya. Makori et al. (2013) study on the challenges facing DTSs' regulatory compliance in Gusii Region also revealed that compliance with capital adequacy (minimum core capital of Kshs 10 million) was a major challenge to the SACCOs. Sacco Supervision Annual Report (2014) confirmed this that attainment of full compliance with the capital adequacy ratios for individual DTSs remained a challenge, with institutional capital to total assets ratio being the most non-complied with.

2.4.4 Effect of Training in DTSs

Staff training is a fundamental determinant of an organisation competitiveness. To meet their objectives in the form of profit and growth of competitiveness in the market, firms must train their staff on what needs to be done, how and when to do what is expected from them (Bojewska, 2014). There are empirical studies on the effect of staff training on individual performance and the overall organisations' performance. Notable from this literature is the common agreement that there is substantial positive relationship between employee training and employee performance (Agha, Alrubaiee, & Jamhour, 2012; Falola, Osibanjo, & Ojo, 2014; Makori et al., 2013; Mwakujonga, 2013; Nkuru, 2015; Shaheen, Mubasher, & Khan, 2013; Suarez, 2013). Shaheen et al.'s study revealed an optimistic and significant relationship between employee training and organisation performance, employee

ST. PAUL'S UNIVERSITY

training and employee performance, employee performance and organisation performance with employee performance interceding between employee training and organisation performance. Suarez's study added that organisational performance also had a positive relationship with organisation competitiveness.

Falola et al.'s (2014) study on the Nigerian banking industry showed that effective training and development was not only beneficial to employees in particular and the organisation in general but was also one the most reliable source of competitive advantage to compete with the changing and competitive business world. The study results also revealed that a combination of both on-the-job and of-the -job training techniques were the best in the banking sector due to their capacity to enhance employees' overall capacity, enrich employees' effectiveness, develop employees' skills and knowledge for optimal performance and to promote innovation and creativity for competitive advantage. Agha et al. (2012) recommended that for organisations to remain competitive and obtain competitive advantages, they needed to improve on their competencies. This was supported by Bwana and Mwakujonga (2013) conclusion on issues in SACCOs' development in Kenya and Tanzania, that one of the biggest challenges SACCOs faced was the lack of appropriate and adequate managerial skills and knowledge. Nkuru (2015) study on factors affecting the growth of SACCOs within the agricultural sector revealed that inadequate skills affected the growth of SACCOs. Further, Makori et al. (2013) cited inadequate managerial and staff capabilities as one of the biggest challenges that faced DTSs' regulatory compliance in Kenya's Gusii Region.

2.5 Conceptual Framework

This study sought to determine factors affecting the competitiveness of DTSs in Embu County. Factors were, therefore, the independent variables while competitiveness was the dependent variable. Figure 2.6 illustrates the study's conceptual framework.

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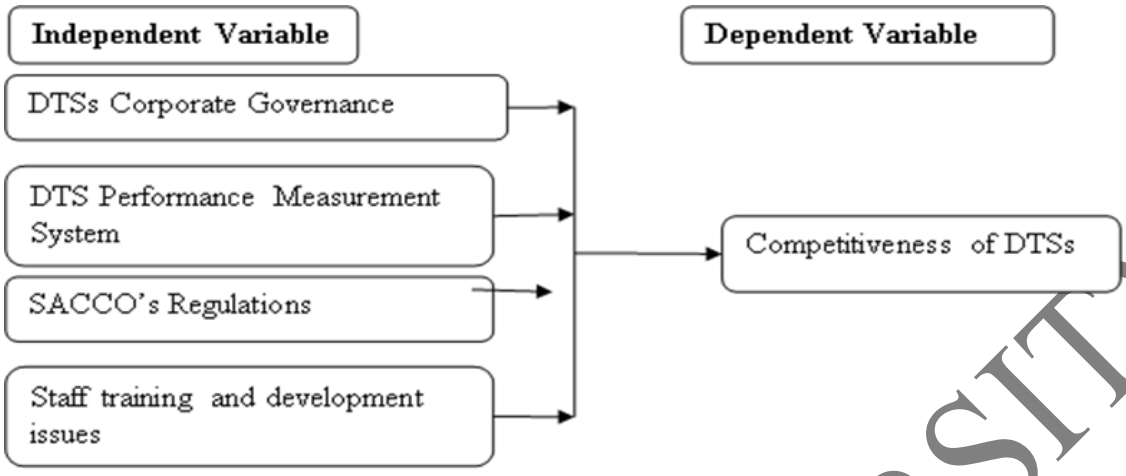


Figure 2.6: Conceptual Framework
Source: Researcher

2.6 Summary of Literature Review

The different application of the term competitiveness by researchers is a confirmation to the long-held view within the academic field that competitiveness is a multidimensional concept. This is clearly seen in Balkytė and Tvaronavičienė (2010) claim that studies available identify competitiveness at six different levels. Given its diversity, competitiveness has been defined differently by different researchers. In most cases, definitions offered appear to be private equity-oriented such as being the capacity of a firm to compete in a specific market, to increase its market share, achieve sustainable growth and profitability (Cetindamar & Kilitcioglu, 2013). It was important therefore to apply the most relevant definition to the study area. Noteworthy is that cooperatives are not purely for profit organisations, some definitions offered in literature may therefore not apply.

According to the researcher any definition focusing on both the stakeholder value and customer value and which seeks to balance the two, fits the cooperative business model. This is due to the fact that the shareholders are in most cases the customers. Regardless of whether non-members are invited as customers, the cooperative philosophy is expected to guide all the operations. Hence the choice of Feurer and Chaharbagh (1994) definition in this research as their definition is informed by

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considering reasons why the organisation exist and the key players who determine its survival.

On the theoretical foundation, literature avails various frameworks, models, theories that inform practitioners make sound decisions on competitiveness. Porter's diamond model, balanced scorecard model, resource-based view and agency theories were used as the foundation for this study. Regarding factors affecting competitiveness, review of the literature was greatly informed by previous empirical studies. These key factors included corporate governance, performance measurement systems adopted, the regulation which in this study focused on DTSs sub-sector specific regulation under SASRA and staff training and development.

By the end of 2014, Kenya had 181 licensed DTSs with a membership of 3 million people with their total asset base and deposits standing at Kshs 301 billion and Kshs 206 billion respectively (SASRA 2014). These figures clearly demonstrate the importance of the DTSs, more so their role in the financial inclusion of the unbanked population. The financial sector in which these DTSs operate is characterised by stiff competition and has become a truly knowledge-based service sector. Furthermore, DTSs as cooperatives enter into the market offering a unique business model that is different to that of private equity companies. That while private equity companies go for profit, DTSs by their philosophical foundation, pursue activities that offer a combination of both social and economic benefits. Despite the importance of DTSs and their unique model, their survival is threatened as seen in licenses for 9 out of 181 being revoked by the regulatory authority within a period of one year. Further, there appears to be little interest among researchers given the limited studies not only on DTSs but on cooperatives in general. As a result, the co-operative sector as a whole remains poorly understood (Shaw, 2007). Regarding the few studies on DTSs in particular, evident in literature is that most of the studies have concentrated more on challenges and factors that affect performance. There are very few studies on competitiveness and none of these to the best knowledge of the research looks at a combination of regulation, performance measurement system, corporate governance and training of staff as factors affecting competitiveness.

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CHAPTER THREE
METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used in the study. It covers the research design, the study population and sampling, data collection and data analysis method.

3.2 Research Design

This is the conceptual structure and plan for the collection, measurement, and analysis of data aimed at generating an answer to research problem (Cooper & Schindler, 2003; Kombo & Tromp, 2006; Orodho, 2003;). This study adopted descriptive research design and applied mixed methods approach. Descriptive research design was ideal as it provided an accurate profile of the events or situations while providing answers to who, what, when, where and how questions (Cooper & Schindler 2003). Mixed methods approach was adopted to enrich the process. According to Harwell (2011) citing Johnson and Onwuegbuzie (2004), mixed method entail "mixing or combining both quantitative and qualitative research techniques, methods, approaches, concepts and language into a single study". Further, by citing Johnson and Turner (2003), the underlying importance of mixed method is to enable collection of multiple kinds of data using different techniques to provide insights not possible when only qualitative or quantitative data are collected. Noteworthy is that though mixed method was adopted for the research, quantitative data was given significantly higher priority than the qualitative data meaning that the analysis and result presented is fundamentally quantitative-dominant (Onwuegbuzie & Combs, 2011)

3.3 Study Population and Sampling

3.3.1 Study Population

Cooper and Schindler (2003) define population as the total collection of elements around which researchers can make some inferences. The research target population

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consisted of the Embu County deposit taking Sacco's licensed by SASRA by the end of 2014. This criterion was intended to provide the respondents at least one year experience of operating in a fully-fledged DTS for considered response to the questionnaire. The DTSs that met this criterion were five, hence this research targeted all the five deposit-taking SACCOs in Embu County.

3.3. 2 Sampling

Copper and Schindler (2003) define sampling as the process of selecting elements in a population for purposes of drawing a conclusion on specific characteristics. Concerning sampling, Mugenda and Mugenda (2003) advocate for a large sample size if time and money allowed. They hold that, for a large sample, the researcher is confident that selection of two similar samples of the same size would provide almost the same findings. Further, Mugenda and Mugenda opines that a researcher can also decide to use a census survey if cost and time allow and it is practically possible. Census survey requires one to survey the entire target population which has its own advantages. These advantages include; everyone having an opportunity to participate, enhancing accuracy and being easier to administer as it includes all persons (Parker, 2011). This study opted for a census survey as it targeted all the five licensed deposit-taking SACCOs in Embu County.

To fulfil the researcher's desire for a mixed method approaches, two sets of research participants were identified. These were the members of staff that held managerial position and their supervisors earmarked as respondents for the survey questionnaire and the elected leadership for focus group discussions. The identification of the research participants was informed by the fact that corporate competitiveness is about leadership and management. Selection of research participants was done through a stratification process because the population to draw research participants from was found to be heterogeneous. Stratification technique was used to help capture both the variations and common responses from the sub-groups. According to Mugenda and Mugenda (1999), stratification ensures inclusion such that subgroups which otherwise could be omitted entirely by other sampling methods due to their small numbers are considered.

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Regarding this research, stratification enabled selection of informants considered to possess the necessary qualities required. As such, the strata for this study contained the three levels in the DTSs; management staff, management board and supervisory board members.

Members of staff were categorised into three groups (top management, middle level and supervisory) to harmonise identification and distribution of the questionnaires. Further, due to different usage of titles across all the five DTSs, the top managers included the CEO and Deputy CEO while human resource managers, finance heads/accountants, marketing managers, branch managers, credit managers, IT managers constituted the middle-level managers. The supervisor group included all the other sectional heads in the five DTSs.

The distribution for the management staff as respondents is as shown in table 3.1

Table 3.1: Distribution of respondents- Staff

Distribution of Staff						
Position	**DTS 1**	**DTS 2**	**DTS 3**	**DTS 4**	**DTS 5**	**Total**
Top management	2	2	2	2	2	10
Middle management	3	12	4	4	0	23
Supervisors	4	14	7	3	0	28
Total	**9**	**28**	**13**	**9**	**2**	**61**

Source: The Researcher

Selected for the FGDs were the executive members who are normally four in number (Chairman, Vice Chairman, Treasurer, and Honorary secretary) and all the three supervisory members who include the Chairman, Secretary and member) bringing the total number of elected officials to 35. Noteworthy is that every DTS has an average of nine management board members and three supervisory board members. This means that targeted board members included the executive members only and the entire team of the supervisory. The executive team was assumed to be a good representative of the management board since the executive authority to govern the organisation is vested on them by the annual general meeting and are required by law to understand each and every detail. Table 3.2 shows the distribution across the five DTSs.

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Table 3.2: Distribution of FGDs participants

Distribution of Elected Leaders						
Executive board members	4	4	4	4	4	16
Supervisory board members	3	3	3	3	3	12
Total	**7**	**7**	**7**	**7**	**7**	**35**

Source: The Researcher

3.4 Data Collection

Qualitative and quantitative primary data was collected using interview guide in focus group discussions (FGDs) as well as self-administered semi-structured questionnaires. FGDs were selected particularly for their usefulness in areas where it was deemed important to highlight shared or common experience, identify different or polarised views or stimulate debate amongst participants (Leeuw, Hox, & Dillman, 2008). A self-administered semi-structured questionnaire was to collect data while allowing free responses from the respondents. The questionnaires were distributed to the respondents through the established networks and structures of each DTS with a view to observing protocol as established and elicit goodwill from all members of staff.

3.5 Pilot Testing

Using a few respondents from a DTSs in the neighbouring Kirinyaga County, a pilot study was conducted before the main study. This assisted in refining the questionnaire, enhancing its readability, and minimising the chances of misinterpretation of the questions. The choice of a different county for the pilot study ensured that participants in the pilot study would not get involved in the main study to avoid any possibility of bias.

3.5.1 Reliability of the Data Collection Instruments

Reliability refers to a measure of the degree to which the responses to the questionnaire are consistent and therefore yield consistent results (Mugenda and Mugenda, 2003). Reliability was ensured in two aspects; that similar results would be obtained if the questionnaire is used again soon afterwards with the same

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respondents and that all the answers will be fairly consistent. Further, the reliability of the research instrument was tested using Cronbach's alpha coefficient value.

According to George and Mallery (2003), closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. In addition, George and Mallery provide the following rules of thumb: Cronbach's alpha coefficient > 0.9 = Excellent, Cronbach's alpha coefficient > 0.8 = Good, Cronbach's alpha coefficient > 0.7 = Acceptable, Cronbach's alpha coefficient > 0.6 = Questionable, Cronbach's alpha coefficient > 0.5 = Poor, and Cronbach's alpha coefficient < 0.5 = Unacceptable. Thus, the higher the value of the coefficients, the better the measuring instrument in terms of reliability.

The results in Table 3.3 shows a summary of the findings where the Cronbach's Alpha values were 0.72, 0.89, 0.90, and 0.76 which averages to 0.82. This is rated as "Good" according to George and Mallery (2003) and is closer to 1.0 implying greater internal consistency of the items in the scale.

Table 3.3: Reliability Coefficients

Scale	Cronbach's Alpha
Corporate Governance	0.72
Performance Measurement Systems	0.89
SASRA Regulations	0.90
Staff Training and Development	0.76

Source: The Researcher

The results show that instrument consistently returned high scores averaging 0.82 which is good and highly acceptable since Cronbach's alpha coefficient of over 0.7 qualifies an instrument as reliable and consistent (Nachmias and Nachmias, 2006; Kothari, 2008). The research instrument, therefore, had relatively high internal consistency as a reliability coefficient of 0.70 or higher is considered acceptable in most social science research situations.

3.5.2 Validity of the Instrument

Validity is noted by Robinson (2002) as the degree to which result obtained from the analysis of the data actually represents the phenomenon under study. It is used to

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ensure that the study actually measures what it intends to measure from the beginning. To ensure the validity of the instruments, both the face and content validity of the questionnaire were considered. Face validity being a sense that the questionnaire looks like it measures what it was intended to measure – was realised by having all the questions phrased appropriately as well as the options for responding. Content validity was ensured by having the questionnaire undergo peer preview.

3.6 Data Analysis

The data collected was both quantitative and qualitative data. Quantitative data was analysed using the Statistical Package for Social Sciences (SPSS, V.21) and Ms Excel 2013. SPSS was used to produce descriptive statistics namely percentages and frequencies. These results were presented in the form of tables, pie charts and graphs. The qualitative data was analysed using content analysis and presented in prose form. Both quantitative and qualitative data were compiled to generate the final report. The findings were presented and organised in tables for easy understanding. They were inconsistent with the specific objectives and in line with the operationalization shown in Table 3.4 and 3.5.

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Table 3.4: Operationalization of Independent Variables

Research objective	Variable	Competitiveness indicators & Measurement		Scale	Data collection	Types of analysis
		Indicator	**Measurement**			
To determine corporate governance practices affecting competitiveness of DTSs in Embu County, Kenya	Corporate governance	Corporate governance principles	Board accountability	Nominal and Interval	Qualitative/ Quantitative	Both Qualitative and Quantitative
			Board transparency			
		Corporate governance mechanism	Board size	Nominal and Interval	Qualitative/ Quantitative	Quantitative
			Leadership structure			
			Board composition			
			Supervisory board independence			
			Duality role of CEO			
To investigate how the adopted performance measurement systems affect competitiveness of DTSs in Embu County, Kenya	Performance measurement systems	Adoption of both financial and non-financial measures	• Financial • Customer related • Internal business processes • Learning and growth	Nominal and Interval	Qualitative/ Quantitative	Quantitative
		Critical factors for effective implementation of performance measurement systems	• Regulatory requirement versus own set measures • Organization ICT infrastructure • Knowledge on performance measurement systems	Nominal and Interval		
To examine how SASRA regulations affect the competitiveness of DTSs in Embu County, Kenya	SASRA regulation	Licensing	Licensing requirement	Nominal and Interval	Qualitative/Quantitative	Quantitative
		Capital adequacy	Minimum capital requirement	Nominal and Interval	Qualitative/Quantitative	Quantitative
		Liquidity and asset, liability management	Minimum & Maximum levels of cash management	Nominal and	Qualitative/ Quantitative	Quantitative
			Cash holding limit			

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			Opening of a branch	Interval		
			Approving a product			
			Operating an agency/outlet			
			Members shares	Nominal and Interval	Qualitative/Quantitative	Quantitative
			Non-withdrawable deposit			
			Withdrawable deposit			
		Credit management	Interest rate	Nominal and Interval	Qualitative/ Quantitative	Quantitative
			Interest fee			
			Security for loans			
			Inter Sacco borrowing			
			External borrowing			
			Insider lending			
		DTS investment	Investment policy	Nominal and Interval	Qualitative/Quantitative	Quantitative
To establish the staff training and development issues that affects competitiveness of DTSs in Embu County, Kenya	Staff training and development	Staff competence	staff competence	Nominal and Interval	Qualitative/Quantitative	Quantitative
		Organization commitment	Organization commitment	Nominal and Interval	Qualitative/Quantitative	
			Budget allocation			

Source: The Researcher

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Table 3.5: Operationalization of Dependent variables

Variable	Measures	Indicators	Measurement (Quantitative)
DTS Competitiveness	Competitiveness measures	Efficiency	ROA, ROE, CAR and NPL
		Size	Market share (share of deposits and loan portfolio) and Retail sales (number of branches, size of assets and deposits)
		Cooperative specific	Interest rate on loans Interest on savings and deposits Dividend

Source: The Researcher

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CHAPTER FOUR

PRESENTATION OF FINDINGS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents the findings, interpretations and discussion according to the research objectives. The objectives were to determine corporate governance practices affecting the competitiveness of DTSs, investigate how the adopted performance measurement systems affect the competitiveness of DTSs, examine how SASRA regulations affect the competitiveness of DTSs and to establish the staff training and development issues that affect competitiveness of DTSs.

Data was collected from a total of 54 questionnaires that were successfully completed out of the 61 respondents targeted for the questionnaire survey, representing a response rate of 89%. In addition discussions with 5 focus groups were held. Data collected from the two sources was analysed together with FGDs data being used to complement or substantiate findings derived from the sample survey. The same data was presented using descriptive statistics in the form of tables and pie charts, with the summary of the findings categorised in accordance with independent variables under the respective research objective.

4.2 Demographic Information

This section summarises the general characteristics of the respondents. Data is presented in terms of gender, age and highest education level. In addition, data is shown in terms of the position held, department or unit deployed and period worked in the organisation.

4.2.1 Gender Distribution

The study distinguished between the genders of the respondents. The distribution included an almost equal representation with male and female representing 52% and

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48% respectively as depicted by figure 4.7 This representation resonates very well with the Research Council of Norway (2014) which opines that gender balance and gender perspectives, helps to enhance the scientific quality and social relevance of research.

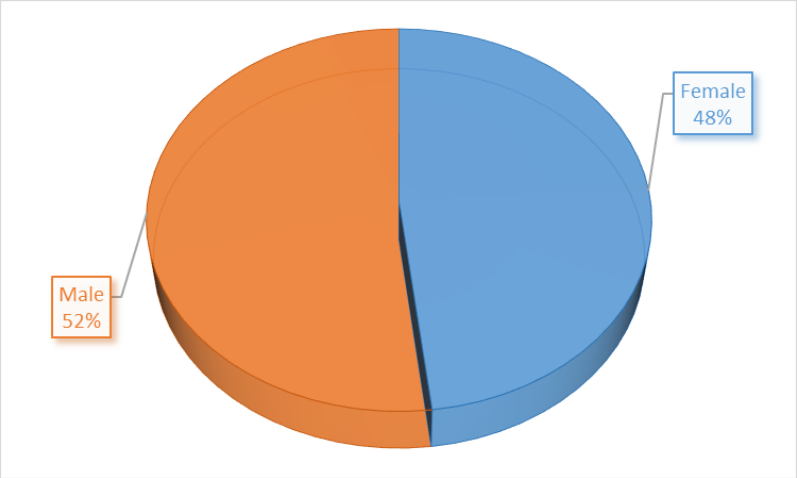


Figure 4.7:Distribution of Respondents by Gender
Source: The Researcher

4.2.2 Distribution of Respondents by Age

In regard to the age of the respondent, figure 4.8 shows that majority of the respondents were aged 41- 50 years representing 42% of the total respondents followed by the group between ages 31- 40 years at 28%. The rest of the respondents at 24% were 18- 30 years while above 50years were at 6%. This shows that over 70% of the DTS staff with management roles were of age between 31 and 50 years.

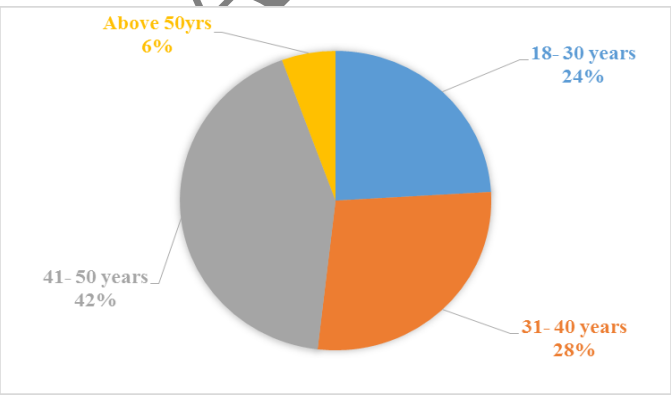


Figure 4.8: Distribution of Respondents by Age
Source: The Researcher

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4.2.3 Distribution of Respondents by Education Level

The study sought to establish the highest level of education of the respondents. Figure 4.9 shows that the majority of respondents had a diploma as the highest level of education at 55% followed by first degree holders at 30%. Those with master degrees were 4 in number or 7% while 6% or 3 respondents were CPA certificate holders though at different levels.

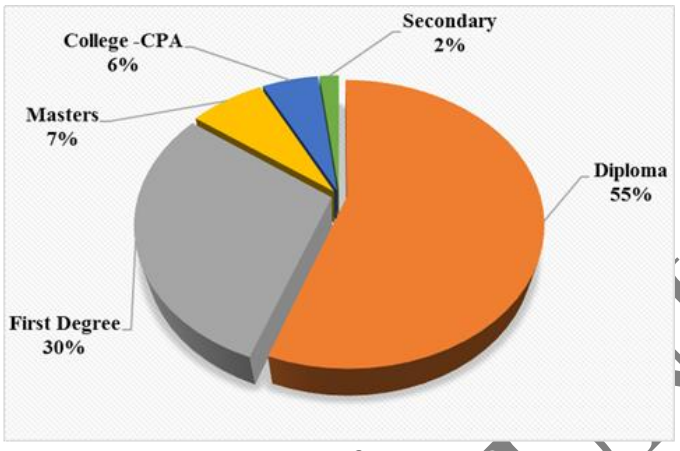


Figure 4.9: Distribution of Respondents by Education Level
Source: The Researcher

4.2.4 Distribution of Respondents by Position Held

The study also sought to establish the positions held by the respondents. Figure 4.10 shows a summary of the results. The majority of the respondents were supervisors at 48% followed by middle-level managers at 39%. The remaining 13% were the top managers. The findings further explained the missing seven questionnaires not returned.

Out of the 10, 23 and 28 questionnaires distributed to top management, middle management and supervisors respectively, the returned were 7 or 13% , 21 or 39% and 26 or 48% in the same order. This indicated that three (3) top management staff and two (2) respondents from each of the middle and supervisory categories did not respond.

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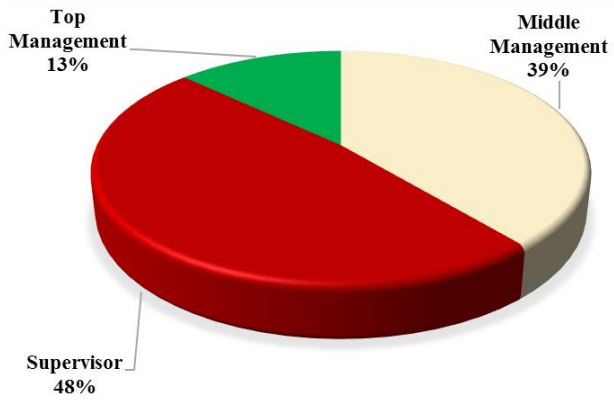


Figure 4.10: Distribution of Respondents by Position Held
Source: The Researcher

Distribution of Respondents By Work Sections/Units

The study sought to establish the work section by the respondents. Table 4.6 shows that branch staff contributed 33.3%, therefore the majority of the respondents followed by credit, finance, administration and marketing sections at 16.7%, 14.8%, 13% and 11.1% respectively. IT and members affairs office contributed 5.6% each. The findings presented a fair representation across all the units in terms of participation in the study and contribution of varied responses.

Table 4.6: Distribution of Respondents by Work Sections/Units

Work Sections/Units	Frequency	Percent
Administration	7	13.0
Branch staff	18	33.3
Credit	9	16.7
Finance/Accounts/Audit	8	14.8
IT	3	5.6
Marketing	6	11.1
Member affair/ Public relations	3	5.6
Total	**54**	**100.0**

Source: The Researcher

4.2.5 Distribution of Respondents by Duration Worked at DTS

The study sought to establish the duration worked by the respondents. Figure 4.11 shows a summary of the findings. The majority of the respondents had worked in their organisation for more than 15 years (37%) followed by those who had worked

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for 1-5 years at 35%. The rest of the respondents had worked for between 11-15 years at 13%, 5-10 years at 11% and less than one year at 4%. The findings indicate a well-spread sample in terms of experience and new ideas in the DTSs.

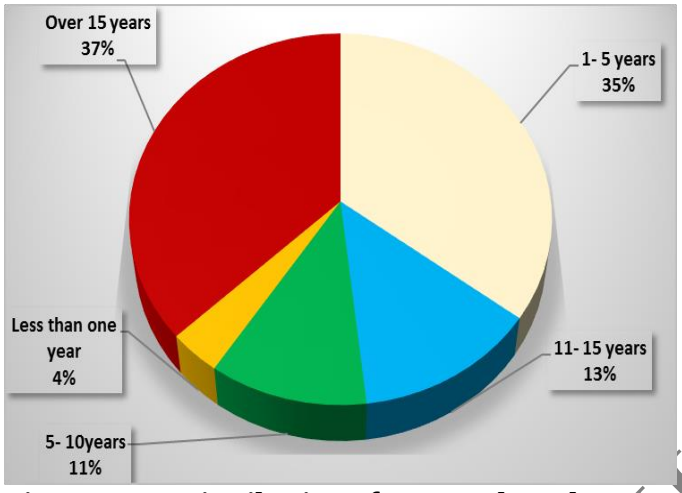


Figure 4.11: Distribution of Respondents by Duration Worked at DTS
Source: The Researcher

4.3 Research Objectives Findings

4.3.1 Corporate Governance and Competitiveness

This section looks at study findings related to the first objective of the study, specifically "to determine corporate governance practices affecting the competitiveness of DTSs". The study looked at two dimensions of corporate governance. The first was corporate governance principles as reflected by board accountability and transparency while the second looked at corporate governance mechanism evaluated against board size, leadership structure, board composition, supervisory board independence and CEO duality role. Data was corrected through the questionnaire survey and from FGDs. The results are presented as follows.

Importance of Corporate Governance in DTS

Firstly the study queried the respondents' opinion on the importance of corporate governance in enhancing competitiveness in their organisations. As shown in table 4.7, 88.9% of the respondent felt that corporate governance was very important,

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1.9% felt that corporate governance was slightly important while 9.3% felt corporate governance in DTSs was fairly important.

Table 4. 7: Importance of Corporate Governance in DTS

Importance of Corporate Governance in DTS	Frequency	Percent
Fairly important	5	9.3
Slightly important	1	1.9
Very important	48	88.9
Total	**54**	**100.0**

Source: The Researcher

The findings affirmed Bank for International Settlements (2015) assertion that effective corporate governance, especially in the financial sector, is critical, as proper functioning of the sector, positively impacts not only on the performance of the firm but also on the entire economy.

Corporate Governance Instruments in DTS

Respondents were asked whether they had any documented instrument applied in guiding corporate governance. Figure 12 shows that majority of the respondents at 96%, were affirmative. Some of the instruments commonly cited across all the DTSs included the by-laws, Sacco societies Act No. 14 of 2008), Cooperative societies Act (1997), SASRA regulations (2010), SASRA Corporate governance guidelines (2015), Governance policies, Code of corporate governance, Board of directors Chatter and Code of Ethics. The findings contradicted Awino (2014) findings that DTSs lacked adequate policy documents for governance and management.

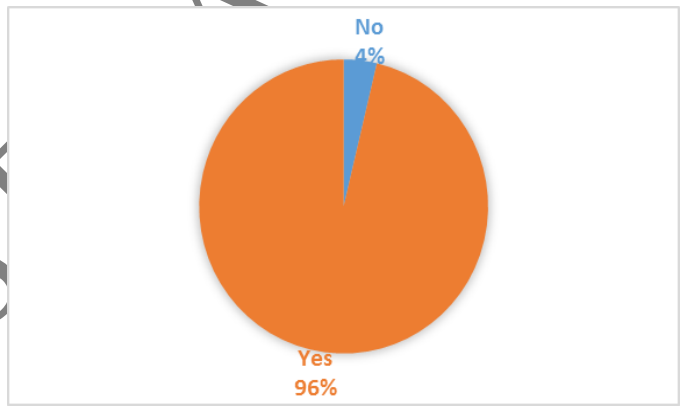


Figure 4.12: Presence of Corporate Governance Instruments in DTS
Source: The Researcher

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Corporate Governance Principles

The respondents were asked to rate the extents to which they agreed with selected statements to test adherence to the corporate governance principles of accountability and transparency. The results are shown in table 4.8.

Table 4.8: Corporate Governance Principles

Statement	Very Great extent	Great extent	Moderate extent	Low extent	Very low extent
Board of directors are familiar with the instrument(s) of corporate governance.	18.5	51.9	29.6	0.0	0.0
Board of directors are committed to the instrument(s) of corporate governance.	18.5	59.3	20.4	1.9	
Members of staff are familiar with the instrument(s) of corporate governance in your organization.	35.2	38.9	25.9	0.0	0.0
Instrument(s) of corporate governance protect shareholder rights and the equitable treatment of shareholders	40.7	38.9	0.0	3.7	1.9
The organization is open and make available required information to the members (as shareholders).	29.6	38.9	22.2	9.3	0.0
The organization is open and make available required information to the customers (members as clients).	14.8	44.4	29.6	11.1	0.0
The organization is open and make available required information to the members of the public	14.8	38.9	31.5	14.8	0.0
The organization is open and make available required information to the regulatory authority	51.9	38.9	7.4	1.9	0.0

Source: The Researcher

The first two statements sought to find out the extent to which respondents' thought of the board of directors familiarity with the instruments of corporate governance and commitment to the same. Regarding familiarity Table 4.8 shows 18.5% of the respondents felt that the extent was very great, 51.9% felt it was great while 29.6% felt that it was very moderate. In terms of the board commitments towards adherence

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to instruments of corporate governance, 18.5% of the respondents felt that the extent very great, 59.3% felt it was great, while 20.4% felt it was very moderate. The remaining 1.9% felt it was very low.

The third statement sought to establish the extent to which respondents as members of staff were also familiar with the instruments of corporate governance in their organisation. The result revealed that 35.2% felt that the extent was very great, while 38.9% felt it was great. The remaining 25.9% felt it was very moderate. The importance of the commitment of board members towards corporate governance principles cannot be overstated. To be committed to the same, both the board members and members of staff needed to be familiar with all the instruments of governance. The finding above implied a gap in terms of board and staff understanding of governance instruments and board commitments towards adherence to corporate governance principles.

Regarding the respondents' opinion on the extent instrument of corporate governance protect shareholder rights and equitable treatment of shareholders to enhance accountability, 40.7% of respondents felt it was very great, 38.9% felt it was great while 3.7 felt it was low. Only 1.9% felt it was very low. The cumulative response of 79.6% for very great and great extent implied a high level of accountability by the DTS in terms of protection of shareholder rights and equitable treatment of shareholders.

The study also sought to find out respondents' opinion towards transparency in their organisations. Respondents were asked to rate the extent of the organisation transparency to key stakeholders, specifically members as shareholders, members as customers, members of the public and SASRA as the regulatory authority.

On the extent towards being open and making available required information to the shareholder, 29.6% of the respondents felt that it was very great, 38.9% felt it was great while 22.2% felt it was very moderate. 9.3% of the respondents felt it was low.

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Concerning being open and making available required information to the customers 14.8% of the respondent felt the extent was very great, 44.4% felt it was great while 29.6% felt it was very moderate. The remaining 11.1% felt it was low.

Regarding the extent of being open and making available required information to the members of the public, the findings showed, 14.8% of the respondents agreeing that the extent was very great and 38.9% being of the opinion that the extent was great. 31.5% felt that the extent was very moderate with 14.3% indicating that it was low.

Relating to the extent of being open and making available required information to the regulatory authority, findings shows the majority of respondents (51.9%) felt that it was very great, 38.9% felt it was great while 7.4% felt it was very moderate. Only 1.9% felt it was low.

The cumulative percent for 'to very great extent' and 'to a great extent' was 53.7, 59.2%, 68.5% and 90.8%, for members of the public, members as customers, members as shareholders and regulatory authority respectively. Understandably that openness to regulatory authority was regarded highly, the finding suggested a need for DTSs to be equally open to their members as either shareholders or customers as well as the members of the public. The findings confirmed Ondieki (2011) study on the effect of external financing on the financial performance of savings and credit societies in Kisii District, which noted limited transparency as one of the major challenges inherent in the Saccos in Kenya.

Corporate Governance Mechanism

This section covers aspects of corporate governance mechanism namely board size, leadership structure, board composition, supervisory board independence and CEO duality role. Firstly, respondents were asked to rate the extents to which they agreed with selected statements to test applicability of corporate governance mechanism in DTSs. The results are shown in table 4.9.

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Table 4.9: Corporate Governance Mechanism

Statement	To a very great extent	To a great extent	To a very moderate extent	To a low extent	To a very low extent
Instrument(s) of corporate governance ensures fair distribution of authority between the AGM, the board of directors and management.	22.2	55.6	20.4	1.9	0.0
Instrument(s) of corporate governance are very clear on the election process of the board.	38.9	42.6	14.8	3.7	0.0
Instrument(s) of corporate governance are very clear on the qualification of the board.	25.9	24.1	44.4	5.6	0.0

Source: The Researcher

On the extent corporate governance ensured fair distribution of authority between the AGM, the board of directors and management, table 4.9 shows 22.2% respondents felt it was very great, 55.6% felt it was great while 20.4% felt it was very moderate. The remaining 20.4% and 1.9% felt it was low and very low respectively. Concerning the extent of clarity of instruments of corporate governance on the election process of the board, the finding revealed 38.9% of respondents felt it was very great, 42.6% felt it was very moderate while 14.8% felt it was low. Only 3.7% felt it was very low. As regards the extent of clarity of instruments of corporate governance on the qualification of the board, the finding revealed, 25.9% of respondents felt it was very great, 24.1% felt it was very moderate while 44.4% felt it was low. 5.6% felt it was very low.

These finding for the distribution of authority, clarity of instruments of corporate governance on the election process and qualification of the board were found helpful in the interpretation of the different dimensions of corporate governance mechanism. These dimensions include board size, leadership structure, board composition, CEO

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duality role and supervisory board independence which findings are as presented below:-

Board Size and Competitiveness of DTS

The study sought to find out respondents' opinion on whether board size affected the competitiveness of a DTS. As depicted in figure 4.13, 63% of respondents were of the opinion that board size had no effect on competitiveness while 37% were affirmative. Principle No.2 under SASRA guidelines limits the size of the board to between 5 and 9 directors where the size depend on the size of the Sacco. A common response to a follow-up question on why the selected option, respondents who felt that board size had no effect claimed that the high frequency of meetings, training and other board related cost meant high cost that deflated the DTS profitability. The other group of respondents argued that the benefits offered by the diversity of the board outweighed the costs. This position on board diversity and benefits was corroborated by the elected leaders in their focus group discussions. The finding of this study affirmed studies by Dabor, Isiavwe and Ajagbe (2015), Mwangi (2013), Nath, Islam and Saha (2015) and Pavel et al. (2012). Their findings revealed that a large board size ended up overloading owners, therefore, affecting the firm competitiveness.

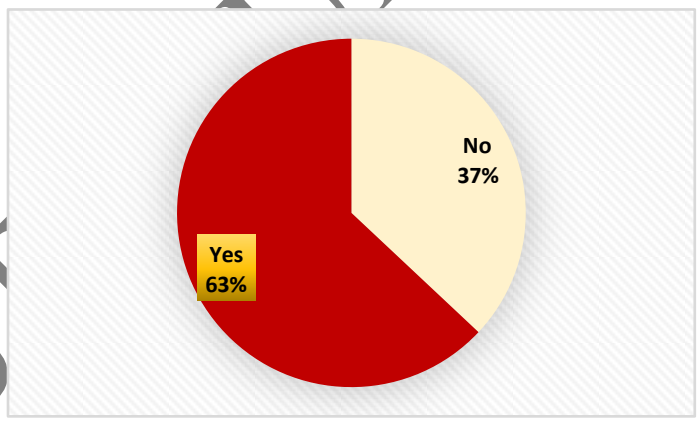


Figure 4.13: Board Size
Source: The Researcher

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The study sought to find out respondents' opinion on whether leadership structure affected the competitiveness of a DTS. As illustrated in figure 14, 63% of respondents were of the opinion that leadership structure affected competitiveness while 37% felt it had no effect.

In terms of leadership structure, the study specifically sought to find out the adequacy of delegated power to the CEO by the board for running the day-to-day business of the Sacco. The majority of the respondent felt that CEOs had on many occasions been constrained to make required real time decisions as they had to first seek for the board authority. In addition, a majority of the respondents felt that there were different sub-committees in SACCOs, like the audit committee which is a creation of law and other committees with responsibilities for education and governance, finance and human resources as well as for business development and technology. The concern according to the findings was the effectiveness of process through which decisions by all these committees were passed over to the management for execution. Some of the respondents cited bureaucracy in the process which ended up delaying decision making.

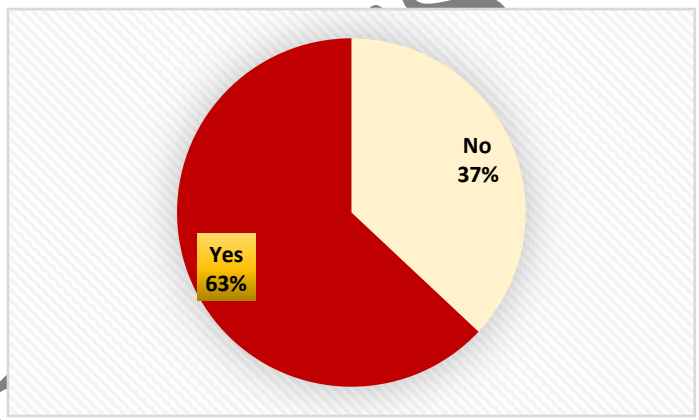


Figure 4.14: Leadership Structure
Source: The Researcher

Board Composition

The study sought to find out respondents' opinion on whether board composition affected the competitiveness of a DTS. The study specifically looked at the board

ST. PAUL'S UNIVERSITY

diversity in terms of the mix of skills, knowledge and experience. As depicted in figure 4.15, a majority of the respondents (78%) were in agreement that composition of the board affected competitiveness. The remaining 22% felt composition had no effect. Agreed by most of the respondents was that almost all boards in SACCOs lacked diversity citing examples where all members belonged to one profession and gender. Also cited was that there was no known minimum education level for the board members. This fact is evident in the SASRA guidelines, principle No. 1.1 which also omits education as part of qualification for board membership. Mwangi (2013) study recommended that the board need to be comprised of well-educated people.

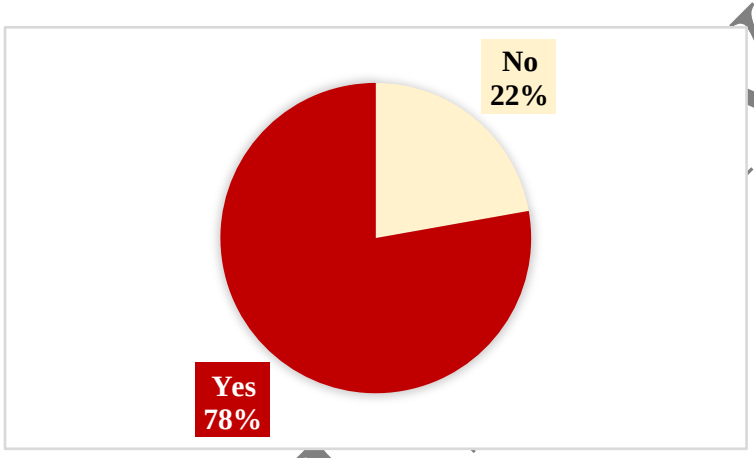


Figure 4.15: Board Composition
Source: The Researcher

CEO Duality Role

The study sought to find out respondents' opinion on whether CEO duality role affected the competitiveness of a DTS. As depicted in figure 4.16, 96% as the majority of respondents felt the role had no effect. Most of the respondents felt that though the law denied CEOs' any voting rights in the board, their advisory role remained important. Some respondents cited inadequate skills for managing bank like institutions in the board as one of the main reason why the CEOs were required in decision making. This finding affirmed Mwangi (2013) study but contradicted Chugh et al. (2011). Mwangi study found out that there were various aspects of

ST. PAUL'S UNIVERSITY

CEOs duality that positively influenced the financial performance. Chugh et al. findings, on the other hand, provided that CEOs being in the board and at the same time in management resulted to a negative relationship. Chugh et al. claim that duality increases agency costs and does not create synergies, therefore, impairing performance.

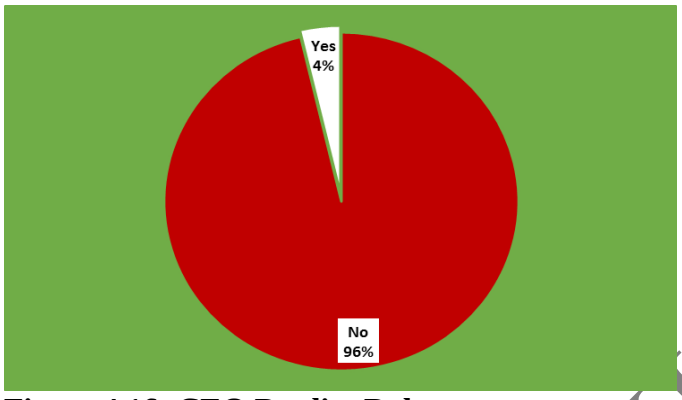


Figure 4.16: CEO Duality Role
Source: The Researcher

Supervisory Board Independence

The respondents were asked to rate the extents to which they felt the supervisory board was working independently. Table 4.10 shows 19% of respondents felt that it was very great, 37% felt it was great while 24.1% felt it was very moderate. The remaining 3.7% felt it was low.

Table 4.10: Supervisory Board Independence

Supervisory Board Independence	Frequency	Percent
To a great extent	20	37.0
To a low extent	2	3.7
To a very great extent	19	35.2
To a very moderate extent	13	24.1
Total	**54**	**100.0**

Source: The Researcher

4.3.2 Performance Measurement System and Competitiveness

This section looks at study findings related to the second objective of the study, specifically "to investigate how the adopted performance measurement systems

ST PAUL'S UNIVERSITY

affect the competitiveness of DTSs". The study specifically looked at three aspects; the types of measures commonly adopted by DTSs with a view to establish the balancing of both financial and non-financial measures, how selected measures conformed to the four balanced scorecard (BSC) perspectives of financial, customer, internal business processes and learning and growth perspectives and critical factors for effective implementation of performance measurement systems in DTS.

Balancing Financial and Non-Financial Measures

Firstly, the study sought respondents' opinion on the importance of measuring performance in DTS. Figure 4.17 shows an almost unanimous agreement among respondents that measuring performance in DTS is important

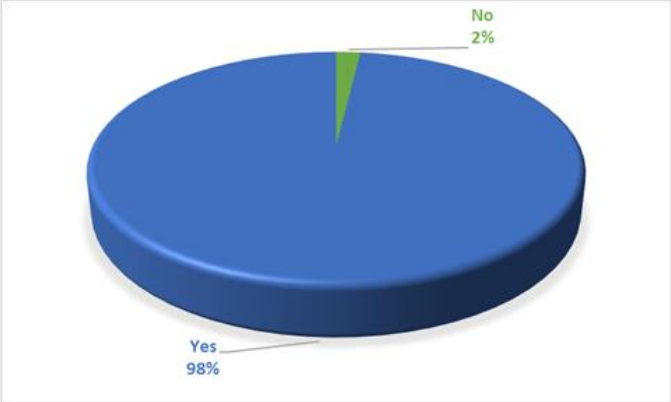


Figure 4.17: Opinion on Measuring Perfromance
Source: The Researcher

Secondly, the study sought the respondents' opinion on the importance of measuring both financial and non-financial measures. Regarding the importance of financial measures, Table 4.11 shows 85.2% of respondents felt that financial measures are very important in DTS.

Table 4.11: Financial Measures

Financial Measures	Frequency	Percent
Not very important	1	1.9
Slightly important	1	1.9
Fairly important	6	11.1
Very important	46	85.2

ST. PAUL UNIVERSITY

Financial Measures	Frequency	Percent
Not very important	1	1.9
Slightly important	1	1.9
Fairly important	6	11.1
Very important	46	85.2
Total	**54**	**100.0**

Source: The Researcher

Concerning the importance of non-financial measures, Table 4.12 below shows only 38.9% of respondents felt that non-financial measures were very important in DTS. The majority of the respondents were of the opinion that non-financial measures were fairly important at a rate of 50%. Notable is the cumulative 11% for the respondent who felt non-financial measures were slightly important or not very important.

Table 4.12: Non-Financial Measures

Non-Financial Measures	Frequency	Percent
Not very important	4	7.4
Slightly important	2	3.7
Fairly important	27	50.0
Very important	21	38.9
Total	**54**	**100.0**

Source: The Researcher

Analysis of Type Of Measures

Respondents were asked to identify measures used by the DTS and which they considered being most relevant. Asked also was for the respondents to indicate whether the identified measure was financial or non-financial. Figure 4.18 shows that out of the measures identified by the respondents, 76% were of financial nature while 24% non-financial. This finding affirmed Rixon (2013) and Kivuvo and Olweny (2014) studies that assert that SACCOs mainly use financial measures.

ST. PAUL'S UNIVERSITY

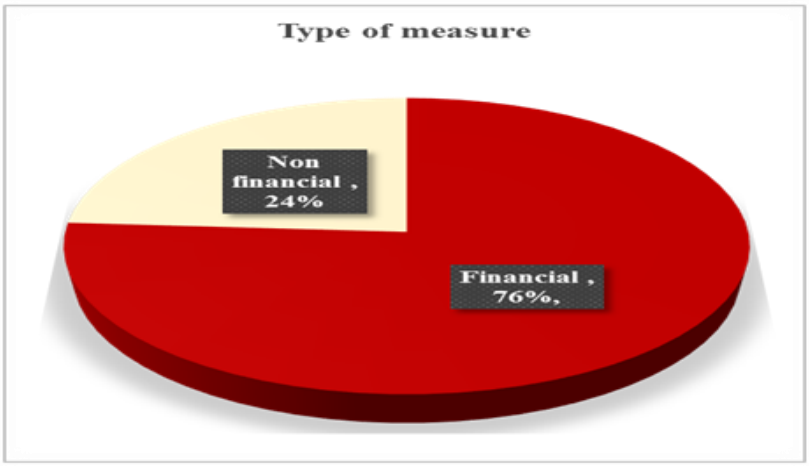


Figure 4.18: Analysis of Type Of Measures
Source: The Researcher

Conformity of Measures to BSC Perspectives

Out of all the measures provided, the researcher sought to find out how measures used by DTSs conformed to the balanced scorecard framework. Figure 4.19 shows 52% of the measures provided were internal business processes related while financial and customer perspectives had a share of 20% each. This left the balance of 8% of the measures under learning and growth perspectives.

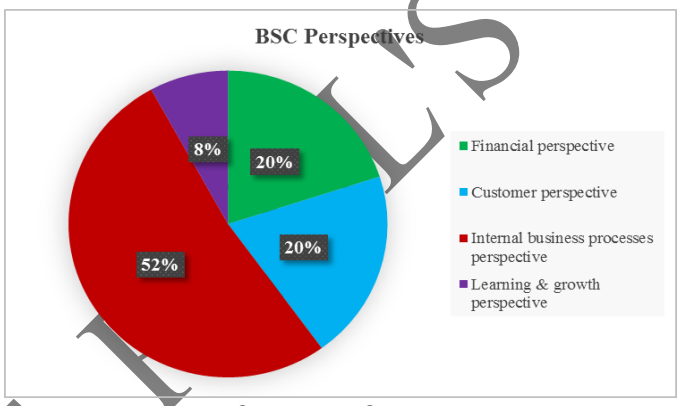


Figure 4.19: Conformity of Measures to BSC Perspectives
Source: The Researcher

Mapping of DTS measures identified using balanced scorecard framework

The study sought to ascertain measures provided perspective-wise. All measures were first recorded, harmonised and then systematically organised in a manner that was possible to conduct the analysis. Figure 4.20 shows the findings. The structure

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used by the researcher was informed by a similar framework used by Zhang and Longyi (2009): "The four indicators of commercial banks Bank of evaluation index system", p. 208).

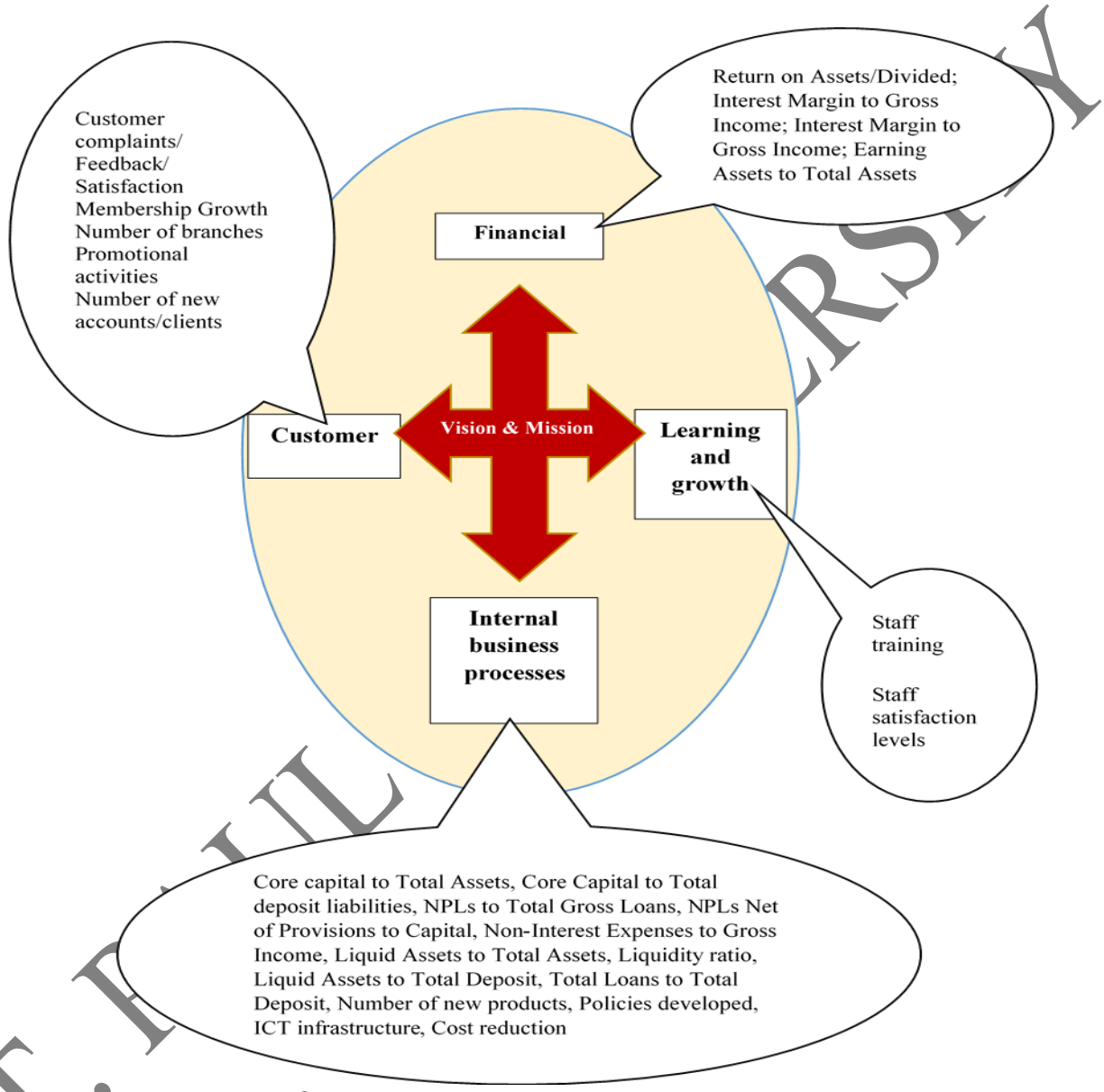


Figure 4.20: Mapping of DTS Measures Using the BSC Model
Source: The Researcher

It is evident from the foregoing that DTSs have overemphasised use of financial measures with minimal reference to financial measures. This was found to be against Neely et al. (2005) claim that an effective performance measurement system is one that is characterised by a set of measures that include both financial and non-

financial measures. Further, the findings contradicted Ibrahim (2015) study on the use of the four BCS perspectives by banks in Nigeria which revealed more financial perspective related measures followed by customer perspective measures, then learning and growth perspective and finally internal business processes measures. These study findings disclosed DTSs applied more of internal business processes related measures followed by financial, customer and finally learning and growth perspectives related measures. Ibrahim conclusion that "Nigerian banks utilised both the financial and non-financial measures as well as following all the four perspectives"(p.208) cannot, therefore, be applied in this study.

Critical Factors for Effective Implementation of Performance Measurement Systems

Source of Measures

In addition to identifying measures used by the DTS and indicating whether the identified measure was financial or non-financial, respondents were also asked to indicate whether the measure was a regulatory requirement or set by the DTS. Figure 4.21 shows that the bulk of performance measurement system were as demanded by the SASRA, the regulatory authority.

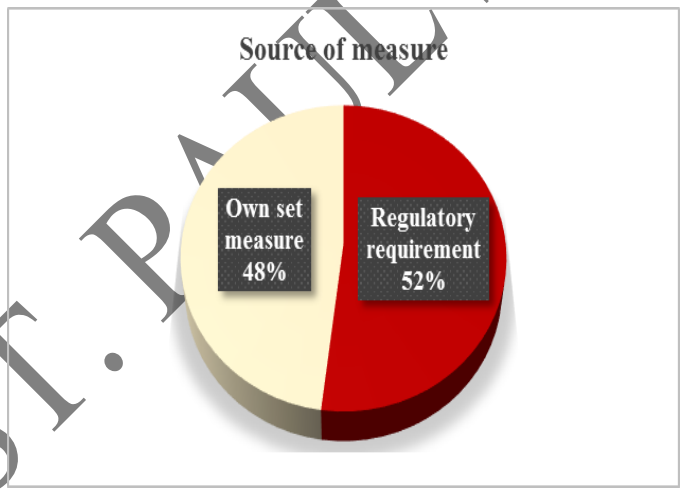


Figure 4.21: Analysis of Type Of Measures
Source: The Researcher

ST. PAUL'S UNIVERSITY

Further analysis of regulatory requirement measures showed that emphasised by the regulatory authority were measures for internal processes at 69% followed by financial perspectives. Figure 4.22 shows a summary of the results. The findings showed that there were no measures for either learning and growth or customer perspectives demanded by the regulatory authority.

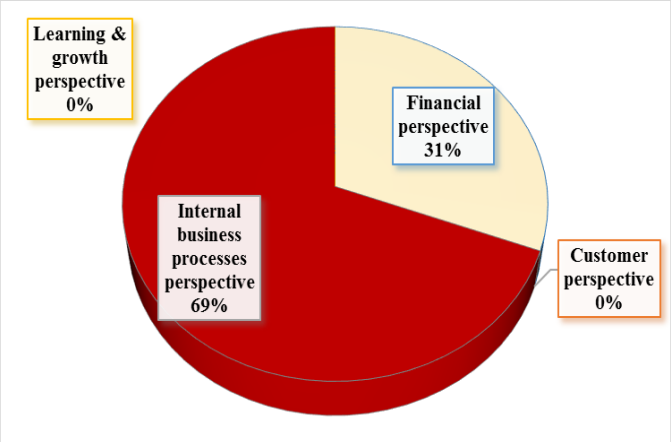


Figure 4.22: Analysis of Type Of Measures
Source: The Researcher

The findings confirmed Mitchell (2011) study on financial sector compliance and competitiveness which revealed that regulations may have a negative effect on competitiveness. In this study, perceived by financial services providers was that regulations may end up hampering ability to introduce new products and services or new ways of doing things, hence adversely affecting financial performance and impairing the overall competitiveness of the institution.

Top Leadership Commitment

The study queried the respondents, the extent leadership commitment affected the DTS performance measurement system. As shown in table 4.13, 53.7% of the respondents felt that it was very great, 33.3% felt it was great, while 5.6% felt it was very moderate. The remaining cumulative percent of 7.4 was equally shared by respondents who felt that the extent was low and very low. In a related study, Domanovic (2013), on the effectiveness of performance measurement in terms of the contemporary business environment claimed that top management support was the

ST. PAUL'S UNIVERSITY

most prominent organisational factor required to create an impact on performance measurement systems effectiveness.

Table 4.13: Top Leadership Commitment

Top Leadership Commitment	Frequency	Percent
To a very low extent	2	3.7
To a low extent	2	3.7
To a moderate extent	3	5.6
To a great extent	18	33.3
To a very great extent	29	53.7
Total	**54**	**100.0**

Source: The Researcher

Organization ICT Infrastructure

The study queried the respondents, the extent ICT infrastructure affected DTS performance measurement system. Table 4.14 shows that 57.4% of the respondents felt that it was very great, 33.3% felt it was great while the extent that it was very moderate and low shared 1.9% each. The remaining 5.6% felt that it was very low. The finding were in line with studies done by several researchers claiming that SACCOs experience inadequate ICT systems, fail to integrate both the front and back office meaning lack a complete system that can provide a holistic view of the organization, have problems with system support, technical training, implementation process and inadequate investment in ICT (Alukwe, et al., 2015; Makori et al., 2013; Mbiwa, 2014; Obure & Muturi, 2015)

Table 4.14: Organization ICT Infrastructure

Organization ICT Infrastructure	Frequency	Percent
To a very low extent	3	5.6
To a low extent	1	1.9
To a moderate extent	1	1.9
To a great extent	18	33.3
To a very great extent	31	57.4
Total	**54**	**100.0**

Source: The Researcher

ST PAUL'S UNIVERSITY

Knowledge on Performance Measurement Systems

The study queried the respondents' whether they were conversant with their organisation performance measurement system. Table 4.15 shows that majority of the respondents at 63.o% felt that they were partially conversant with their performance measurement system and only a half of the partially group felt they were very conversant at 31.5%. Those not conversants were 5.6%. The findings were similar to Domanovic (2013) findings that inadequate information about performance measurements is a common occurrence.

Table 4.15: Knowledge on Performance Measurement Systems

Knowledge on Performance Measurement Systems	Frequency	Percent
Not conversant	3	5.6
Partially conversant	34	63.0
Very conversant	17	31.5
Total	**54**	**100.0**

Source: The Researcher

4.3.3 SASRA Regulations and Competitiveness

This section looks at study findings related to the third objective of the study, specifically "to examine how selected SASRA regulations affected the competitiveness of DTSs". The study looked at five aspects of regulations; (a) licensing requirements (b) capital adequacy, (c) liquidity, asset and liability management (d) credit management and (e) investment policy. Data was corrected through the questionnaire survey and from FGDs. The results are presented as follows.

Licensing

Respondents were asked about the extent to which SASRA regulation on licensing affected the competitiveness of the DTS. Table 4.16 shows that 5.6% of the respondents felt that the extent licensing requirements affected DTS competitiveness was very low while 11.1% felt that it was low. 37.0% of the respondents felt that it was very moderate whereas 15% it was great. The remaining 18.5% indicated that it

ST. PAUL'S UNIVERSITY

was very large. On the effect of licensing requirements, the reasons given by the respondents was that the requirements stretched the SACCOS financially. This was in supporting institutional infrastructure, including adequate working space, a banking hall, strong room and safe, and an information management system (IMS). Further, payment of a high licensing fee of fifty thousand shillings for head office and twenty thousand shillings for each branch regardless of the size of the SACCO. According to the respondents and as collaborated in the FGD, accessing a license from SASRA has been expensive. Despite the high cost, the majority felt that licensing affected DTS competitiveness to a very moderate extent which supports Macharia (2008) study that licensing requirement helped improve DTSs performance only to an average extent.

Table 4.16: Licensing

Licensing	Frequency	Percent
To a very low extent	3	5.6
To a low extent	6	11.1
To a very moderate extent	20	37.0
To a great extent	15	27.8
To a very great extent	10	18.5
Total	**54**	**100.0**

Source: The Researcher

Capital Adequacy (Minimum Capital Requirement)

Respondents were asked about the extent to which SASRA regulation on capital adequacy affected the competitiveness of the DTS. Table 4.17 shows that 3.7% of the respondents felt that it was very low, 5.6% felt that it was low while 22.2% of the respondents felt that it was very moderate. 38.9% felt that it was great while the remaining 29.6% felt that it was very great. The cumulatively 68.5% of respondents for great and very great extent implies regulation pertaining to capital adequacy negatively impacted DTSs competitiveness.

During the focus group discussions, participants advanced various reasons as to why capital adequacy requirement affected competitiveness which substantiated respondents' responses. That in addition to the ratios being too high for small Sacco's, capital adequacy regulation demanded funds being set aside hence affecting

ST. PAUL'S UNIVERSITY

Sacco's loaning portfolio. Critical about this regulation according to the respondents was that SACCOs ended up borrowing expensive funds from commercial banks making DTS businesses costly despite having accumulated own funds. These reasons were advanced against the regulatory framework that required DTSs to maintain minimum core capital of Kshs 10 million, together with core capital to total assets, core capital to deposit liabilities and institutional capital to total assets at the ratios of 10 percent, 8 percent and 8 percent respectively. Sacco Supervision Annual Report (2014) concurred with this study findings given that the report revealed compliance to capital adequacy ratios was a challenge. The supervision report particularly noted that institutional capital to total assets ratio was the most non-complied with.

Table 4.17: Capital Adequacy (Minimum Capital Requirement)

Capital Adequacy (Minimum Capital Requirement)	Frequency	Percent
To a very low extent	2	3.7
To a low extent	3	5.6
To a very moderate extent	12	22.2
To a great extent	21	38.9
To a very great extent	16	29.6
Total	**54**	**100.0**

Source: The Researcher

Liquidity, Asset And Liability Management

This section groups related aspects depending on whether they fall under liquidity, assets or liability management. Minimum and maximum levels of cash management were analysed alone. Though descriptive analysis and statistics were presented separately, operating an agency and opening a branch were grouped together with the withdrawable deposit, non-withdrawable deposit and members' shares forming the second group.

Minimum and Maximum Levels of Cash Management

Respondents were asked about the extent to which SASRA regulation on minimum and maximum levels of cash management affected the competitiveness of the DTS. Table 4.18 shows that 1.9% of the respondents felt that it was very low, 9.3% felt

ST. PAUL'S UNIVERSITY

that it was low while 22.2% of the respondents felt that it was very moderate. 31.5% felt that it was great while the remaining 35.2% felt that it was very great. The cumulatively 66.7% of respondents for great and very great suggests minimum and maximum levels of cash management negatively impacted DTSs competitiveness. Respondents advanced various reasons as to why minimum and maximum levels of cash management affected competitiveness and which reasons were substantiated during FGDs. That like the minimum capital requirements, DTSs were required to maintain 15% of their liquid asset. This according to the respondents and participants in FGDs meant withdrawing a huge amount of cash for on-lending and therefore denied DTS earn interest. According to SASRA regulations, liquid asset includes notes and coins, net balances at institutions licensed under the Banking Act, treasury bills and bonds traded in the secondary market as well as deposits held at other Sacco societies.

This finding that minimum and maximum levels of cash management also affected the competitiveness of DTS corresponds to Makori et al. (2013) finding on capital adequacy requirements. That demand for setting aside huge funds raised internally ended up impacting the DTSs negatively.

Table 4.18: Minimum and Maximum Levels of Cash Management

Minimum and Maximum Levels of Cash Management	Frequency	Percent
To a very low extent	1	1.9
To a low extent	5	9.3
To a very moderate extent	12	22.2
To a great extent	17	31.5
To a very great extent	19	35.2
Total	**54**	**100.0**

Source: The Researcher

Opening A Branch

Respondents were asked the extent to which SASRA regulation on opening a branch affected the competitiveness of the DTS. Table 4.19 shows that 1.9% of the respondents felt that it was very low, 5.6% felt that it was low while 44.4% of the

ST. 'S UNIVERSITY

respondents felt that it was very moderate. 31.5% felt that it was great while the remaining 16.7% felt that it was very great.

Table 4.19: Opening a Branch

Opening a Branch	Frequency	Percent
To a very low extent	1	1.9
To a low extent	3	5.6
To a very moderate extent	24	44.4
To a great extent	17	31.5
To a very great extent	9	16.7
Total	**54**	**100.0**

Source: The Researcher

Respondents were asked the extent to which SASRA regulation on operating an agency affected the competitiveness of the DTS. Table 4.20 shows that 1.9% of the respondents felt that it was very low, 3.7% felt that it was low while 48.1% of the respondents felt that it was very moderate. 31.5% felt that it was great while the remaining 14.8% felt that it was very great.

Results for both opening a branch and operating an agency show comparable ratings with respondents agreeing that regulations for the two affected competitiveness to a very moderate extent. The majority of the respondents concurred on one concern that regulator demanded notification of the DTS intention to open and operate a branch or operate an agency and SACCOs had to wait for a written approval prior to engaging in the business. A process they felt took too long sometimes and not handled in a confidential manner given that 'competitors keep their ears to the ground'.

Table 4.20: Operating an Agency

Operating an Agency	Frequency	Percent
To a very low extent	1	1.9
To a low extent	2	3.7
To a very moderate extent	26	48.1
To a great extent	17	31.5
To a very great extent	8	14.8
Total	**54**	**100.0**

Source: The Researcher

ST PAUL'S UNIVERSITY

Members' Shares

Respondents were asked the extent to which SASRA regulation on Members' shares affected the competitiveness of the DTS. Table 4.21 shows that 40.7% of the respondents felt that it was very low, a similar 40.7% of respondents felt that it was low while 18.5% of the respondents felt that it was very moderate. The cumulatively 81.5% for very low and low suggested regulation on members' shares had very minimal negative effect on DTSs competitiveness.

Table 4.21: Members' Shares

Members' Shares	Frequency	Percent
To a very low extent	22	40.7
To a low extent	22	40.7
To a very moderate extent	10	18.5
Total	**54**	**100.0**

Source: The Researcher

Non-withdrawable Deposit

Respondents were asked the extent to which SASRA regulation on non-withdrawable deposit affected the competitiveness of the DTS. Table 4.22 shows that 33.3% of the respondents felt that it was very low, 40.7% felt that it was low while 22.2% of the respondents felt that it was very moderate. The remaining 3.7% felt that it was great. The cumulatively 74.1% for very low and low extent implied that regulation on non-withdrawable deposit had very minimal adverse effect on DTSs competitiveness.

Table 4.22: Non-withdrawable Deposit

Non-withdrawable Deposit	Frequency	Percent
To a very low extent	18	33.3
To a low extent	22	40.7
To a very moderate extent	12	22.2
To a great extent	2	3.7
Total	**54**	**100.0**

Source: The Researcher

ST PAUL'S UNIVERSITY

Withdrawable Deposit

Respondents were asked the extent to which SASRA regulation on withdrawable deposit affected the competitiveness of the DTS. Table 4.23 shows that 25.9% of the respondents felt that it was very low, 38.9% felt that it was low while 29.6% of the respondents felt that it was very moderate. The remaining 5.6% felt that it was great. The cumulatively 74.1% for very low and low extent implied that regulation on non-withdrawable deposit had very minimal adverse effect on DTSs competitiveness. The cumulatively 64.8% for very low and low extent suggested also that regulation on withdrawable deposit had very minimal adverse effect on DTSs competitiveness.

Table 4.23: Withdrawable Deposit

Withdrawable Deposit	Frequency	Percent
To a very low extent	14	25.9
To a low extent	21	38.9
To a very moderate extent	16	29.6
To a great extent	3	5.6
Total	**54**	**100.0**

Source: The Researcher

Credit Management

Respondents were asked separate questions about the extent to which SASRA regulation on the interest rate charged on loans, interest fee and security for loans affected the competitiveness of the DTS.Regarding interest rate on loans, Table 4.24 shows that 9.3% of the respondents felt that it was very great, 25.9% felt that it was great while 24.1% of the respondents felt that it was very moderate. 25.9% felt that it was low while 14.4 felt it was very low. Concerning interest fee charged, 3.7% felt that it was great while 9.3% of the respondents felt that it was very moderate. 42.6% felt that it was low while 44.4 felt it was very low. Regarding regulation on security for loans, 9.3% of the respondents felt that it was very great, 22.2% felt that it was great while 25.9% of the respondents felt that it was very moderate. 18.5% felt that it was low while 24.1 felt it was very low.

ST. PAUL'S UNIVERSITY

Table 4.24: Credit Management

Credit Management	To a very great extent	To a great extent	To a very moderate extent	To a low extent	To a very low extent
Interest rate	9.3	25.9	24.1	25.9	14.4
Interest fee		3.7	9.3	42.6	44.4
Security for loans	9.3	22.2	25.9	18.5	24.1

Source: The Researcher

External Borrowing

Respondents were asked about the extent to which external borrowing regulations affected competitiveness and the response was 5.6% responding that the extent was very low and 1.9% responding that the extent was low. 14.8% felt that the extent was very moderate while 40.7% felt the extent was great. The remaining 37.0% felt the extent was very great. Table 4.25 shows a summary of the results. The findings of this research were in line with the findings of Chumo (2013) study on the effects of regulatory compliance which found out that regulatory requirement on external borrowing affected the financial performance of SACCOs in Kenya.

Table 4.25: External Borrowing

External Borrowing	Frequency	Percent
To a very low extent	3	5.6
To a low extent	1	1.9
To a very moderate extent	8	14.8
To a great extent	22	40.7
To a very great extent	20	37.0
Total	**54**	**100.0**

Source: The Researcher

Inter-SACCO Borrowing

Respondents were asked about the extent to which inter-SACCO borrowing affected competitiveness and the response was 7.4% responding that the extent was very low and 13.0% responding that the extent was low. 35.2% felt that the extent was very moderate while 24.1% felt the extent was great. Table 4.26 shows a summary of the

ST. PAUL'S UNIVERSITY

findings. The remaining 20.4% felt the extent was very great. Both the respondents and in FGD felt that this regulation needed to be clear on how SACCOs can come up with a functional inter-lending facility similar to the one supporting commercial banks. They claimed that the current provision is inadequate given that it only provided that "a Sacco Society may borrow or lend to another Sacco for purposes of providing funding for member loans or to finance temporary liquidity shortfalls" (Sacco Societies Regulations, 2010). It is this inadequacy that respondents felt, SACCOs borrowed from the commercial market at exorbitant rates.

Table 4.26: Inter-SACCO Borrowing

Inter-SACCO Borrowing	Frequency	Percent
To a very low extent	4	7.4
To a low extent	7	13.0
To a very moderate extent	19	35.2
To a great extent	13	24.1
To a very great extent	11	20.4
Total	**54**	**100.0**

Source: The Researcher

Insider Lending

Respondents were asked about the extent to which insider lending affected competitiveness. As shown in table 4.27, 13.0% responded that the extent was very low and 18.5% responding that the extent was low. 27.8% felt that the extent was very moderate while a similar response of 27.8% felt the extent was great. The remaining 13.0% felt the extent was very great. Looking at the cumulative percent of moderate, great and very great responses, the findings of this research were also in line with the findings of Chumo (2013) study on the effects of regulatory compliance which found out that insider trading requirement affected the financial performance of SACCOs in Kenya.

Table 4.27: Insider Lending

Insider Lending	Frequency	Percent
To a very low extent	7	13.0
To a low extent	10	18.5
To a very moderate extent	15	27.8

ST. PAUL'S UNIVERSITY

To a great extent	15	27.8
To a very great extent	7	13.0
Total	**54**	**100.0**

Source: The Researcher

Approving a Product

Table 4.28 shows that 1.9% of the respondents felt that regulation on approving a product affected DTS competitiveness to a very low extent, while 7.4% felt that its effect was to a low extent. 22.2% of the respondents felt that this regulation affected competitiveness to a very moderate extent whereas 37.0% of responded felt that it had an effect to a great extent. The remaining 31.5% felt that approving a product affected DTS competitiveness to a very great extent. The concern with SASRA approval prior to any engagement in business also resurfaced under the approval of products, specifically approval of a new loan product. The majority of respondents felt that the process of approval led to needless bureaucracy in the wake of the stiff competition DTSs face in the country.

Table 4.28: Approving a Product

Approving a Product	Frequency	Percent
To a very low extent	1	1.9
To a low extent	4	7.4
To a very moderate extent	12	22.2
To a great extent	20	37.0
To a very great extent	17	31.5
Total	**54**	**100.0**

Source: The Researcher

Investment

Respondents were asked about the extent to which investment regulations affected competitiveness. The findings in table 4.29 show that 31.5% of the respondent felt that the extent was very low and 33.3% felt that the extent was low. 22.2% felt the extent was very moderate while 7.4% felt it was great. The remaining 5.6 felt that the extent was very great.

Table 4.29: Investment

Investment	Frequency	Percent

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To a very low extent	17	31.5
To a low extent	18	33.3
To a very moderate extent	12	22.2
To a great extent	4	7.4
To a very great extent	3	5.6
Total	**54**	**100.0**

Source: The Researcher

4.3.4 Staff Training and Development and Competitiveness

This section looks at study findings related to the fourth objective of the study, specifically "to establish the staff training and development issues that affect competitiveness of DTSs". The study looked at three aspects which were employees' perception of their competence, organisation commitment towards training and development and budget allocation towards staff training and development.

Employees' Perception of their Competence

The study sought the respondents' opinion on whether their level of competence affected competitiveness. Then a follow-up question was asked about the extent to which respondents' felt their level of competence affected competitiveness. The findings are as shown in figure 4.23 and table 4.30.

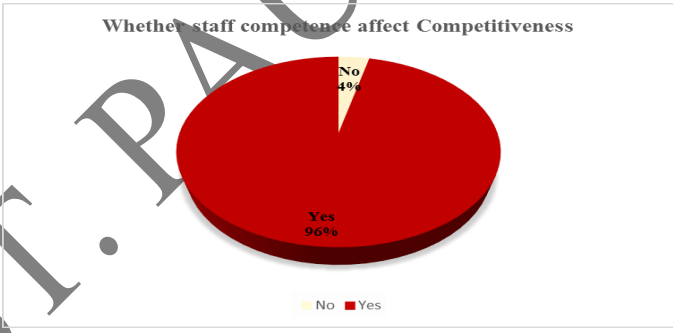


Figure 4.23: Employees' Perception on their Competence
Source: The Researcher

Table 4.30: Employees' Perception on their Competence

Employees' Perception on their Competence	Frequency	Percent
To a very low extent	1	1.9

ST. PAUL'S UNIVERSITY

To a low extent	2	3.7
To a very moderate extent	3	5.6
To a great extent	16	29.6
To a very great extent	32	59.3
Total	**54**	**100.0**

Source: The Researcher

As depicted in figure 4.23, 96% of respondents felt that staff level of competence affected the competitiveness of the DTSs. Regarding the extent to which respondents' felt their level of competence affected competitiveness, findings in table 4.30 show that 1.9% of the respondent felt that the extent was very low and 3.7% felt that the extent was low. 5.6% felt the extent was very moderate while 29.6% felt it was great. The remaining 59.3 felt that the extent was very great. The views of the respondents affirmed the findings of Makori et al. (2013) study on the challenges facing deposit-taking savings and credit cooperative societies' regulatory compliance in Gusii region which revealed the inadequate managerial and staff capabilities in SACCOs.

Organization Commitments towards Training and Development

The study sought to find out respondents' opinion on the extent to which top leadership and management was committed towards the training of staff and development where 1.9% of respondents felt that it was very low and 9.3% felt it was low. 44.4% felt that it was very moderate while 25.9 felt it was great. The remaining 18.5% felt it was very great. This is as depicted in Table 4.31. The findings confirmed Murithi (2015) study on the influence of the adoption of human resource information systems on SACCOs which revealed that there were certain programmes in SACCOs that failed to attract adequate commitments from top leadership.

Table 4.31: Organization Commitments towards Training and Development

Organization Commitments towards Training and Development	Frequency	Percent
To a very low extent	1	1.9
To a low extent	5	9.3
To a very moderate extent	24	44.4
To a great extent	14	25.9

ST. PAUL'S UNIVERSITY

To a very great extent	10	18.5
Total	**54**	**100.0**

Source: The Researcher

Budget Allocation Towards Staff Training and Development

The study sought to find out respondents' opinion on the extent to which budget allocation towards staff training was sufficient. Table 4.32 shows the findings where 3.7% of respondents felt that it was very low and 25.9% felt it was low. 31.5% felt that it was very moderate while 27.8 felt it was great. The remaining 11.1% felt it was very great. The findings were in line with Murithi (2015) study which observed that SACCOs suffered from inadequate resources.

Table 4.32: Budget Allocation Towards Staff Training and Development

Budget Allocation Towards Staff Training and Development	Frequency	Percent
To a very low extent	2	3.7
To a low extent	14	25.9
To a very moderate extent	17	31.5
To a great extent	15	27.8
To a very great extent	6	11.1
Total	**54**	**100.0**

Source: The Researcher

Discussion of Findings

This section presents the discussion regarding the research findings starting with a comparison with the four theories specified in chapter two as the foundation of the study. These are Porter's Diamond Model, Balanced Scorecard Model, Resource-Based View Theory and Agency Theory. Key findings are also compared with other empirical studies undertaken in the past.

4.4.1 Linking with the Theories

Porter's diamond model

Porter's model offers four broad features of promoting or hindering the creation of competitive advantage which includes factor conditions, demand conditions, related

ST. PAUL'S UNIVERSITY

or supporting industries and firm strategy, structure, and rivalry. In addition, Porter presents two other variables namely chance and government which are also critical. While all the attributes were found applicable in the study, the findings related perfectly with factor conditions, firm strategy, structure, and rivalry and the role government plays. The Study found that adherence to corporate governance principles, especially on transparency and accountability board size, leadership structure, board composition, staff competence and the adopted performance measurement system, affected the competitiveness of the deposit-taking SACCOs. In addition, some government regulations were also found to affect the competitiveness. According to Porter (1990), the most important factors of production are those that involves sustained and heavy investment, scarce, difficult to imitate and are more specialised. Further, factors that are not inherited but created. That for a firm to create a competitive edge, it requires human resources in terms of quantity and skills, work ethics (corporate governance) and knowledge resources which could be the stock of scientific, technical and market knowledge (performance measurement system) and infrastructure as in type, quality, communication (ICT) among other factors. In addition, Porter believes that governments can foster advantages at a national level, by considering the policies that they can put in place to allow industries and organisations to develop a strong competitive position.

Balanced Scorecard Model

Kaplan and Norton, the authors of balanced scorecard model believed that sustainable competitive advantage requires organisations to exploit intangible assets that are not necessarily reflected in financial measures. They believed that intangible assets possess unique hidden potential. Towards this, they offered that there should be a right mix of both financial and non-financial measures. This is in addition to the financial measures, organisational performance should also reflect measures from a customer perspective, an internal business process perspective, and a perspective measuring employee growth and learning. The Study found that DTSs emphasised

ST. PAUL'S UNIVERSITY

more on financial measures and that measures were not well balanced across the four perspectives

Resource-Based View Theory

RBV theory has it that a firm enjoys a competitive advantage when it is implementing a value creating strategy and which is not being implemented simultaneously by the other firms. Further, the theory presents that the real source of competitive advantage is in the intangible assets such as human capital, organisational culture, knowledge, management skills and firm image. Therefore a need to innovate continuously, more so in systems, processes, and services that are intangible in nature (Liu et.al., 2010). The study found inadequate commitment towards staff and training development as well as weak performance measurement systems that could be a source of competitiveness according to RBV theory.

Agency Theory

The argument on agency theory has mainly been on the need for the separation of the board and CEO roles. With the views that increasing of the board's independence from management leads to better monitoring and oversight, hence better performance. The study found, that though the separation of the two has even been made mandatory by law, respondents unanimously supported the DTSs actual practice of the CEO being part of the board as a de-facto member.

4.4.2 Linking with Literature

This study found that application of corporate governance principles in DTS not being satisfactory which confirms Ondieki (2011) study on the effect of external financing on the financial performance of savings and credit societies in Kisii District. Ondieki study revealed poor governance and limited transparency as some of the major challenges inherent in the Saccos in Kenya.

ST. PAUL'S UNIVERSITY

Regarding corporate governance mechanism, the study found that respondents were of the view that leadership structure in DTSs affected competitiveness. This was in terms of board size, composition, and structure as evaluated by the process through which authority flow from the various committees to the main board and then to the management. The findings were found to be in line with Mwangi (2013) study on the effect of corporate governance on the financial performance of companies listed on Nairobi security exchange which had similar findings. Concerning the duality role of the CEO, the study found that it had no effect on competitiveness. This finding contradicted Chugh, et al. (2011) study which established that CEO duality role had a negative impact on performance Indian firms.

The study found that the adopted performance measurement systems affected the competitiveness of the DTSs, mainly due to failure to balance both financial and non-financial measures as well ensuring the right mix of measures across the four balanced scorecard perspectives. The finding affirmed several other studies including the study by Rixon (2013) and Kivuvo and Olweny (2014).

In relation to SASRA regulations, the study found that regulations on licensing, capital adequacy, minimum and maximum cash holding, opening a branch and an agency, approving loan products, external and inter SACCOs lending as some of the regulations affecting the competitiveness of the DTS. The study findings confirmed Mitchell (2011) observation that some regulations harm competitiveness in the financial sector.

The study found that staff training and development affected competitiveness. Thsi was attributed to inadequate allocation of resources and top leadership support which confirmed Murithi (2015) study on the influence of the adoption of human resource information systems on savings and credit companies.

ST. PAUL'S UNIVERSITY

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study sought to determine factors affecting competitiveness in DTSs with a focus on the Embu County. A field survey was conducted in which primary data using self-administered and both open and close-ended questions was done and coupled with focus group discussions. Focus groups discussion were conducted at each of the five DTSs with each attended by the 4 executive members plus 3 supervisory board members as planned, therefore a total of 7 participants per group. Regarding the use of the semi-structured questionnaire, the study targeted 61 respondents out of whom, 54 successfully responded. The study targeted all the DTSs in Embu County licensed by 31st Dec 2014 and targeted as respondents were all the staff members assigned any managerial or supervisory role in their respective DTS.

5.2 Summary

Corporate governance was first recognised as a very important determinant of DTSs competitiveness. Recognized also were the corporate governance instruments commonly used in DTSs and which include the by-laws, Sacco societies Act (no. 14 of 2008), Cooperative societies Act (1997), SASRA regulations (2010), SASRA corporate governance guidelines (2015), Governance policies, Code of corporate governance, Board of directors chatter and Code of Ethics. Regarding corporate governance and how it affected competitiveness, observed was that the levels of accountability and transparency were not adequate especially to the members (owners) and the members of the public. On corporate governance mechanism, it was felt that board size and the duality role of the CEO had no adverse effect on competitiveness, however, leadership structure as relates the process of the flow of authority from the various committees to the management and board composition were considered as impacting negatively on the competitiveness of deposit-taking SACCOs. Concerning the flow of authority from the various committees to the board

ST. PAUL'S UNIVERSITY

and then to executives, it was found to be bureaucratic as it led to CEOs being constrained in making real time decisions as authorization had to come from the committees or the board. On board composition, the study found that DTSs boards lacked in diversity in terms of the mix of skills, knowledge and experience. Cited as examples were boards where all members belonged to a single profession, male dominated and lacking young members. Also cited was total absence of minimum education level for the board members even in law

Regarding adopted performance measurement systems and how they affected competitiveness, it was found that SACCOs emphasised more on financial measures than non-financial. The performance measures used were also wanting in terms of balancing across the four BSC perspectives. Further, the study findings disclosed that DTSs applied more of internal business processes related measures followed by financial and then the customer with the learning and growth perspectives having the least, though expected to the 'engine' for competitiveness. The major factors found to affect performance measurement system were too many measures required by the regulatory authority and of which were mainly financial or internal processes leaving out customers and learning and growth. Other factors cited were staff competence or familiarity with performance measurement, top leadership support and inadequate ICT infrastructure including fully functional management information systems for real-time information.

Concerning how SASRA regulations affected competitiveness, the study found out that there were regulations that impacted DTSs performance negatively. Some of these were the regulations on licensing, capital adequacy (minimum capital requirement), minimum and maximum levels of cash management, opening a branch, operating an agency and inter-SACCO borrowing. On the effect of licensing requirements, the reasons advanced were cost involved in coming up with the infrastructure, including adequate working space, a banking hall, strong room and safe, and an information management system (IMS). In addition, payment of what

ST. PAUL'S UNIVERSITY

was perceived to be a high licensing fee for the head office and for each branch regardless of the size of the SACCO.

On the effect of capital adequacy (minimum capital requirement), the reason advanced was the mandatory setting aside of Kshs 10 million, together with core capital to total assets, core capital to deposit liabilities and institutional capital to total assets at the ratios of 10 percent, 8 percent and 8 percent respectively. Critical about this regulation according to the finding was that SACCOs ended up borrowing expensive funds from commercial banks despite having accumulated own funds. About minimum and maximum levels of cash management, the study found out that like the minimum capital requirements, DTSs were also required to maintain 15% of their liquid asset. This meant withdrawing a huge amount of cash for on-lending, denying additional profit to DTS. On opening a branch, operating an agency and approving new products, the major concern was the demand by the regulator for approval prior to the DTS engaging in any business. Felt was that the process took too long and was not handled in a confidential manner. Concerning inter-SACCO borrowing, it was claimed that the current provision is inadequate given that it fails to come up with a proper mechanism for establishing a DTSs inter-lending facility like the one used by commercial banks. This is coming up with a central liquidity facility similar to the one managed by Kenya Bankers Association to enable an inter-Sacco market where they can lend and borrow.

5.3 Conclusions

This study has four (4) main conclusions as follows.

Firstly, based on the findings on corporate governance mechanism particularly the board composition that lacks the call for diversity in terms of education background, skills and even gender, it is logical to conclude that governance leadership structure hinders DTSs competitiveness in the banking sector.

Secondly, given the finding that DTSs concentrate more on financial measures and fails to recognize their customers (who at the same time the owners) and staff as

ST. PAUL'S UNIVERSITY

evident from limited emphasize on growth and internal perspectives, it is also logical to conclude that DTSs have been unable to exploit the unique hidden potential availed by intangible assets and which are not necessarily reflected in financial measures. Therefore ineffective performance measurements systems that have denied DTSs competitiveness in the market

Thirdly, findings on SASRA regulations reveals that there has been too much government control and there are provisions that affect rather than enhance the competitiveness of the DTSs. Especially by failing to differentiate between the different forms and sizes of DTSs like the rural based and urban based, farmer or commodity based and DTSs for salaried people and finally differentiating in terms of size. Charging a national-wide and a small DTS in the rural areas same fee or excepting the same level of a management information system inhibits the growth of the smaller organisations. It is, therefore, logical to conclude that SASRA has failed to create a level playing field for DTS – especially for the rural-based to grow.

Fourthly, given the findings on staff training and development, the study concludes that DTSs suffer from inadequate skills hence lacking in one of the most important factors needed for enhancing their competitiveness.

5.4 Recommendations

5.4.1 Policy Recommendations

The findings revealed that some aspects of corporate governance, performance measurements, SASRA regulations and staff development affected the competitiveness of deposit-taking SACCOs. Some of the aspects are regulatory in nature.

i) SASRA as the regulatory authority should revise the regulations especially the provisions relating to the composition of the board. This is with a view to having a well-balanced board of directors with the right mix of skills and education background. Further, SASRA should consider the need to apply some of the

ST. PAUL'S UNIVERSITY

regulations by size and area of DTS operation with a view spur the growth of the small and those operating in the rural areas where the majority are unbanked.

ii) As a priority, SASRA should look at the SACCOs inter-lending provisions with a view to coming up with a mechanism to establish by law a facility to enable inter-lending among DTSs.

iii) The top management should fully embrace or adopt the concept of performance management to enable the DTSs to exploit the unique hidden potential availed by intangible assets.

iv) The top management should also come up with staff development strategies and adequately fund their implementation- this by acknowledging that DTSs operate in a knowledge-based sector for competitiveness.

5.4.2 Recommendations for Further Research

The study shows that out of the four BSC perspectives, learning and growth rank last in terms of application. Observed is that through the process of identification of objectives and measures of the other three perspectives, gaps emerge. These are the inadequacies that need to be addressed in order to achieve all the set targets in an organisation. The main role of learning and growth perspective is, therefore, to map out what the business entity has to learn in order to seal the gaps for the sole purpose of satisfying customer's needs, improving business processes, and achieving the financial goals. In essence learning and growth perspective should be the engine for driving all the other perspective. Given this, a more detailed research need to be carried out on the effect of learning and growth perspective in deposit-taking SACCOs.

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APPENDICES

Appendix I: Introduction Letter

Factors affecting Competitiveness Of Deposit Taking SACCOs: A Case Of Embu County In Kenya

Dear Sir/ madam,

My names are Charles Maina Gakuru. I am a student from St. Paul's University pursuing a Master of Development Studies (MDS).

I am conducting a study on factors affecting competitiveness of Deposit Taking SACCOs in Embu County. Specifically to determine the effects of corporate governance, performance measurement systems, SASRA regulation and staff training and development on the competitiveness of DTSs. It is my hope that the results of this study will assist the SACCO sub-sector and particularly the DTSs to become renowned financial services providers in Kenya banking industry.

I will be very glad for your assistance in completing this questionnaire.

Please:

- Do not write your name on the questionnaire.
- Respond to all the questions accurately and honestly
- Take note that your responses to the questionnaire are **confidential** and will not be disclosed to any party, as it is the overall results that will be made available, and not those of specific individual comments.

Thanking you in advance.

Charles Maina Gakuru

ST PAUL'S UNIVERSITY

Appendix II: Staff Questionnaire

SECTION A: GENERAL INFORMATION

1	Gender of Respondent:		Male		Female		
2	Age :		18 – 30 years		31 – 40 years		41 – 50 years
			above 50 years				
3	Highest Education Level :		Secondary		Diploma		
			First degree		Masters		
		Other-specify					
4	Position in the Organization		Top Management		Middle Management		Supervisor
5	Department/ unit in the Organization		Administration		Finance/Accounts/Audit		Marketing
			Member affairs/PR				
			Credit		IT		Branch Manager
			Branch Supervisor				
6	How long have you worked with your organization ?		Less than 1 years		1- 5 years		5 – 10 years
			11-15 years		Over 15 years		

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SECTION B: CORPORATE GOVERNANCE

7	In your opinion, to what extent do you think of the importance of corporate governance* in enhancing competitiveness in your organization?		Very important		Fairly important		Slightly important
			Not very important		Unimportant		
	Corporate governance*:Simply how the DTS is directed and controlled						
8	8a. Does your organization have any documented instrument* that is applied on guiding corporate governance?		Yes		No	Instrument*:Document that sets the standard within which corporate governance is executed	
8b.	If yes, which are these instruments and their source?	8c. Source of the instrument					
i							
ii							
iii							
iv							
v							
9	To what extent do your agree with the following statements?, where:-	*To a very great extent* = 5	*To a great extent* = 4	*To a very moderate extent* = 3	*To a low extent* = 2	*To a very low extent* = 1	
a	Board of directors are familiar with the						

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	instrument(s) of corporate governance.					
b	Board of directors are committed to the instrument(s) of corporate governance.					
c	Members of staff are familiar with the instrument(s) of corporate governance in your organization.					
d	Instrument(s) of corporate governance protect shareholder rights and the equitable treatment of shareholders					
e	Instrument(s) of corporate governance ensures fair distribution of authority between the AGM, the board of directors and management.					
f	Instrument(s) of corporate governance are very clear on the election process of the board.					
g	Instrument(s) of corporate governance are very clear on the qualification of the board.					
h	The organization is open and make available required information to the members.					
i	The organization is open and make available required information to the customers (clients who are non-members).					
j	The organization is open and make available required information to the members of the public					
k	The organization is open and make available required information to					

ST. PAUL'S

	the regulatory authority					
l	Supervisory board does its work independently					
	10a. In your opinion, does the board size* affect* competitiveness of your organization?		Yes		No	
	board size*: the number of the board affect*: Distress or upset 10b. If yes, why do you think so?					
11	11a. In your opinion, does leadership structure* affect* competitiveness of your organization?		Yes		No	
	leadership structure*:how workflow accountability and authority work together affect*: Distress or upset 11b. If yes, why do you think so?					
12	12a. In your opinion, does the board composition* affect* competitiveness of your organization?		Yes		No	
	board composition*:the board independence and diversity i.e. the mix of skills, knowledge and experience affect*: Distress or upset 12b. If yes, why do you think so?					

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13	13a. In your opinion, does the CEO duality role* i.e. also attend board meeting affect competitiveness of your organization? duality role* affect*: Distress or upset 13b. If yes, why do you think so?		Yes		No

SECTION C: PERFORMANCE MEASUREMENT SYSTEM

14	To what extent are you well conversant with your organization performance measurement system*?		Very conversant		Partially conversant		Not conversant
	Performance measurement system*: the set of metrics/Key Performance Indicators used to quantify both the efficiency and effectiveness of actions or to quantify organization performance.						
15	In your opinion, do you think measuring performance is important in your organization? If yes, how?		Yes		No		

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16	Of the performance measures/KPI used by your organization, which measures do you consider to be the most relevant?					
		Is the measure financial (quantitative) or Non-financial (qualitative)?		Indicate below whether this measure is a regulatory requirement or organization own set measure/KPI, where:		
	Measure	*Financial* =1	*Non-financial* = 2	*Regulatory requirement* = 1	*Own set measure* = 2	*Don't Know* = 0
a						
b						
c						
d						
e						
f						
g						
h						
i						
j						
17	Please indicate by 1,2,3,4,or 5 how important each of the following types of performance measures/KPI is to your organization competitiveness	*Very important* = 5	*Fairly important* = 4	*Slightly important* = 3	*Not very important* = 2	*Unimportant* = 1
a	Financial measures only					
b	Non-financial measures					
18	To what extent do you think the following	*To a very great*	*To a great extent* = 4	*To a very moderate*	*To a low extent* =	*To a very*

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	aspects affect* your organization performance measurement system? affect*: Distress or upset	*extent* = 5		*extent* = 3	2	*low extent* = 1
a	Organization ICT infrastructure					
b	Top leadership commitment					
c	Staff competence on performance measurement systems					

SECTION C: SASRA REGULATION

19	In your own opinion, to what extent do you think the following aspects provided by SASRA Regulations affect* your organization competitiveness, on a scale where to a *very great extent*= 5, *to a great extent*= 4, *to a very moderate extent*= 3, *to a low extent* = 2 and *to a very low extent* = 1		
	affect*: Distress or upset	Rating of effect	Why do you think so?
a	Licensing requirement		
b	Minimum capital requirement		
c	Minimum & Maximum levels of cash management		
d	Cash holding limit		
e	Opening of a branch		
f	Operating an agency/outlet		
g	Members shares		
h	Non-withdrawable deposit		
i	Withdrawable deposit		
j	Interest rate		
k	Interest fee		
l	Security for loans		

ST. PAUL'S UNIVERSITY

m	Inter Sacco borrowing		
n	External borrowing		
o	Insider lending		
p	Investment policy		
Q	Approval of loan product		

SECTION D: STAFF EDUCATION AND TRAINING

20	20a. In your opinion, does staff competence affect* competitiveness of your organization? affect*: Distress or upset		Yes		No		
	20b. If yes, to what extent?		To a very great extent		To a great extent		To a very moderate extent
			To a low extent		To a very low extent		
	20c. If yes, how does it affect competitiveness?						
21	In your opinion, to what extent do you think your organization is committed towards training of staff in order to improve their performance?		To a very great extent		To a great extent		To a very moderate extent
			To a low extent		To a very low extent		

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22	In your opinion, to what extent do you think budget allocation towards staff training is sufficient?		To a very great extent		To a great extent		To a very moderate extent
			To a low extent		To a very low extent		

ST. PAUL'S UNIVERSITY

Appendix III: Focus Group Interview Guide For Board Members

My name is Charles Maina Gakuru. I am a student from St. Paul's University pursuing a Master of Development Studies (MDS). Thank you for taking the time to participate in this focus group on the factors affecting competitiveness of Deposit Taking SACCOs in Kenya. This focus group discussion is part of the study all the management staff of your organization are participating by responding to a questionnaire that has been sent to each of them.

During this focus group, i will ask questions and facilitate a conversation on factors affecting competitiveness of Deposit Taking SACCOs in Kenya. The finding for this study may help you and the other Deposit Taking SACCOs become competitive in the financial sector. Please keep in mind that there are no "right" or "wrong" answers to any of the questions i will ask. The purpose is to stimulate conversation and hear the opinions of everyone in the room. I hope you will be comfortable, speak honestly and share your ideas with me.

Please note that this session will be recorded, as notes will be taken during the interview to ensure adequate capture of your ideas during the conversation. However, the comments from the focus group will remain confidential and your name will not be attached to any comments you make.

I will be glad to respond to any questions before we begin.

1. What do you think of the competition in Kenya banking sector?
2. What do you think of the competitiveness DTSs in the banking sector
3. Now imagine that you are part of a SASRA committee reviewing corporate governance guidelines in DTSs in the country.

   What are the factors that you will make sure your committee considers in the guidelines that can improve competitiveness of DTSs?

And these are factors that you are sure would improve DTSs competitiveness in the market.

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4. It is important to know how best, DTS like yours can improve measurements of organization performance with a view to making it more competitive:
    a. First what performance measurements does your organization value most?
    b. What should we ensure is measured to get a complete picture and help the DTS access relevant information that can assist the DTS become competitive in the market?
    c. What is your suggestions for improving measurement of performance in your organization?
5. Again imagine that you are part of a committee formed by the Cabinet Secretary in charge of cooperatives to come up with changes in the current SASRA regulations.

    What are the factors that you will make sure your committee considers in the regulation to enable DTSs compete effectively with the other financial services providers in the banking industry?
6. Human capital is an important resource in every organization.
    a. What do you think of your organization staff training and development programme?
    b. Banking industry has become a knowledge based, There are additional "workplace competencies" now needed to complement the basic core or foundation skills in managing financial institution. What "workplace competencies" do you think are lacking in your organization and what do you think need to be done to improve on the current levels of staff competencies.
7. Is there anything else we have not discussed yet that you think is an important factor to know about as we consider factors that affect DTSs competitiveness?

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