Influence of Innovation Strategies on the Performance of Savings and Credit Cooperative Societies in Kiambu County

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DOI: https://dx.doi.org/10.47772/IJRISS.2023.7012060

Received: 27 November 2023; Revised: 02 December 2023; Accepted: 06 December 2023; Published: 03 January 2024

ABSTRACT

Performance of the cooperative societies sector in Kenya, particularly those in Kiambu County, are facing challenges including, performance stagnation, leadership challenges, and governance issues. This study sought to determine the influence of Innovation Strategies on the Performance of the Savings and Credit Cooperative Societies in Kiambu County. The study applied the Taro Yamane formula with a margin error of 5% to sample 154 participants. The researcher utilized a questionnaire to collect data from participants using online survey methods and drop-and-pick methods. The researcher used SPSS Version 22 for analysis. Results revealed an R-square of 0.344 and an F-ratio of 61.356. The results also showed a beta coefficient of 0.645 and a p-value of 0.001. The study concluded that innovation strategies positively and significantly influenced SACCOs in Kiambu County. The study recommends that the SACCOs expand on their ongoing collaboration with the fintech companies to help drive the performance. The policymakers and regulations should also support the positive initiatives on innovation in the SACCOs by creating an enabling environment that fosters collaborations between the SACCOs and the fintech firms.

Keywords: Innovation Strategies, Performance, SACCOs Kiambu, County

INTRODUCTION

Innovation is important in enabling financial organizations to introduce novelty to existing products for increased market share, revenues, and customer satisfaction. Innovation strategies ensure that an organization can keep up with the market needs and meet the organization's objectives. According to Kageni (2021), innovation strategies refer to the comprehensive set of plans that explain how an organization intends to generate and implement new ideas. Innovation strategies ensure that an organization knows what needs to be done to keep up with the ever-changing market dynamics (Gaichuru, 2023). The strategy entails the use of simple tools, processes, and techniques for taking an idea from conception to fruition.

An effective innovation strategy follows a systematic approach whereby the organization sets measurable goals, allocates resources, and ensures constant monitoring. Some of the benefits of an innovation strategy include product development, revenue, and cost optimization, and the provision of a clear vision and focus (Mark, 2020). Innovation strategy improves the existing products and services whilst enabling an organization to develop new ones. Product development enables an organization to improve its customer satisfaction and increase its market share. A solid innovation strategy enables a firm to execute product development with fewer risks because they have a tried and working process (Lee & Trimi, 2021). An innovation strategy also optimizes costs and reduces the overall costs in an organization. Importantly, a firm can save money through research and development to reduce unnecessary wastage in the processes.

Lastly, an innovation strategy leads to a better decision-making process because an organization has a framework to follow. Firms with effective innovation strategies make decisions that are driven by data and analytics instead of relying on gut feeling (Gaichuru, 2023). Such firms can also ensure that every department is on the same page because it knows exactly what to do. Firms with a clear innovation strategy can increase employee productivity because the employees are excited about innovation. Such employees feel that the organization is committed to investing in their skills and development.

Innovation strategy is critical in ensuring that SACCOs compete effectively while meeting the strategic goals of offering finances to the underserved in the market. Saccos play an important role in enabling low-income people to live economic healthy lives by offering access to credit, savings, and investment options (Moki, Kanini, & Kinyua, 2019). These entities ensure that both small and large companies in diverse sectors of the economy create value for citizens and contribute towards economic growth and development. In the USA, for instance, credit unions play the role of Saccos whereby they mobilize funds and offer affordable credit to the embers (Soto Setzke, Riasanow, Böhm, & Krcmar, 2023). These credit unions provide financial loans education loans, and savings services to their customers. In the UK, credit unions offer similar services as in other places such as in Asia and Africa (McKillop, 2020). These unions offer a wide range of services such as savings, loans, and insurance to the members.

In Africa, SACCOs play a huge role in rural development through the mobilization of savings and provision of capital to members. In South Africa for instance, the SACCOs offer financial services to the underserved in the economy (Ntoiti & Jagongo, 2021). The SACCOs have ensured financial inclusion by ensuring people in low-income groups access affordable financial services. In Uganda, SACCOs have helped in the provision of capital to farmers and in mobilizing resources for local development (Omona, 2021). These SACCOs have ensured that people who were previously unbanked can now access financial services. In Kenya, particularly in Kiambu County, SACCOs have played a huge role in alleviating poverty through the provision of capital and marketing services (Gaichuru, 2023). Most of the SACCOs operate in the agricultural sector given the county's strategic location and its favorable climatic conditions. Despite their huge presence in Kiambu County, these SACCOs have not yet achieved their full potential.

With more than 10 million depositors, KSh 501 billion in savings, and KSh 694 billion in assets under management, the SACCO business in Kenya is expanding rapidly because of deregulation, government support, and inventive new products and services (Mugo, 2019). However, inadequate capital is the most serious problem confronting SACCOs in Kenya; they lack funds to meet members' needs, such as credit needs, which discourages members, the ability to service commercial bank loans, and the ability to recruit qualified and competent employees. Several problems plaguing these cooperative societies also include the absence of strong laws, incompetent administration, weak leadership, insufficient governance, and political interference. Their performance, as well as their organizational and financial stability, has therefore suffered as a result of these challenges

LITERATURE REVIEW AND HYPOTHESIS

Dynamic Capability Theory

The dynamic capability theory was introduced in 1997 by several scholars such as Teece David, Gary Pisao, and Amy Shuan. This theory explains that firms ought to create strategies that enable them to adapt to various environments (Sainsbury, 2020). This theory is an extension of the resources-based theory of a firm which states that an organization. Importantly, the theory indicates the need for organizations to utilize their resources to take advantage of new opportunities in the business environment.

The dynamic theory explains that dynamic capabilities are aimed at achieving a long-term competitive plan, unlike operational capabilities that just help firms to survive daily. Dynamic capabilities are responsible for helping firms to create and sustain their competitive edge in the industry (Sainsbury, 2020). This model explains that an organization can create a sustainable business model that continuously appeals to the customers. Importantly, the theory explains the need for a learning curve in enabling firms to create economies of scale and scale theory operations over time. The learning curve comes from doing the same thing for a long thus enabling firms to specialize in their operations (Barney, Ketchen, & Wright, 2021). Once these strategic assets are integrated into the organization's process, the firm achieves the desired transformation and reconfiguration to compete effectively. This theory further explains that an organization ought to be able to sense new opportunities, seize these opportunities, and maintain a competitive edge through utilizing its tangible and intangible assets.

The dynamic capability theory was chosen in this study given its rich insights on the role of innovation in enabling firms to sustain their competitive edge in the market. This theory will offer valuable information on how SACCOs in Kiambu County can leverage their dynamic capabilities to maintain a competitive edge in the highly changing business environment (Chumphong, Srimai, & Potipiroon, 2020). For instance, this theory explains the need for organizations to reconfigure their assets and structures to accomplish the required internal and external transformation. With the increased use of mobile banking in Kenya and the high competition in SACCOs, there is a need for these organizations to innovate. This theory offers a guideline on the areas that SACCOs should focus on to ensure they innovate while at the same time maintaining their unique competitive advantage in the market.

SACCOs in Kiambu County can use the dynamic capability to adapt to changes in the technological space and product offerings. The theory also elucidates the importance of knowledge creation for achieving dynamic capabilities. SACCOs that position themselves to ensure they continually learn and improve their operations are in a better position to innovate and succeed in the market. Kiambu SACCOs can use the dynamic capability model to deploy and redeploy their resources to take advantage of new opportunities whilst avoiding new threats. In essence, the model will facilitate strategic innovation by ensuring flexibility in responding to the market needs.

Empirical Literature Review

Farida and Setiawan (2022) examined the impacts of innovation strategies on the competitive advantage of small enterprises operating in real estate. The research employed Google Forms questionnaires to collect data from the respondents whereby the responses were captured using a five-Likert scale. The main variables of the study include business strategies and competitive advantage with firm size as the moderating variable. The study findings showed that effective business strategies improved the organizations' competitive advantage in SMEs. This study also revealed that an organization's innovation is influenced by the organization's leadership style. Importantly, the study reveals that firms can utilize recruitment and training strategies to ensure continuous innovation in the workplace.

Adams, Freitas, and Fontana (2019) examined the influence of strategic orientation on competitive advantage. This research collected data from French firms operating in the manufacturing sector in various cities in France. The researchers explored how business strategies influence an organization's operations due to innovation, strategic orientation, and learning processes. This study offered unique insights into how SMEs can utilize strategic orientation and innovations to improve their marketing management. The results findings indicate that firms can utilize innovation strategies to create and sustain unique value propositions that are hard to replicate by competitors in the market.

Njoroge, Anderson, and Mbura (2019) examined the influence of innovation strategies on performances.

Data for this research was collected using a survey method from 346 hotels in the country. The research showed that hospitality firms have a lot to gain in utilizing innovation to improve customer satisfaction. Importantly, the study notes that innovation strategy significantly improved firms' service quality, product development, and technology usage. Hotels that use innovation strategy improve hotel's growth, resource management, customer satisfaction, and long-term profitability. This study also notes that strategy innovation improves an organization's value chain management thus enabling hotels to sustain a competitive edge in the market.

Moki, Kanini, and Kinyua (2019) examined the influence of innovation models on competitiveness among SACCOs in Nairobi County. The research used descriptive research design and casual research design to collect data for the research. The research used 40 registered deposit-taking SACCOs in Nairobi County using descriptive inferential analysis. The research noted that financial innovation plays a significant role in SACCO's financial performance. The study noted that firms that lack an effective innovation strategy end up collapsing. Firms can use innovation to engage with other players in the industry thus creating economies of scale in operations. However, a strategic innovation is not a charm to help firms succeed in the market, the strategies should align with the company's mission and vision. As such, firms should align their innovative models to the market conditions and the business culture. The authors recommend that firms should set aside enough resources to invest in financial innovation strategies as this helps to reduce costs and increase efficiency.

Achieng (2021) explored how SACCOS in Nairobi County can use innovation to achieve a competitive market position. This study examined the role of disruptive innovation in SACCOs and the impacts of incremental innovation in the institutions. A cross-sectional descriptive design was used to collect data from 42 SACCOs within Nairobi County. This study used questionnaires to collect the relevant information. The findings from this study indicated that disruptive innovation has a significant influence on an organization's performance. The study also explained that firms can invest in disruptive innovation to create a competitive advantage over their rivals.

Mukanzi and Mwai (2020) studied the influence of innovation strategies on service delivery. The research focused on SACCOs in Western Kenya counties whereby the data was collected using open-ended questionnaires. The authors analyzed the data using SPSS to identify trends in the use of innovation in service delivery. The results from these articles indicated that service innovation has a huge impact on SACCO's performance in the Western Kenya SACCOs. The study showed that the SACCOs in Western Kenya can use innovation to make their services better in the market. Besides, the use of innovation strategy will help firms to communicate effectively with customers thus creating and maintaining a loyal customer base.

Odero, Egessa, and Oseno (2019) studied the effect of innovation on the performances of SACCOS in Kitui County. The research used a positivist approach in their methodology to check whether there is any relationship between these two factors. The authors collected the data using close-ended questionnaires and interviews with 126 senior managers. This research collected the data using a purposive sampling model to identify the respondents for the research. The study found that firms that use strategic innovation can improve their performance and remain customers. Also, the articles showed that SACCOs with a unique innovation strategy are perceived to be better compared to those that do not.

Wahyuni and Sara (2020) studied the SMEs in Bali, Indonesia to understand whether they use innovation strategies to improve their services. This research was carried out on textile firms in the country because of the competitive nature of the industry. This industry demands that firms keep innovating to maintain their position in the industry. The data was collected using descriptive and inferential statistics to determine whether textile firms have invested in innovation strategies. This research showed that textile firms that have invested in innovation strategies can differentiate themselves in the market thus improving their market position.

DATA AND METHODS

A descriptive research methodology was used for this study. A descriptive research design was applied to determine the link between strategic management strategies and SACCO performance in Kiambu County because the research design is quantitative. The research focused on 62 SACCOs that together employ a total of 250 employees. Assuming a margin error of 5% while applying the Taro Yamane the study sampled 154 participants in the study, the sampling procedure was recommended by Field (2017).

$n=N/(1+Ne^2)$.. equation (i)

n= Sample Size, N = study population, e = sampling error margin, 0.05

$n= 250/\{1+250(0.05^2)\} =n=154$

The researcher utilized the questionnaire to obtain first-hand information from the participants due to its low cost and ease of use. The questionnaire had a Likert to collect quantitative data on a 5-point Likert scale. This yielded quantitative results from primary sources. The researcher used SPSS Version 22 for the entry and coding of quantitative data to run descriptive and inferential statistics. Standard deviation, mean, and percentage frequencies were used as measures for descriptive statistics. The inferential analysis involved simple linear regression. The hypothesis was tested at a critical probability value of 0.05. Tables were used to present the findings.

$Y = \beta0+ \beta_1X_1 + \varepsilon$ ……………………………………………………………………………………equation (ii)

Where Y, represents the performance of SACCOs, whereas $\beta0$, represents the constant in the model, β_1 represents the coefficient or beta value for innovation strategies X_1 represents Innovation Strategies, and ε, represents the error term.

FINDINGS AND DISCUSSIONS

Response Rate: The study administered 154 questionnaires, which was also the sample size, out of which 119 questionnaires were returned representing a response rate of 77.2%.

Descriptive Statistics on Innovation Strategies

Table 1 shows that respondents were neutral on the statement that, their SACCO sought out and adopted the latest financial technology solutions to improve service delivery and efficiency as shown by a mean score of 3.60. respondents also agreed with the second statement, that their organization frequently collaborates with technology fintech companies to explore innovative ways to expand our SACCOs services which was evidenced by a mean score of 3.99. Further, the respondents agreed with the third statement that, their SACCOs encouraged employees to participate in ongoing training and development programs to stay updated on emerging financial technologies and trends which was evidenced by a mean score of 3.99. Lastly, the respondents agreed that their SACCOs had a well-defined process for assessing and integrating new financial technologies and innovation strategies into our operations as shown by a mean of 3.91. Koyluoglu and Dogan (2021) concurred with the findings when they investigate how the success of high-tech enterprises was affected by innovation programs. The scholars argued that innovative strategies are built on a foundation of six different types of strategies, Strategy may be proactive, risk-oriented, defensive, future-focused, offensive, and analytical.

Table 1: Descriptive Statistics on Innovation Strategies

Indicators on Innovation Strategies	Mean	Std. Dev
Our SACCO seeks out and adopts the latest financial technology solutions to improve service delivery and efficiency.	3.60	1.181
Our organization frequently collaborates with technology fintech companies to explore innovative ways to expand our SACCOs services.	3.99	0.970
Our SACCO encourages employees to participate in ongoing training and development programs to stay updated on emerging financial technologies and trends.	3.99	0.979
Our SACCO has a well-defined process for assessing and integrating new financial technologies and innovation strategies into our operations.	3.91	1.025

Descriptive Statistics on Organizational Performance

Table 4.2 shows that respondents agreed that SAACOs had improved loan processing time in the last 5 years as shown by a mean score of 4.06. Respondents also agreed that SACCOs In Kiambu County had reported an increased profit in the past five years as shown by a mean of 3.90. besides, results revealed that respondents agreed that the number of employees for SACCO in Kiambu County had increased in the past five years as shown by a mean of 3.96. finally, respondents agreed that revenues for the SACCOs had increased in the past five years as shown by a mean score of 4.05. Tavassoli and Bengtsson (2018), is in support the findings that a company's performance may be measured in monetary and qualitative terms. Common economic indicators include profits, returns on assets, returns on equity, and sales volume while market share, customer retention, and corporate reputation are examples of non-financial indicators. In addition, Khalid, et al., (2019) were in agreement with the study findings when the scholar revealed that profitability in terms of revenue generation and return on equity as a measure of a company's profitability of equity/capital can be utilized as important measures for performance of organizations.

Table 4.2: Organizational Performance

Indicators on Organizational Performance	Mean	Std. Dev
Our loan processing time has improved in the past five years	4.06	0.959
Our SACCO has increased profits in the past five years	3.90	1.085
The number of employees for our SACCO has increased in the past five years	3.96	1.028
Revenues for our SACCOs have increased in the past five years.	4.05	1.007

Regression Analysis

Table 3 shows the output of the regression analysis between innovation strategies and the performance of SACCOs in Kiambu County. According to Table 3, an R-square of 0.344 was obtained which implied that 34.4% of the changes in the performance of SACCOs in Kiambu County could be explained by the innovation strategies employed by the organizations. A calculated F-ratio of 61.356 and a p-value of 0.001 was also generated which implied that the simple regression model was statistically significant in predicting the performance of SACCOs. Lastly, results showed a beta coefficient of 0.645 and a p-value of 0.001 associated with the link between innovation strategies and the performance of SACCOs in Kiambu County, the findings suggested that innovation strategies significantly and positively influenced the performance of

SACCOs in Kiambu County. The study rejected the hull hypothesis that Innovation Strategies do not have a significant influence on the performance of the SACCOs in Kiambu County. Odero, et al. (2019) who studied the influence of innovation strategies on the performances of SACCOS in Kitui County found that there is a positive and statistically significant link between the performance of SACCOs and the introduction of novel services.

Table 3: Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587[a]	.344	.338	.68875

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.106	1	29.106	61.356	.000[b]
	Residual	55.501	117	.474		
	Total	84.607	118			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.523	.325		4.683	.000
	Innovation Strategies	.645	.082	.587	7.833	.000

a. Dependent Variable: Performance
b. Predictors: (Constant), Innovation Strategies

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that SACCOs in Kiambu County have greatly collaborated with fintech companies to drive innovation. In addition, the study concluded that there is a notable emphasis on encouraging employees to participate in training programs that are related to financial technologies, which represent a commitment to adopting to the ever-evolving technological setting. The study also concluded that the SACCOs in Kiambu County had a well-defined way of integrating technology into the operations systematically. Lastly, the study concluded that there was a positive and significant influence of Innovation Strategies on the performance of the SACCOs in Kiambu County.

The study recommends that the SACCOs expand on their ongoing collaboration with the fintech companies to help drive the performance. Establishing partnerships with the Fintech companies can help the SACCOs to remain at the forefront of technological advancements which ensures that they can offer more efficient financial services to their customers. The policymakers and regulations should also support the positive initiatives on innovation in the SACCOs by creating an enabling environment that fosters collaborations between the SACCOs and the fintech firms.

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