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

BY

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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.