STRATEGIC POSITIONING AND PROFITABILITY OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN WESTERN KENYA

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DECLARATION

Declaration by Candidate

This research thesis is my original work and has not been presented for a degree in any other university or for any award.

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CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by the school of Business and Economics of Kibabii University a research thesis entitled "**Strategic Positioning and Profitability of Savings and Credit Cooperative Societies in Western Kenya.**" This research thesis has been submitted for examination with our approval as University supervisors.

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ABSTRACT

Despite the increase in the membership of SACCOs according to the Statistical reports given by the SACCO Societies Regulatory Authority, SASRA, a state corporation established under the SACCO Societies Act (Cap 490B) of the Laws of Kenya, the rate at which SACCOs are closing down their operations is high. Some of the probable causes include poor saving culture among members, corruption and embezzlement of funds, political interference, and competition from established from established financial institutions, high default loan repayment rates, lack of qualified personnel, inadequate financial resources, and insufficient technological advancement. Scholars have attempted to make research inquiries into the problem facing SACCOs in Kenya, but much has been concentrated in various regions except Western Kenya. This study purposed to investigate strategic positioning and profitability of Savings and Credit Co-operative societies in Western Kenya. The study was guided by the following objectives: to examine the effects of branding strategy, Pricing Strategy, Customer Service and Technological Capabilities on profitability of SACCOs in Western Kenya. The study was anchored on Schumpeterian Theory. The study employed descriptive survey research designs. The target population of the research consisted of Board of Management, Managers, SACCO Staff and Members who totaled to 150 drawn from 8 selected high performing SACCOs in Western Kenya. The sample size of 109 was drawn from the population. Purposive sampling was used to select Board of Management, and Managers while Stratifies sampling was used to select members of SACCOs. and purposive sampling techniques were used to select the respondents. Data was collected using structured questionnaire and then was analysed using descriptive statistics where findings were presented in frequencies and percentages, in tables. In the findings, 80.8% of respondents indicated that SACCOs that merged acquired skilled labour, reduced cost of operations. Over 80% of respondents observed that their SACCO Staff worked to fulfil SACCOs Vision. Further, 67.9% of respondents stated that their SACCOs took pride in giving high dividends on savings and levied low interests on loans secured. In another case, 68.8% of respondents indicated that their SACCO prioritized members while 88% of respondents noted that SACCO transactions were systematic and computerized. In the inferential findings, the correlation between strategic positioning and profitability of SACCOs was 0.633, branding strategy, pricing strategy, customer service, and technical capabilities had statistical effects on profitability of SACCOs; therefore, the null hypotheses were rejected. It was recommended that SACCOs should engage in various forms of branding strategy, embrace cost-leadership strategies, integrate the technology in operations and train its staff to improve service delivery. SACCO’s will use findings from this study to develop plans meant to improve their operations in terms of cost minimization, effective customer service, adoption of new technology branding and product differentiation strategies as they relate to improved profitability. KUSCCO, Central Bank and Parliament can use findings or recommendations from this study to formulate policies that would help SACCOs sustain their operation amid tight market competition. The findings of the study will be important to the SACCO movement and its stakeholders especially in enhancing profitability of the SACCOs. The information from the study will also be significant to researchers as it will form a basis for further study on the strategic positioning and how it affects profitability of SACCOs in Kenya and globally.

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LIST OF ABBREVIATIONS AND ACRONYMS

BOSA	Back Office Service Activities
CEO	Chief Executive Officer
DCO	District Co-operative Officer
EVA	Estimated Value Added
FOSA	Front Office Service Activities
ICA	International Co-operative Alliance
IRR	Internal Rate of Return
KUSCCO	Kenya Union of Savings and Credit Co-operative
MoCD & M	Ministry of Co-operative Development and Marketing
MVA	Market Value Added
OCDC	Overseas Co-operative Development Council
PCO	Provincial Co-operative Officer
PE	Price Earnings Ratio
RA	Research Assistant
RoCE	Return on Capital Employed
RoK	Republic of Kenya
SACCO	Savings and Credit Co-operative
SASRA	SACCO Societies Regulatory Authority
SPSS	Statistical Package of Social Science
USA	United States of America
WACC	Weighted Average Cost of Capital
WOCCU	World Council of Credit Unions

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The antiquity of SACCOS in the world can be drawn based on two roots of contemporary cooperation. The initial contemporary cooperation emerged in certain working class settings in European industrial cities in 1840s, particularly in France and Great Britain (Churk, 2015). These pioneers conceived models of the consumer and labor cooperative that protect and promote the interest of working class in the face of the social tragedies endangered by the Industrial Revolution (Assenga, 2008). The second cohort of the forerunners of modern cooperation began in certain European rural environments in the late 19th century.

The contemporary Business World is continually becoming dynamic global and competitive. Technological advancement has enabled consumers to access perfect information about the market, making wise choices on what, when and how to consume various products and services subject to their income. Savings and Credit Co-operative Society is a group of autonomous persons who come together to achieve economic, social, and cultural objectives through voluntary or democratic ownership (Musoke & Nyonyintono, 2017). According to the 2016 reports of the World Council of Credit Unions, there were 68,882 Credit Union distributed across the world, whose membership was estimated to be 2 million and penetrated 13.55% of the financial market. The countryside was economically not synchronized with the industrial cities; agricultural cooperatives enabled families of farmers and livestock raisers to organize on their own supply system of agricultural inputs and market their products and no longer depend on the merchants and businessmen in the cities (Assenga, 2008). Also, the SACCOS enabled them to no longer depend on money lenders (usurers) and to find the credit necessary to modernize their agricultural operations (MUCCoBS, 2005). In African countries, the first experiences of savings and credit cooperatives were to a large degree the work of foreign missionaries (Mwelukilwa, 2011).

These institutions target majorly the unbanked group of people, who are the majority, in a bid to improve their financial capacity to steer developmental and other related goals. According to IMF study by the name "Financial Access under Microscope," the growth of SACCOs has remained significant especially in the wake of the 21st Century where market competition and the need to achieve value for investment has increased (International Monetary Fund, 2018). The same working paper by IMF (2018) adds that SACCOs have almost doubled in number since the last one decade with their market capitalization hitting over 20% of the financial market. Based on the increased population of SACCOs and the need to make substantial profits, most of the institutions have positioned themselves strategically in the market to stay ahead of competition so as to grow. Strategic positioning refers to the decision a firm takes to plan and organize its way of operation based on the present and future developments so as to stay relevant relative to rival firms (Gander, 2017). As the competition in Savings and Credit Co-operative societies **(**SACCOs) escalates, most of them try to introduce new services to attract more customers (Schellhase *et al.,* 2000). They also try to reconsider their positioning strategies to improve their market share, increase their profitability. According to Marks and Albers (2001), the more aggressive product positioning behavior from attempts to reduce profit differences relative to competitors because profit asymmetry happens in many market settings, it is an essential factor to consider in making product positioning decisions in a competitive environment.

Positioning is concerned with the attempt to modify the tangible characteristics and the intangible perceptions of a marketable offering in relation to the competition (Arnott, 2002). Temporal (2005) states that strategic positioning is a planned initiative that convinces or persuades people to think about why they are different or better from what the competition has to offer. Performance is gained when a firm acquires attributes that allow it to perform at a higher level than others in the same industry. Companies can obtain a performance by implementing value-creating strategies, not simultaneously being implemented by any current competitor.

In China, Loubere & Zhang (2015) conducted a study with an aim of establishing the relationship between Co-operative Financial Institutions and Local Development in China. According to the authors, China financial market has undergone a series of restructuring because of changes in laws, market forces of demand and supply, and external macroeconomic way to attract a high client base and reduce the cost of operation. Some changed their names after merging to increase confidence in clients as a way of increasing their market share and hence stay ahead of competition.

Almost with the aim of answering the same research question like Loubere & Zhang (2015), Fuqiang, & Abdoulaye (2016) sought to establish the influence of joint ventures by firms on operational sustainability of SACCOs and financial institutions in Guinea and China. Most of the financial institutions in China thrive the market by forming joint ventures, which help them penetrate wider and new markets, increased a client base, reduce the cost of operation, acquire skilled and competent personnel, and above all increase market capitalization hence profitability (Fuqiang, & Abdoulaye, 2016).

In Nepal, Gingrich (2013) established competitive strategy adopted by community-based microfinance institutions in order to position themselves in the financial market. Gingrich (2013) observed that SACCOs with a good pricing strategy, which involved increased dividends on invested shares, reduced interest rates on loans lent and good customer service offered by qualified personnel enhanced growth and development of microfinance institutions. Gingrich (2013) added that technological enhancement improved the ability of firms to attend to a large client base without the need to employ more staff hence reduction of operational costs. Technological advancements helped some of the SACCOs and microfinance institutions to develop mobile service access, which increased client confidence, differentiated the products and services offered, a move that increased their profitability even during low business cycles.

According to Nthaga (2017), operational self-sufficiency of SACCOs in Botswana was determined by liquidity management, deposit mobilization, capital structure, and membership size. This meant that client mobilization and effective management of liquidity helped on working on the pricing strategy and customer relationship, which were key determinants of improving profitability. In Ghana, according to Asante (2017), the competitive strategy used by SACCOs to position themselves in the financial market was relatively different; Majority of the surviving SACCOs and Microfinance institutions decided to merge with others or acquire others to strengthen their ability to remain relevant in the financial market.

From the year 2015 to 2016, Ghana recorded high rates of collapsing SACCOs, which was more than 100 (Asante, 2017). The rationale behind the collapse was that most of the SACCOs and Microfinance was that they majorly focused on clients from the informal sector including hawkers, hoteliers, fruit vendors and related businesspersons, who demand cash on daily basis and the SACCOs or microfinance. Most of the SACCOs and microfinance management who failed to practice effective liquidity management ended up collapsing the firms.

Sangali (2013) conducted a comparative study in Tanzania that aimed at establishing the competitive advantage between Community-Based SACCOs and Employ-Based SACCOs in terms of client base, market capitalization, Liquidity management and hence profit maximization. According to Sangali (2013), Employee-based SACCOs had a high capital base compared Community-based SACCOs and hence exploited resources more efficiently because of increased economies of scale. For that reason, they had little cash left for lending and hence most of their members had no confidence in them, deregistration rates were high compared to Community-Based SACCOs. Community-Based SACCOs performed better in terms of liquidity Investment (because of lending to members) and market capitalization (because of increased client base).

In Uganda, Musoke & Nyonyintono (2017) observed that Financial controls on the budgeting process helps managers to evaluate performance of SACCOs and hence devise strategies that would help in increasing profitability and hence increased dividends for members. The authors added that the budgeting process helped managers to instil a spirit of loyalty and confidence in members or clients, client's attachment to the organization helps in attracting more members and hence increased profitability.

The modern history of cooperatives in Kenya started with the Rochdale Society of Equitable Pioneers, founded in 1844. This was an early consumer co-operative, and one of the first to pay a patronage dividend, forming the basis for the modern cooperative movement. Although other co-operatives preceded them, the Rochdale Pioneers' co-operative became the prototype for societies in Great Britain. The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the principles on which co-ops around the world operate to this day. The model the Rochdale Pioneers used is a focus of study within co-operative economics (Ministry of Industrialization and Enterprise Development, 2014). SACCOs in Kenya are currently among the leading sources of the co-operative credit for socio-economic development (Alila & Obado, 1990).Cooperatives in Kenya were started in 1908 and membership was limited to white colonial settlers. The first cooperative was established at Lumbwa, present day Kipkelion area. In 1944 colonial officers allowed Africans to form and join cooperatives.

Chelangat & Namusonge (2018) in their quest to determine the influence Saving mobilization strategy had on growth of SACCOs in Nairobi established that Product marketing was very important because it helped in providing clients with relevant information necessary to make financial decisions, which in turn improved savings for clients, increased market share for the SACCOs and increased profitability through investments. In Mombasa, Ngugi (2017) outlined some of the challenges faced by SACCOs and in his findings, he stated that corruption, embezzlement of funds, competition from established banks, political interference, high default rates on loans, lack of qualified personnel (weak leadership and governance), inadequate financial resources and insufficient contributed largely to collapsing of many SACCOs. However, some of the SACCOs that survived the collapse operated on improved product differentiation that reduced the risk associated with lending. Ngugi (2017) noted that reduction in interest rates charged on financial credit either for development, business or personal purposes helped in maintaining existing members while increased dividends helped in attracting new members into the SACCOs. This way, SACCOs positioned themselves high in the financial market and were able to compete effectively with established banks and other financial institutions.

Kariuki, Kirimi & Mutembei (2017) conducted a study in Kenya, in Nairobi North District with a purpose to analyse some of the factors influencing competitive advantage of SACCOs. According to the authors, SACCOs with the best customer base are those that offered personalized services to their clients and hence high capitalization compared to rival SACCOs. The move to satisfy consumer preference improved efficiency in service delivery, which helped in maintaining profitability on an increasing trend. Improved management of human resources, improved service delivery of members, reduced cost of operations by managing limited financial and human resources effectively, reduce risks in investments by helping in informed decision making.

In Mombasa branch network expansion helped in reducing the rate of customer defection by listening and paving ways of democratic decision making (Ngugi, 2017). Mobile technology and use of advanced software in management information systems, payment systems, and other systems helped in reaching a wider group of clients, which could not have been reached were it not for technological advancement.

1.2 Statement of the Problem

Despite the increase in the membership of SACCOs according to the Statistical reports given by the SACCO Societies Regulatory Authority, SASRA, a state corporation established under the SACCO Societies Act (Cap 490B) of the Laws of Kenya, the rate at which SACCOs are closing down their operations is high. Some of the probable causes include poor saving culture among members, corruption and embezzlement of funds, political interference, and competition from established from established financial institutions, high default loan repayment rates, lack of qualified personnel, inadequate financial resources, and insufficient technological advancement. Scholars have attempted to make research inquiries into the problem facing SACCOs in Kenya, but much has been concentrated in various regions except Western Kenya. Kariuki, Kirimi & Mutembei (2017) conducted an analytical study that sought to establish factors influencing competitive advantage in Selected SACCOs in Nairobi North District. Ngugi (2017) focused on the effect of competitive strategies on sustainable competitive advantage on SACCOs in Mombasa, Kirimi, Simiyu and Murithi (2017) did a study on the effect of debt finance on financial performance of SACCOs in Maara Sub-County, Tharaka Niithi County, Kenya. Korir and Nzioki, (2017) carried out a study on the effects of product differentiation of substitutes on competitive strategy in deposit taking SACCOs in Kericho County; Njoki (2015) did research to determine the effect of competitive strategies and performance of deposit taking SACCOs in Muranga County, while the study by Ngure, Kimani & Kariuki (2017) focused on product innovation and financial performance of Savings and Credit Cooperative Societies in Kirinyaga County. A thorough review of related literature revealed that none of these studies was conducted in any counties in Western Kenya. Nevertheless, Scholars such as Chrispinus (2014) delved on the factors influencing performance of SACCOs in Bungoma County, but the study did not focus on the effects of strategic positioning on profitability of SACCOs. Obunga, Marangu, Masungo (2015) established the relationship between strategic leadership and performance of SACCOs in Kakamega County, but again failed to concentrate on the strategic positioning on profitability of SACCOs. It is against this background that the researcher conducted a study to investigate the effects of strategic positioning on profitability a of SACCOs in Western Kenya.

1.3 Purpose of the Study

The Study investigated the effect of strategic positioning on the profitability of Savings and Credit Co-operative Societies in Western Kenya.

1.4 Objectives of the Study

The study was guided by the following research objectives:

i). To examine the effects of branding strategy on profitability of SACCOs in Western Kenya

ii). To establish the effects of pricing strategy on profitability of SACCOs in Western Kenya

iii). To determine the effects of customer service on profitability of SACCOs in Western Kenya

iv). To determine the effects of technological capabilities on profitability of SACCOs in Western Kenya

1.5 Research Hypotheses

The following were the study hypotheses:

$H_0 1$: There is no significant effect between branding strategy and the profitability of SACCOs in Western Kenya

$H_0 2$: There is no significant effect between pricing strategy and profitability of SACCOs in Western Kenya

$H_0 3$: Customer service has no effect on profitability of SACCOs in Western Kenya

$H_0 4$: Technological capability has no effect on profitability of SACCOs in Western Kenya

1.6 Significance of the Study

Members of SACCOs can use findings of this study to register or join SACCOs who have positioned themselves strategically in the financial market because they pay high dividends, interest on financial credit would be low, customer service would be good and above all every member's decision counts. SACCO's will use findings from this study to develop plans meant to improve their operations in terms of cost minimization, effective customer service, adoption of new technology branding and product differentiation strategies as they relate to improved profitability. Banks and other Financial institutions can adopt some of the recommendations made in coming up with counter strategies that would help them compete fairly with SACCOs in the financial market. KUSCCO, Central Bank and Parliament can use findings or recommendations from this study to formulate policies that would help SACCOs sustain their operation amid tight market competition. The findings of the study will be important to the SACCO movement and its stakeholders especially in enhancing profitability of the SACCOs. The information from the study will also be significant to researchers as it will form a basis for further study on the strategic positioning and how it affects profitability of SACCOs in Kenya and globally.

1.7 Assumptions of the Study

The study was based on the assumptions that intervening/moderating variables had a zero effect on dependent variable and that strategic positioning could have an effect on the profitability of the SACCOs. Further, the study considered that respondents would co-operate and give voluntary and accurate information. Another assumption was that SACCOs were facing the problem of low profitability and even closure and therefore the need to investigate how strategic positioning could influence their profitability. The study further assumed that the sample selected was representative to make conclusions on the status of SACCOs in terms of strategic positioning and profitability.

1.8 Scope of the Study

The study covered only selected SACCOs licensed by SASRA drawn from Western Kenya. Some of the Counties in Western Kenya that were considered included Kakamega, Bungoma, Kisumu, Trans-Nzoia, Nandi, Kericho, Busia and Uasin Gishu Counties. This study was delimited by the topography of the region, which is on the cross-section area of the Rift-valley, the region lies on Kenya Highlands and therefore receives more than 1800mm Rainfall per year, which hinders the research process. Language barrier delimited this study because the majority of respondents spoke different local languages, some of which were not familiar with the researcher.

1.9 Limitations of the Study

The study faced the following challenges:

i). Western Kenya is a vast region with many Counties, the researcher which posed a challenge to data. However, this problem was addressed by use of trained research assistants in each County.

ii). Some of the respondents were unwilling to fully participate in the study due to fear of disclosing personal information and especially those respondents from underperforming SACCOs. The researcher overcame these by assuring the respondents of their confidentiality and use of existing literature to minimize researcher's subjectivity.

1.10 Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. It can be applied in different categories of work where an overall picture is needed (Kinyili, 2015). It is used to make conceptual distinctions and organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply (Babbie, 2007). The Conceptual Framework in Figure 1.1 illustrated the interrelationships among the study variables. Determinants of strategic positioning like branding strategy, pricing strategy, customer service and technological capabilities were the independent variables while the dependent variable was the profitability of SACCOs. In this study, it was envisioned that strategic positioning like branding strategy, pricing strategy, customer service and technological capabilities had positive and significant associations on the profitability of SACCOs.

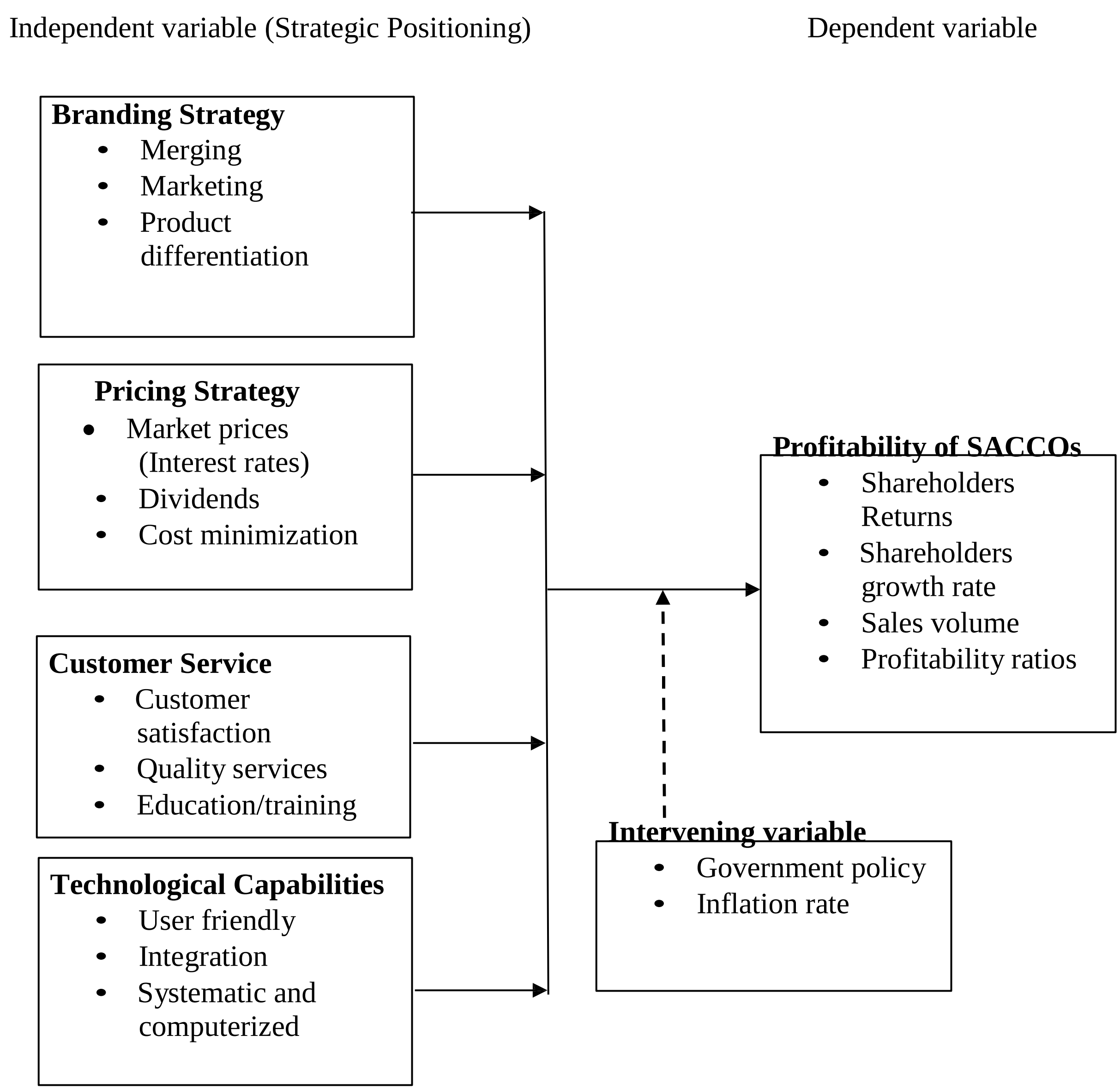

Figure 1.1: A Conceptual Framework Showing Interaction of Key Variables

Source: Researcher (2018)

1.12. Operational Definition of Variables of Terms

Branding Strategy: Branding - is the "name, term, design, symbol, or any other feature that identifies one seller's product distinct from those of other sellers. The study measured branding strategy through use of brand name, firm's image, brand awareness, brand personality and brand identity.

Customer Service: refers to the degree and direction of discrepancy between customers' service perceptions and expectations (Parasuraman, and Zeithaml, 2006). Thus if the perception is higher than expectation, then the service is said to be of high quality. Likewise, when expectation is higher than perception, the service is said to be of low quality. In this study customer service was measured through customer satisfaction, quality and customer-centric among other indicators.

Pricing Strategy: also referred to as low cost leadership strategy and was measured through market price, price cutting and cost leadership among other indicators of pricing strategy.

Profitability of SACCOs: refers to the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities. In this study, it was measured through shareholders returns, shareholders' growth rate, sales volume and profitability ratios.

Technological Capabilities: refers to the discoveries in science, product development and improvements in machinery, process, automation, and information technology. It also includes a combination of knowledge, information and ideas, (Manyara, 2003). In this study technological innovation was measured through aspects like user friendly, integration and systematic and computerized.

Western Kenya: In this study, this region covers Bungoma County, Kakamega County, Busia County, Kisumu County, Trans-Nzoia, Kericho, Nandi and Uasin Gishu Counties.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews empirical literature related to SACCOs and strategic positioning. It highlighted the global, regional and national trends on strategic positioning and the profitability of SACCOs. Accordingly, past researches explored to shed more light on this pertinent area and identified the gaps in knowledge that this study proposed to fill.

2.2 Theoretical Framework

The study was anchored on the following theory:

2.2.1 Schumpeterian Theory

Developed by Joseph Schumpeter, a political economist that Served as a Finance Minister in Austria in 1919, Schumpeterian theory was guided by four features that included Circular flow, role of entrepreneurs, cyclical process and end of capitalism (Bazhal, 2016). In terms of circular flow, the theorist believed that the conditions of economic activities changed with time at a continuous rate. This analogy was based on perfect competitive market where demand and supply of goods and services changes with time in a continuous manner based on business cycles, which at one point is high and at another point is low. Schumpeter stated that at equilibrium prices of goods and services equaled to the average cost an indication that whenever the prices was lower than the average cost then business close down operations (Schumpeter, 2013).

The theorist posits that the role of the entrepreneur should include technical know-how and capital resource. in the theory, an entrepreneur becomes innovative in order to derive maximum profit from the business venture. Regarding the breaking the circular flow, Schumpeter considers that economic development is discontinuous and that the society progresses through trade cycles, which are not continuous too (Bazhal, 2016). The theorist posited that innovation in one field paved way for innovation in another field; For instance, the introduction of mobile banking access and online banking paved way for improvement of banking systems and the end of credit and debit cards.

The third feature of Schumpeterian theory is business cycle, which is not only caused by economic factors, but also non-economic factors, which requires that entrepreneur should know how to formulate strategies aimed at coping with the economic shocks, booms and recessionary periods (Schumpeter, 2013). Proponents of capitalism pay the cost of economic development. The fourth feature according to Schumpeterian theory is the decay of Capitalism, which gets enhanced with improvement in technology, increase in profitability, decline of entrepreneurial activities and the rise of political systems, which destructs institutional frameworks that exist.

Schumpeterian theory relates to this study based on the four features explained circular flow, role of entrepreneurs, business cycles, and the decay of capitalism. Relating to the circular flow where the demand of goods and services determines equilibrium prices, the demand from SACCOs to encourage savings and the limited supply of members determine interest rates, dividends and other financial costs and benefits accrued to members and SACCOs

(Schumpeter, 2013). Entrepreneurs in SACCOs are the managers who formulate positioning strategies that enable their firms to sustain operations even in recessionary periods or at time when the economy is not favorable for SACCOs to thrive. Business cycles as they are caused by economic and non-economic factors relate to corruption/embezzlement of funds, high loan default rates, competition from established financial institutions, political interference, punitive government laws/policies, lack of qualified personnel, insufficient technological advancement, and inadequate financial resources. It should be noted that business cycles give rise to formulation of strategies aimed at coping with the disturbance of normal operations (Schumpeter, 2013).

The decay capitalism as the fourth feature of Schumpeterian theory elicits itself in this study with time and it relates to the policies of the "haves" will always earn more dividends on their high investment while the "have nots" will earn low dividends; however, interest rates levied on financial credit applies uniformly to "haves" and the "have nots." As the majority of high-income earners gain/earn more from their investments in SACCOs, they tend to have more democratic rights compared to others and hence the change in political systems and destructions of institutional framework established to sustain operations.

2.2.2 Pricing Theory

The pricing theory shows that a profit can be obtained by buying the asset on the market at lower price and simultaneously selling the same asset on the market with the higher price without necessarily using any actual investment. In this case, the investors make exploitation on them, and as time goes by, the price of the assets changes up to equilibrium again when there are no more positive returns between the same assets and the possibility of profiting from arbitrage is gone (Levy & Post, 2005; Rorden & Kristofer, 2010). In this study, strategic positioning indicators like branding strategy, pricing strategy, customer service and technological capabilities were used to determine their effect on the profitability of the SACCOs in Western Kenya.

2.2. The Concept of Strategic Positioning

Freedman (2015) stated that the word strategy comes from the Greek word “stratego”, meaning to plan the destruction of one’s enemies through the effective use of resources. The concept of strategy was developed purely in relation to the successful pursuit of victory in war. The concept remained a military one until the nineteenth century, when it began to be applied to the business world, though most writers believe the actual process by which this took place is untraceable (Hasan, 2013). Freedman (2015) addressed strategy and strategic formulation as an approach to managing organizations. His concern was to do with defining the business domain of a company. Little attention was given to this concept of strategy until 1962 when Chandler in his groundbreaking work “Structure follows Strategy”, recognized the importance of coordinating the various aspects under one all-encompassing strategy. He defined strategy and outlined the process by which it could be formulated. Basing on Drucker and Chandler`s work, Collins (2011) and Tracy (2017) made strong contributions to this growing body of thought. They addressed real business needs and examined the rapid changes of environmental conditions.

Over decades, the business environment globally has changed dramatically due to frequent changes of market forces. The difference levels of environmental turbulence characteristics create new business competitive landscape for all companies in any industries. In a turbulent environment, a company is demanded to be able to adapt and also be flexible either in structural, or strategic (Vanneste & Puranam, 2016). The fast pace of environmental changes provide managers with unpredictable outcomes of their strategic alternative or strategic commitment. This collision of strategic commitment and strategic uncertainty is causing what Mauborgne & Kim (2015) named as the strategy paradox. Every company can be a victim of the strategy paradox if it cannot align its strategy with the environmental changes. Mauborgne & Kim (2015) pointed out that one of the ways to resolve strategy paradox is implementing strategic flexibility in term of crafting or employing effective strategies suiting prevailing business environmental demands (proactive actions).

Dranove, Besanko, Shanley & Schaefer (2017) assert that the purpose of strategy is to exploit the unique advantages of the organization in facing the challenges of the environment. A strategy begins with a concern and a burden of how best to use the limited resources of the organization. The successful corporations make their strategic priority to build their core competencies and long-term competitive advantages, so that they will serve the real back up for their business strategies (Hasan, 2013; Webb & Novkovic, 2014). According to Collins (2011) the process of strategy formulation involves matching of opportunities and corporate capabilities, which results in the generation of economically feasible strategic alternatives. There must be a strategic fit between what the environment wants and what the firm has to offer, as well as between the firm needs and what the environment can provide (Mauborgne & Kim, 2015).

2.3 Branding Strategy and Profitability of SACCOs

In China, Loubere & Zhang (2015) conducted a study evaluate Co-operative Financial Institutions and Local Development. The authors used descriptive research design and focused urban-based SACCOs and Rural-based SACCOs and noted that the co-operative financial landscape in china changed because the majority relocated into new markets with low competition. Out of the considered sample, 76% vowed to consolidate their operations as ways of reducing costs. Further, consolidation of SACCOs strengthen their capital base, helped them to acquire qualified and skilled staff, which facilitated the offering of premium quality services to members. Relative to the study by Loubere & Zhang (2015), this study not only focused on branding strategy and a marketing positioning strategy, but also considered pricing strategy, customer service and technological capabilities as ways of coping with stiff market competition from other deposit taking financial institutions.

Asante (2017) made a research inquiry to determine competitive strategies of microfinance and SACCOs in Ghana. The author noted that over 100 SACCOs had closed down their operations between the year 2015 and 2016 and therefore was an issue of concern. Based on that, Asante (2017) considered 6 high performing SACCOs to establish some of the Strategic positioning ways that sustained their operations and hence profitability. In the findings, the researcher established that high performing SACCOs embraced corporate governance that helped in creating awareness of some of the products and services that they offered. Members associated with such SACCOs were proud to identify with such SACCOs because the dividends they paid on savings were high and that they interest rates charged on financial credit was relatively low. This study considered SACCOs in a region and not in urban and rural areas as the study by Asante (2017) considered. Findings in this study were considered representative of the general population because sampling units were extracted from various counties in one region regardless of whether they were rural or urban, taken long in operation or not and regardless of the membership base.

The study by Korir & Nzioki (2017) on the effects of Product Differentiation of Substitutes on Competitive Strategy in SACCOs in Kericho County considered management staff from 5 deposit taking SACCOs that coped with market competition. The researcher used descriptive survey and indeed inferential statistical tool to establish that there was a positive correlation between product differentiation of substitutes and Strategic Positioning. In the findings, product differentiation had a strong positive association with performance of SACCOs. Product Differentiation in the context of Korir & Nzioki's (2017) study entailed offering tailor made loans to suit needs of members from various occupations to reduce default rates on loan repayment. Relative to the study by Korir & Nzioki (2017), this study focused on branding strategy as creating awareness, cost minimization/leadership, brand association and product differentiation in the context of lowering interest rates charged on loans and increasing dividends on moneys saved.

In a study conducted by Kariuki, Kirimi & Mutembei (2017) in Nairobi North District on the analysis of factors influencing Competitive Advantage in Selected SACCOs, the researchers used descriptive survey research design that targeted senior and middle level management in six selected SACCOs in Nairobi. Regression was used as a statistical tool to establish the relationship between competitive strategy and performance of SACCOs. In the findings, it was established that most SACCOs faced fierce competition because they did not conduct any marketing to create awareness of their products and services, they did not differentiate their products compared rival firms. The findings from the study by Kariuki, Kirimi & Mutembei (2017) was relative to the findings from the study by Korir & Nzioki's (2017), which also established that SACCOs that did not market their products and differentiated them from that of rivals suffered management and operational challenges that threatened closure. This study relative to that of Kariuki, Kirimi & Mutembei (2017) and Korir & Nzioki's (2017), adopted descriptive survey research design which considered the use of interviews and questionnaires, but went further to consider other competitive strategies such as Customer service, technological capabilities and pricing strategies, which the aforementioned studies did not consider.

In Kakamega, Obunga, Marangu & Masungo (2015) determined the influence of strategic Leadership on Performance of SACCOs. The author used regression as a statistical tool and established that 46.8% of the performance of SACCOs was explained by strategic leadership. Strategic leadership in the context of the author entailed formulation of strategies such as seeing mergers, engaging in creating awareness of the products and services offered by the SACCOs. Findings from the study by Gingrich (2013) conducted in Nepal was relative to the study by Obunga, Marangu & Masungo (2015), which also established that merging, consolidation of operations and marketing were some of the strategic positioning ways managers of SACCOs used to cope with stiff market competition and low profitability. Different from the aforementioned studies, this study expanded its sampling frame to include SACCOs in a wider area than the study by Obunga, Marangu & Masungo (2015), and Gingrich (2013).

In Nepal, Gingrich (2013) conducted a study that focused on community-Based SACCOs in Nepal; notably, concentrated on the sustainability of their operations. In the findings, the researcher established that SACCOs with high capital base from members contribution and has control over administrative costs record high profitability. The rationale behind high profitability in SACCOs in Nepal is that they have branded themselves as having strong internal loan monitoring mechanism, they rely on members contribution, which is reliable compared to borrowed money from other financial institutions. Dividends from savings invested by members market the SACCOs in such a way that members defect from other financial institutions to join one that pay high dividends on savings.

2.4 Pricing Strategy and Profitability of SACCOs

According to Gander (2017), firm pursuing a cost-leadership strategy attempts to gain a competitive advantage primarily by reducing its economic costs below its competitors. If cost-leadership strategies can be implemented by numerous firms in an industry, or if no firms face a cost disadvantage in imitating a cost-leadership strategy, then being a cost leader does not generate a sustained competitive advantage for a firm. Gander (2017) further asserts that the ability of a valuable cost-leadership competitive strategy to generate a sustained competitive advantage depends on that strategy being rare and costly to imitate. One of the most cited sources of cost advantage for a firm is its size. There is a relationship between firm size measured in terms of volume of production - and costs - measured in terms of average costs per unit of production (Hasan, 2013).

Asante (2017) conducted a study in Ghana on competitive strategies adopted by microfinance institution in a bid to survive economics shocks in the financial market. The author noted that there had been a persistent problem just like in Western Kenya where SACCOs closed down their operations especially during recessionary periods or hard economic times. As such, Asante (2017) selected 6 high performing microfinance institutions that coped stiff competition and other economic challenges in the Ghanaian financial market. The researcher in the findings established that monitoring of financial operations, cost minimization and compliance on loaning policy were some of strategic positions ways microfinance institutions used to stay ahead of competition in the financial market. In the context of this study, pricing strategy was a component of cost minimization, which also included interest rates and dividends determination.

In another study by Kariuki, Kirimi & Mutembei (2017) conducted in Nairobi North District to analyze some of the factors influencing Competitive Advantage in SACCOs, the authors stated that most SACCOs were undercapitalized hence could invest in lending in order to accrue profits from interest charged instead, they relied on loans from financial institutions whose interest charged was punitively high and could not support profitability growth. This study also considered price study as cost minimization, interest rates charged on loans and dividends accrued on savings investment.

In Murang'a, the study by Njoki (2015) on influence of competitive Strategies on Performance of Deposit Taking SACCOs considered the use of both descriptive and inferential statistics. Njoki (2015) considered 8 active SACCOs in Murang'a County, used regressions as a statistical tool to determine the influence of cost leadership on performance of SACCOs. In the findings, Njoki (2015) found that 76.30% of the variation in performance was explained by competitive strategies such as cost leadership. This study too considered some of the high performing SACCOs in Western Kenya, which comprised of Several Counties compared to Njoki (2015) who considered SACCOs in Murang'a County only.

According to Asante (2017), competitive strategies adopted by microfinance owners in Ghana included cash and liquidity management. The move to regulate spending on administrative costs, and other irrelevant costs contributed largely to increasing profitability and hence dividends paid to members for funds invested. Although the study by Njoki (2015) considered cash and liquidity management as a strategic positioning indicator, this study considered more indicators that included price setting that relates to interest rates, determination of dividends paid, and cost leadership as ways through which price were set by SACCOs. Dranove, Besanko, Shanley, & Schaefer (2017) supported the findings by asserting that the optimal volume of production is reached when the average costs per unit of production is minimum. A company with a high level of production is able to purchase and use specialized manufacturing tools that cannot be kept in operation in small companies. A high volume of production may allow a firm to build larger manufacturing operations. Large-volume firms will be able to build lower per unit cost manufacturing operations and will have lower average costs of production (Njoki, 2015). High volumes of production are also associated with high levels of employee specialization.

According to Vanneste & Puranam (2016), low-cost producer strategy work best when: price competition among rival sellers is a dominant competitive force, the industry's product is a standardized, there are no many ways to achieve product differentiation that have value to the buyer, most buyers use the product in the same ways and have much the same needs / requirements, buyers incur low switching costs in changing from one seller to another and are prone to shop for the best price and buyers are large and have significant bargaining power. Dranove, Besanko, Shanley, & Schaefer (2017) assert that overall cost leadership requires firms to develop policies aimed at becoming and remaining the lowest-cost producer and/or distributor in the industry. Company strategies aimed at controlling costs include construction of efficient-scale facilities, tight control of costs and overhead, avoidance of marginal customer accounts, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs (Vanneste & Puranam, 2016). The low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market. Firms may thus be able to differentiate themselves based on meeting customer needs, or they may be able to achieve lower costs within limited markets. Focus strategies are most effective when customers have distinctive preferences or specialized needs (Webb & Novkovic, 2014).

2.5 Customer Service and Profitability of SACCOs

Adirika and Samuel (2010) defined customer service as the reflection of the total approach of a staff to a customer. It is the attitude of helpfulness, friendliness and professionalism that satisfies customer and leads to repeat business. Kenny (2012) observed that technological approaches involving the use of databases, data mining and one-to-one marketing can assist organizations to increase customer value and their own profitability. This type of technology can be used to keep a record of customer names and contact details in addition to their history of buying products or using services (Temeche, 2014). This information can be used to target customers in a personalized way and offer them services to meet their specific needs. This personalized communication provides value for the customer and increases customers' loyalty to the provider. In Accra, Ghana, Asante (2017) made a research inquiry aimed at establishing the influence of competitive advantage on profitability of microfinance. In the findings, the researcher established that capacity building aimed at improving the competence of employees and educating members on the importance of savings as a way of improving members' socio- economic welfare. This study relative to Asante's (2017), focused on customer satisfaction, customer centric and provision of quality services. Notably, provision of good quality service entailed encouraging members on saving culture.

Musoke & Nyonyintono (2017) conducted a study in Uganda to determined financial control and profitability Performance of SACCOs. The researchers' contrary to this study used cross-sectional survey, which might not be effective to study topic descriptive in nature such as the strategic positioning and profitability of SACCOs. In the findings, Musoke & Nyonyintono (2017) found that pparticipatory budgeting helps in instilling confidence and loyalty among members of a given SACCO. It helped in planning, and control of finances, which improves quality of services offered to SACCO members and hence high rates of dividends for each member.

According to the Ndubisi & Wah (2015) study on the relationship between marketing and customer's satisfaction by looking at the bank customers of Kota Kinablu city in Malaysia representing the society of the study. The number of banks in the city was 20 but only 15 banks agreed to have their customers interviewed by the researchers inside the banks. Likewise, only 400 customers of the banks' customers agreed to fill the investigation lists. Only 220 usable lists were authenticated, and the response average was 55%. The study concluded that all dimensions were related to the customer's satisfaction and that the dimension of the strongest relationship was represented in the improvement in the relationship quality with the customer in general terms; the correlation coefficient was 0.88 with p-value of less or equal to 0.05 level of significance. Compared to the study by Ndubisi & Wah (2015), this study did not focus on banks, but on SACCOs as they suffered a lot of economic and non-economic challenges that saw most of them close down their operations. Further, this study focused on customer service as a strategic positioning way of coping with competition and hence profitability; relatively, the study by Ndubisi & Wah (2015) focused on marketing as a way of improving customer service.

2.6 Technological Capabilities and Profitability of SACCOs

Technological innovation is widely regarded as one of the most important sources of sustainable competitive advantage in an increasingly changing environment, because it leads to product and process improvements, makes continuous advances that helps firms to survive, allows firms to grow more quickly, be more efficient and ultimately be more profitable than non-innovators (Thierren *et al*., 2011). Technological innovation is a complex process related to changes in productive functions and processes with whereby firms seeks to acquire and built upon their distinctive technological competence, understood as a set of resources a firm possesses and the way in which these are transformed by innovative capabilities.

In Nairobi North District, Kariuki, Kirimi & Mutembei (2017), focused on the analysis of factors influencing Competitive Advantage in Selected SACCOs. The researchers noted that most SACCOs were performing poorly in terms of profitability because their information system was poor. Most of the SACCOs lost or could not retrieve and manage customers information; hence, discouraging customers from maintaining their membership with them. This study considered that the technology adopted should be user friendly, systematic and computerized. Innovation at a firm level refers to a firm's receptivity and propensity to adopt new ideas that lead to development and launch of new products (Rubara, 2012).

Temeche (2014) argues that innovative new products when first introduced in the market faces limited direct competition, and as a result allow firms to enjoy high profits over time. These high profits are likely to erode due to immigration and competition, but firms that continue introducing innovative new products may be able to achieve high profitability for a sustained period. The ultimate reason for firms to engage in technological innovation is to improve firm performance and success.

Ledgerwood, Earne & Nelson (2013) asserts that a number of technological innovations achieved by firms had a positive effect on their operating profit margin. Adoption of new technology such as IT is an enabler of process innovations from the perspective of the adopter in the implementation succeeds, the routines are changed and the new system is actually utilized. Innovations can lead to growth of the innovator independent of the firm's ability to appropriate private profits from the investment that caused the innovation (Kenny, 2012).

2.7 Knowledge Gap

Quite a number of studies have been conducted on the performance of SACCOs in various regions of the Republic of Kenya, but much not so much has been done Western Kenya SACCOs. For instances, Kariuki, Kirimi & Mutembei (2017) conducted an analytical study that sought to establish factors influencing competitive advantage in Selected SACCOs in Nairobi North District. Ngugi (2017) focused on the effect of competitive strategies on sustainable competitive advantage on SACCOs in Mombasa; Kirimi, Simiyu and Murithi

(2017) did a study on the effect of debt finance on financial performance of SACCOs in Maara Sub-County, Tharaka Niithi County, Kenya. Korir and Nzioki, (2017) carried out a study on the effects of product differentiation of substitutes on competitive strategy in deposit taking SACCOs in Kericho County; Njoki (2015) did research to determine the effect of competitive strategies and performance of deposit taking SACCOs in Muranga County, while the study by Ngure, Kimani & Kariuki (2017) focused on product innovation and financial performance of Savings and Credit Cooperative Societies in Kirinyaga County. A thorough review of related literature revealed that none of these studies was conducted in any counties in Western Kenya. Nevertheless, Scholars such as Chrispinus (2014) delved on the factors influencing performance of SACCOs in Bungoma County, but the study did not focus on the effects of strategic positioning on profitability of SACCOs. Obunga, Marangu, Masungo (2015) established the relationship between strategic leadership and performance of SACCOs in Kakamega County, but again failed to concentrate on the strategic positioning on profitability of SACCOs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter features the research methodology used in this study. Specifically, the chapter features the research design, target population, sample size and sampling techniques, instruments for data collection, Pilot study that includes how research instruments will be tested for validity and reliability. Further, data collection procedure, data analysis techniques and how findings will be presented.

3.2 Research Design

This study employed descriptive survey research designs. According to Kothari (2010), a research design is the arrangement of conditions for collection, measurement and analysis of data that aims at combining relevance to the research purpose. The use of surveys is important in fact-finding because it provide a great deal of accurate information. In addition, descriptive research design was appropriate because the researcher focused on a small geographic region and made conclusions about the entire western region population of SACCOs. Descriptive Survey research design facilitated the collection of both qualitative and quantitative data using interview schedules and structured questionnaires respectively.

3.3 Target Population

According to Mugenda and Mugenda (2003) population is the entire group of individuals, events or objects having common observable characteristic while the target population refers to the population to which the researcher wants to generalize the results to absolute population of a study. The target population of the research consisted of 150 members, eight (8) Board of Management, 24 managers, 32 members of staff, 78 members/shareholders from the eight (8) selected SACCOs in Western Region (SASRA, 2018) as shown in Table 3.1. Notably, one high performing SACCO was considered for the study from 8 Counties namely, Kakamega, Bungoma, Nandi, Kericho, Uasin Gishu, Trans-Nzoia, Kisumu, and Busia. The 150 members consisted among them, the board members, managers and staff from the selected SACCOs.

Table 3.1: Target Population

Respondents	**Target population**
Board of management	8
Managers	24
Staff	32
Members/shareholders	78
Total	**150**

3.4 Sampling Procedures and Sample Size

Purposive sampling was used to select the Board of Management and Managers of the SACCOs. Stratified sampling was used to categorise staff members into Board of Management, managers, staff and members/shareholders of the selected SACCOs. Stratified sampling ensured that the samples selected were considerate of gender, department, and working experience. All the selected SACCOs were selected. According to Mugenda and Mugenda (2003) a sample is a smaller group or sub group obtained from the entire population.

Table 3.2: Target Population and Sample Size

Respondents	Target population	Sample Size
Board of management	8	8
Managers	24	24
Staff	42	32
Members/shareholders	68	45
Total	**150**	**109**

In order to establish the sample size to be adopted for this study, Yamane (1967:886) formula for population sample will be used as follows

$$n = \frac{N}{1 + N(e^2)}$$

Where: **N** = Population (150)

n= sample size

e=Tolerance at desired level of confidence, (0.05)

$$n = \frac{150}{1 + 150(0.05^2)}$$

n= **109**

3.5 Data Collection Instruments

Primary and Secondary data were collected for the purpose of making conclusion about this study. Primary data was collected using structured questionnaire (See Appendix 2). The structured questionnaire was categorized in two sections, Demographic characteristics of respondents and variable-based section. Questionnaire was a suitable tool because it collected data over a large sample and wide region within a short time. It saves time and upholds confidentiality (Mugenda and Mugenda, 2003) since they were presented in paper form there is no room for interviewer to be biased (Kombo and Tromp, 2006).

Secondary data refer to data which have already been collected and analyzed by someone else Kothari (2010). They may be either published or unpublished. The secondary data sources included information from the existing records at the SACCOs, which assisted the researcher with detailed information to help verify and cross-examine the accuracy and reliability of the answers obtained from the primary data (see Appendix 3).

3.6 Pilot Study

Piloting of research instruments was conducted on one SACCO that did not feature in the actual study. According to Blessing, and Chakrabarti (2009), pilot study; purpose to test research instruments in order to establish reliability and validity of research instruments. Piloting of research instruments helps in identifying potential problems that may affect the quality of the expected results, which might alter conclusions. The exercise can be used to establish the total expected time taken per respondent and even to complete the study.

3.6.1. Validity of Research Instruments

Validity is defined as the extent to which a measuring instrument provides adequate coverage of the topic under study (Orodho, 2004). Structured questionnaires were tested using face validity where data was collected during pilot study using questionnaires and then the findings were given to a research expert (research supervisor) who evaluated the responses and made judgments regarding the accuracy of findings as they related to the topic of discussion. The researcher relied on the feedback given by the research supervisor regarding the accuracy of the questionnaire under test.

3.6.2. Reliability of Research Instruments

According to Mugenda and Mugenda (2003), reliability refers to the degree to which the research instrument gives consistent findings upon repeating data collection on the same population. For the research instruments also to be reliable, they should have Cronbach's alpha of coefficient of at least 0.7 for no-clinical research or social sciences (Sekaran, 2003). In this study, reliability of the structured questionnaire was determined after collecting data (in the pilot study) and entering the data collected in SPSS software. After that, the researcher determined reliability by conducting a scale test, which gives Cronbach's alpha coefficient. Reliability test was carried out and the results showed that a Cronbach alpha of coefficient of 0.877 was attained implying that the research instrument was reliable. The minimum possible coefficient of 0.7 was attained hence the research instruments were reliable. The results were as shown in table

Table 3.3: Reliability Analysis Results

Reliability Statistics

Cronbach's Alpha	No. of items
0.877	43

3.7 Data Analysis

After data was collected using questionnaires, the questionnaires were coded by assigning them numbers to make data entry simple and to avoid repeating entered sheets. Defining the variables/indicators was then next step in order to ensure entry is done accordingly. Data was then entered in the Window-based Statistical Package for Social Science (SPSS version 20). Analysis involved the use of both descriptive and inferential statistics. Descriptive statistics involved organization of responses in frequency and percentages. Inferential statistics, multiple regression analysis was used to test research hypotheses at confidence interval of 95%. Notably, the strength of association between independent variables and dependent variables was determined. Findings were then presented in tables because they were easy to interpret and understand. The regression model adopted by the study was as follows:

The following model used:

$Y=B_0+B_1X_1+B_2X_2+B_3X_3\ldots.+$ error

term

Where Y is the profitability of SACCOs

B_0= Constant.

B_i= coefficient of strategic positioning as measured by merging, creating awareness, centralizing operations, partnering with other financial institutions, operations tailored to meet organization culture and vision, giving high dividends, strict management of cash, lowering interest rates, prioritizing customers, customers are confident and loyal to SACCO, skilled SACCO staff, SACCO encourage customers to have a saving culture, SACCO operations are systematic and computerized, technology is user-friendly, staff trained on use of technology, use of internet to regulate interest rates and dividends. These indicators of the independent variables showed the per unit chance in the dependent variable as caused by one unit change in the independent variable.

3.8 Ethical Considerations

Ethical considerations protect the rights of participants by ensuring confidentiality. The research ensured the information sought is kept confidential and only used for the intended purpose. The respondents were assured of the confidentiality of information given, their privacy, and anonymity and were informed that their views were used for the purpose of research only. A research permit was obtained from National Commission for Science, Technology and Innovation (NACOSTI), thereby giving the researcher authority to collect required data. The researcher understood that the respondent reserved no right to respond to the questionnaire and therefore must meet all the terms and conditions as would be expected by the same respondent.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents response rate, findings on demographic characteristics, and descriptive findings on research objectives. The presentation of findings is followed by interpretation and hence discussion. Discussion of findings entails a comparison of findings with those of other scholars who researched on the same variables regardless of the area of study.

4.2 Questionnaire Response Rate

The questionnaire response rate was 100% because all the 109 questionnaires given out were all returned and were duly filled. A response rate of at least 90% is good for research (Saunders, 2007).

4.3 Findings on Demographic Characteristics of Respondents

There were questions that were asked from the respondents to provide back ground information. They included; gender, length of service as an employee, occupation and academic qualification. The results are as discussed in the following tables.

Table 4.1: Demographic Characteristics of Respondents

	Frequency	Percent
Gender		
Male	72	66.1
Female	37	33.9
Total	**109**	**100.0**
Length of Service		
less than 5 years	14	12.9
6-10 years	46	42.2
11-15 years	25	22.9
above 16 years	24	22.0
Total	**109**	**100.0**
Level of education attained		
Certificate	11	10.0
Diploma	15	13.8
Undergraduate degree	32	29.3
Master degree	48	44.1
Doctorate degree	3	2.8
Total	**109**	**100.0**
Occupation		
Board member	8	7.4
Manager	24	22.0
Staff	32	29.3
Members/shareholders	45	41.3
Total	**109**	**100.0**

4.4 Descriptive Findings on Dependent and Independent Variables

This section presents findings on strategic positioning, branding strategy, pricing strategy, customer service and technological capabilities and profitability of SACCOs in Western Kenya.

4.4.1. Effect of Branding Strategy on Profitability of SACCOs

The first objective of the study was to investigate branding strategy and profitability of SACCOs in Western Kenya. Several questions were asked in the questionnaire and the following are responses given. Where: 1 =strongly disagree, 2= disagree, 3= not sure, 4=Agree, 5=strongly agree, F=Frequency in % (percent).

Table 5: Effects of Branding Strategy on Strategic Positioning

Questions	F	F	F	F	F	F	F	F	F	F
SACCOs that merge acquire skilled labor, improves productivity and hence profitability	5	4.6	12	11	4	3.7	27	24.8	61	56
This SACCO prides in creating awareness to the public about its loan products and other related services	7	6.4	10	9.2	2	1.8	31	28.4	59	54.1
This SACCO has centralized operation despite having other branches	15	13.8	14	12.8	5	4.6	22	20.2	53	48.6
Unlike other SACCOs, this SACCO has unique loan products, and other related services that stands out in the financial market	4	3.7	9	8.3	3	2.8	35	32.1	58	53.2
This SACCO partners with other financial institutions in order to enhance its performance in the financial market	18	16.5	24	22.0	6	5.5	29	26.6	32	29.4
This SACCO operates to fulfil its vision and mission	7	6.4	13	11.9	2	1.8	22	20.2	65	59.6
The organization Culture is tailored towards making this SACCO the best compared to others in the financial market	2	1.8	7	6.4	7	6.4	39	35.8	54	49.5

In the findings presented in table 5, it is evident that 61 (56.1%) respondents strongly agreed while 27 (24.8%) agreed that SACCOs that merged acquired skilled labor, improved productivity and hence profitability. In another case, 12 (11.0%) and 5 (4.6%) disagreed and strongly disagreed respectively that SACCOs that merged acquired skilled labor, improved productivity and hence profitability. Different from other respondents were 4 (3.7%) respondents who were not sure whether to give negative or positive respondents. In the same table, 59 (54.1%) and 31 (28.4%) strongly agreed and agreed respectively that their SACCO was proud of creating awareness to the public about its loan products and other related services. Contrary to this response, 10 (9.2%) and 7 (6.4%) disagreed and strongly disagreed that their SACCO was proud of creating awareness to the public about its loan products and other related services.

Regarding centralization of operations, 53 (48.6%) and 22 (20.2%) strongly agreed and agreed respectively that their SACCOs had centralized operation despite having other branches. Different from this response, 15 (13.8%) and 14 (12.8%) strongly disagreed and disagreed respectively that their SACCOs had centralized operation despite having other branches. Some of the respondents 5 (4.6%) were not sure whether to agree or disagree regarding centralization of operation by SACCOs. Out of 109 respondents who took part in the study, 58 (53.2%) strongly agreed while 35 (32.1%) agreed that unlike other SACCOs, their SACCO had unique loan products, and other related services that stood out in the financial market. Contrary to that, 9 (8.3%) and 4 (3.7%) disagreed and strongly disagreed that unlike other SACCOs, their SACCO had unique loan products, and other related services that stood out in the financial market. Different from other respondents, 3 (2.8%) were not sure whether their

SACCOs had unique loans products and other related services compared to other SACCOs or financial institutions.

The majority of respondents 32 (29.4%) and 29 (26.6%) strongly agreed and agreed respectively that their SACCO partnered with other financial institutions in order to enhance its performance in the financial market. On the contrary, 24 (22.0%) and 18 (16.5%) disagreed and strongly disagreed that their SACCO partnered with other financial institutions in order to enhance its performance in the financial market. Some of the respondents 6 (5.5%) indicated that they were not sure whether their SACCO partnered with financial institutions with aims of enhancing performance.

Out of 109 respondents who took part in the study, 65 (59.6%) strongly agreed while 22 (20.2%) that their SACCO operated with an aim of fulfilling its vision and mission. Contrary to that response, 13 (11.9%) and 7 (6.4%) disagreed and strongly disagreed that SACCO operated with an aim of fulfilling its vision and mission. Different from that were 2 (1.8%) respondents who were not sure whether their SACCO worked to fulfil its vision and mission. In another case, 54 (49.5%) and 39 (35.8%) respondents strongly agreed and agreed respectively that the organization culture was tailored towards making their SACCO the best compared to others in the financial market. Different from that was a group of 7 (6.4%) and 2 (1.8%) respondents who disagreed and strongly disagreed respectively that the organization culture was tailored towards making their SACCO the best compared to others in the financial market.

4.4.2. Effect of Pricing Strategy on Profitability of SACCOs

The second objective of the study was to investigate pricing strategy and profitability of SACCOs in Western Kenya. Several questions were asked in the questionnaire and the following are responses given. Where: 1 =strongly disagree, 2= disagree, 3= not sure, 4=Agree, 5=strongly agree, F=Frequency in % (percent).

Table 6: Effect of Pricing Strategy on Profitability of SACCOs

Questions	F	F	F	F	F	F	F	F	F	F
This SACCO prides in giving high dividends to members/investors	10	9.2	18	16.5	7	6.4	29	26.6	45	41.3
In this SACCO, strict management of cash and liquidity helps in reduction of costs and hence increased profitability	16	14.7	22	20.2	5	4.6	23	21.1	43	39.4
Interest rates charges on loans secured are usually low compared to that of other financial institutions	9	8.3	14	12.8	8	7.3	41	37.6	37	33.9

In table 6, it is evident that out of 109 respondents who took part in the study, 45 respondents who represented 41.3% strongly agreed that their SACCO was proud in giving high dividends to members/investors/shareholders who invested by saving with the SACCO. In the same view, 29 (26.6%) agreed that their SACCO was proud in giving high dividends to members/investors/shareholders who invested by saving with the SACCO. Contrary to that, 18 (9.2%) and 10 (9.2%) disagreed and strongly disagreed that their SACCO was proud in giving high dividends to members/investors/shareholders who invested by saving with the SACCO. Some respondents, 7 (6.4%) indicated that they were not sure whether their SACCO was proud in giving high dividends to members or not.

In the same Table, 43 (39.4%) and 23 (21.1%) strongly agreed and agreed respectively that their SACCOs was strict management on cash and liquidity, which helped in reduction of costs and hence increased profitability. In another case, 22 (20.2%) and 16 (14.7%) disagreed and strongly disagreed that their SACCOs was strict on management of cash and liquidity, which helped in reduction of costs and hence increased profitability. Giving different views from others, 5 (4.6%) respondents were not sure whether their SACCO was strict on management of cash and liquidity or not.

Regarding interest rates, 41 (37.6%) and 37 (33.9) agreed and strongly agreed respectively that Interest rates charges on loans secured were usually low compared to that of other financial institutions. Contrary to that was a group of 14 (12.8%) and 9 (8.3%) disagreed and strongly disagreed respectively that Interest rates charges on loans secured were usually low compared to that of other financial institutions. Some of the respondents 8 (7.3%) indicated that they were not sure whether interest rates charged on loans secured were low compared to that of financial institution or not.

4.4.3. Effect of Customer service on Profitability of SACCOs

The third objective of the study was to investigate customer service and profitability of SACCOs in Western Kenya. Several questions were asked in the questionnaire and the following are responses given. Where: 1 =strongly disagree, 2= disagree, 3= not sure, 4=Agree, 5=strongly agree, F=Frequency in % (percent).

Table 7: Effect of Customer service on Profitability of SACCOs

Questions	F	F	F	F	F	F	F	F	F	F
Prioritizing the customer/member is in the organization culture	12	11.0	16	14.7	6	5.5	34	31.2	41	37.6
Members/customers have confidence and are loyal to this SACCO	15	13.8	17	15.6	9	8.3	38	34.9	30	27.5
SACCO staff are skilled and offer high quality services	8	7.3	21	19.3	4	3.7	41	37.6	35	32.1
SACCO trains and educate members to embrace a saving culture	11	10.1	19	17.4	8	7.3	32	29.4	39	35.8
Members/customers are encouraged/supported to recruit others	6	5.5	14	12.8	5	4.6	36	33.0	48	44.0
Customers/members give feedback that helps in improving service delivery	4	3.7	18	16.5	7	6.4	45	41.3	35	32.1

From the findings presented in Table 7, (37.6%) and 34 (31.2%) strongly agreed and agreed respectively that prioritizing customers/members was in the organization culture and hence, the majority were satisfied with the services offered. Different from those views, were 16 (14.7%) and 12 (11.0%) respondents who disagreed and strongly disagreed that prioritizing customers/members was in the organization culture and hence, the majority were satisfied with the services offered.

In another case, 38 (34.9%) and 30 (27.5%) agreed and strongly agreed respectively that members/customers had confidence and were loyal to their SACCO. Contrary to the aforementioned views, 17 (15.6%) and 15 (13.8%) disagreed and strongly disagreed that members/customers had confidence and were loyal to their SACCO. Some of the respondents 9 (8.3%) did not agree or disagree with the statement that members/customers had confidence and were loyal to their SACCO.

4.4.4. Effect of Technological Capabilities on Profitability of SACCOs

The fourth objective of the study was to investigate technological capabilities and profitability of SACCOs in Western Kenya. Several questions were asked in the questionnaire and the following are responses given. Where: 1 =strongly disagree, 2= disagree, 3= not sure, 4=Agree, 5=strongly agree, F=Frequency in % (percent).

Table 8: Effect of Technological Capabilities on Profitability of SACCOs

Questions	F	F	F	F	F	F	F	F	F	F
Computerized Technology is user friendly	7	6.4	9	8.3	11	10.1	44	40.4	38	34.9
SACCO transactions are systematic and	4	3.7	7	6.4	2	1.8	37	33.9	59	54.1
There is good will for integration of information systems into the SACCOs	15	13.8	8	7.3	9	8.3	26	23.9	51	46.8
Staff is usually trained on the usability of computer applications and related devices	5	4.6	10	9.2	6	5.5	39	35.8	49	45.0
The Internet enables SACCOs to access Interest rates, dividends, and services in	11	10.1	16	14.7	8	7.3	32	29.4	42	38.5
There is direct access to consumers enabled by the Internet, companies can collect information, introduce products & identify target consumers	38	34.9	44	40.4	2	1.8	14	12.8	11	10.1

In the findings presented in table 8, the majority of respondents gave positive responses regarding transactions being systematic and computerized. Notably, 59 (54.1%) and 37 (33.9%) respondents strongly agreed and agreed respectively that SACCO transactions were systematic and computerized. However, 7(6.4%) and 4(3.7%) disagreed and strongly disagreed respectively that SACCO transactions were systematic and computerized.

In another case, 44 (40.4%) and 38 (34.9%) agreed and strongly agreed respectively that technology used by the SACCO was friendly. Contrary to that, 9 (8.3%) and 7 (6.4%) disagreed and strongly disagreed respectively that technology used by the SACCO was friendly. Different from others was a group of 11 (10.1%) respondents who were not sure whether technology used by the SACCO was friendly or not.

Out of 109 respondents, 51 respondents who were the majority, representing 46.8% strongly agreed that there was good will for integration of information systems into the SACCOs. Giving almost the same view was a group of 26 (23.9%) agreed that there was good will for integration of information systems into the SACCOs. On the contrary, 15 (13.8%) and 8 (7.3%) strongly disagreed and disagreed respectively that there was good will for integration of information systems into the SACCOs.

Regarding staff training, 49 respondents representing 45% strongly agreed that members of staff were usually trained on the usability of computer applications and related devises. In line with the same view, 39 (35.8%) agreed that members of staff were usually trained on the usability of computer applications and related devises. Contrary to this view, 10 (9.2%) and 5 (5.6%) disagreed and strongly disagreed respectively that members of staff were usually trained on the usability of computer applications and related devises.

Out of 109 respondents who took part in the study, 42 (38.5%) strongly agreed while 32 (29.4%) that the Internet enabled SACCOs to compare prices, products, and services across suppliers. However, giving contrary opinions, 16 (14.7%) and 11 (10.1%) disagreed and strongly disagreed that the Internet enabled SACCOs to compare interest rates, dividends, and services across suppliers. Some of the respondents 8(7.3%) were not sure whether internet enabled their SACCO to compare interest rates charged and dividends on savings from other financial institutions or not.

4.4.5. Strategic Positioning and Performance and Profitability of SACCOs

This section presents findings that sought to evaluate strategic positioning and profitability and performance of SACCOs in Western.

Table 9: Effects of Strategic positioning on Performance and Profitability

Questions	F	F	F	F	F		F	F	F	F
Improved shareholders dividends paid on savings	4	3.7	7	6.4	2	1.8	37	33.9	59	54.1
Enhanced shareholders growth rate in terms of number of shares and hence	7	6.4	9	8.3	11	10.1	44	40.4	38	34.9
Enhanced improved organizational efficiency in terms of performance	15	13.8	8	7.3	9	8.3	26	23.9	51	46.8
Increased the organizational ability to register more members for increased	5	4.6	10	9.2	6	5.5	39	35.8	49	45.0

In the findings presented in table 9, the majority of respondents indicated that shareholders dividends improved. Notably, 59 (54.1%) and 37 (33.9%) strongly agreed and agreed respectively that there was improved shareholders earnings on savings. Less that 15% of the respondents who took part in the study gave negative feedback on the statement that the Internet enabled SACCOs to compare prices, products, and services across suppliers.

In another case, 44 (40.4%) respondents agreed while 38 (34.9%) respondents strongly agreed respectively that there was enhanced shareholders growth rate in terms of number of shares and hence decision making. Contrary to that, 9 (7.3%) and 7 (6.4%) disagreed and strongly disagreed that there was enhanced shareholders growth rate in terms of number of shares and hence decision making. Out of 109 respondents, 51 (46.8%) strongly agreed while 26 (23.9%) agreed there was enhanced improved organizational efficiency in terms of performance. Contrary to that, 15 (13.8%) and 8 (7.3%) respondents strongly disagreed and disagreed respectively that there was enhanced improved organizational efficiency in terms of performance. Different from that was a group of 9 (8.3%) were not sure whether organizational efficiency improved in terms of performance and profitability.

Regarding the ability of SACCOs to recruit more members, 49 (45.0%) and 39 (35.8%) strongly agreed and agreed that there was increased organizational ability to register more members for increased savings. Giving divergent views, 10 (9.2%) and 5 (4.6%) disagreed and strongly disagreed that there was improved organizational ability to register more members for increased savings. Some of the respondents, 6 (5.5%) indicated that they were not sure whether the SACCO had improved its ability to register more members.

4.5. Inferential Statistical Findings

Table 10: Regression Analysis of Strategic Positioning and Profitability of SACCOs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.633[a]	0.401	0.326	0.626

a. Predictors: (Constant), merging, creating awareness, centralizing operations, partnering with other financial institutions, operations tailored to meet organization culture and vision, giving high dividends, strict management of cash, lowering interest rates, prioritizing customers, customers are confident and loyal to SACCO, skilled SACCO staff, SACCO encourage customers to have a saving culture, SACCO operations are systematic and computerized, technology is user-friendly, staff trained on use of technology, use of internet to regulate interest rates and dividends

In the findings presented in Table 10, the value of R squared, 0.401 indicated the overall association of variables in the model. The value of R squared which was 0.401 indicated that the proportion of variance in the profitability of SACCOs explained by the predictors. Considering that the value of R squared would change upon additional predictors, the value of adjusted R squared, which was 0.326, was reliable. The value of R, 0.633, measured the correlation between strategic positioning and profitability of SACCOs.

Table 11: Analysis of Variance of Strategic Positioning and Profitability of SACCOs

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.157	12	2.096	5.351	0 .000[b]
	Residual	37.613	96	0 .392		
	Total	62.771	108			

a. Dependent Variable: Enhanced organization efficiency-performance and profitability of SACCOs.

b. Predictors: (Constant), merging, creating awareness, centralizing operations, partnering with other financial institutions, operations tailored to meet organization culture and vision, giving high dividends, strict management of cash, lowering interest rates, prioritizing customers, customers are confident and loyal to SACCO, skilled SACCO staff, SACCO encourage customers to have a saving culture, SACCO operations are systematic and computerized, technology is user-friendly, staff trained on use of technology, use of internet to regulate interest rates and dividends. In the findings highlighted in Table 11, it is clear that F (12, 96) = 5.351 and the p-value, which was 0.000, was less than the level of significance adopted for the study, 0.05. Such a relationship indicated that there was a statistical significant relationship between branding strategy, pricing strategy, customer service, technical capabilities and profitability of SACCOs. In such a case, the null hypothesis was rejected and the alternative hypothesis was adopted such that branding strategy, pricing strategy, customer service, and technical capabilities had significant effects on profitability of SACCOs.

The values of unstandardized beta coefficients given by B were used as measures of strategic positioning. These measures would be used to predict the profitability of SACCOs. The simple regression equation adopted for such a relationship was as follows:

$Y = B0 + B_1X_1 + B_2X_2 + B_3X_3 \ldots + \text{error term}$

Where Y is the profitability of SACCOs, B0= Constant, given by 3.602.

Table 12: Multiple Linear Regression of Strategic Positioning and Profitability of SACCOs

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	3.602	.458		7.858	.000
skilled SACCO staff	.426	.057	.530	7.473	.003
operations tailored to meet organization culture and vision	.193	.075	.294	2.575	.012
merging	.448	.082	.530	5.463	.000
creating awareness	.320	.082	.442	.3902	.001
partnering with other financial institutions	.062	.157	.071	.392	.006
operations tailored to meet organization culture and vision	.305	.182	.351	1.675	.002
SACCO operations are systematic and computerized	.350	.118	.433	2.979	.001
prioritizing customers	.463	.090	.516	5.144	.000
staff trained on use of technology	.361	.060	.421	6.016	.002
SACCO encourage customers to have a saving culture	.429	.069	.448	6.217	.001
use of internet to regulate interest rates and dividends	.301	.088	-.331	3.420	.003
customers are confident and loyal to SACCO giving high dividends	.062	.063	.103	.986	.326

a. Dependent Variable: Enhanced organization efficiency-performance and profitability

B_i= coefficient of strategic positioning as measured by merging, creating awareness, centralizing operations, partnering with other financial institutions, operations tailored to meet organization culture and vision, giving high dividends, strict management of cash, lowering interest rates, prioritizing customers, customers are confident and loyal to SACCO, skilled SACCO staff, SACCO encourage customers to have a saving culture, SACCO operations are systematic and computerized, technology is user-friendly, staff trained on use of technology, use of internet to regulate interest rates and dividends. The above Multiple Linear equation would be used to predict the effects branding strategy, pricing strategy, customer service and technical capabilities have on the profitability of SACCOs. For instance, a unit increase in "merging," "skilled SACCO staff," "prioritizing customers," and "customers to have a saving culture" led to 0.448, 0.426, 0.463, and 0.429 increase in profitability of SACCOs respectively. From the same table, strategic positioning ways that had high effect on profitability of SACCOs was "prioritizing customers," "merging," and "customers to have a saving culture" in that order (see table 12). The rationale behind it was that whenever SACCOs merged, they were able to improve efficiency, acquire more client base, reduces cost of operations and hence increased profits (Obunga, Marangu & Masungo, 2015).

Further, the more SACCO members pooled their resources by increasing the saving culture, the more profitable SACCOs became because savings were re-invested and earned profits in external ventures hence increased profitability (Asante, 2017). Customer Satisfaction does not only depend on the financial benefit they accrue in a given venture, but also on the service they get from institution and that is why some SACCOs thrived by positioning themselves (prioritizing customers) in order to retain their membership, hence, increased profitability (Asante, 2017). Strategic positioning ways that had lowest effect on profitability compared to others was confidence and loyalty of SACCO members regarding interest rates and dividends. Customers would always have a notion that financial institutions are offering them deals with low benefits and that is why they sustain their businesses (Ndubisi & Wah, 2015).

4.6.1. Branding Strategy, Strategic Positioning and Profitability of SACCOs

From the findings presented in this study, it is factual that branding strategy largely influenced profitability because most SACCOs that thrived the deposit taking business in the financial market characterized by stiff competition. In table 5, 88 (80.8%) of the respondents indicated that SACCOs that merged acquired skilled labor, improved productivity and hence profitability. On the other hand, 90 (82.5%) respondents observed that their SACCO was proud in creating awareness to the public about its loan products and other related services. Further, it was observed in the study from 75 (68.8%) respondents noted that their SACCO had centralized operation despite having other branches. Over 80% of respondents as shown in table 5, observed that their SACCO worked to fulfil its vision, its organization culture was tailored towards making the SACCO the best, and that their SACCO partnered with other financial institutions to improve its performance and profitability. Relative to the findings of this study, findings from, Obunga, Marangu & Masungo (2015) study aimed that determining the influence of strategic Leadership on Performance of SACCOs in Kakamega established that after using regression as a statistical tool, 46.8% of the performance of SACCOs was explained by strategic leadership. Strategic leadership in the context of the author entailed formulation of strategies such as seeing mergers, engaging in creating awareness of the products and services offered by the SACCOs. Another scholar, Gingrich (2013) conducted in Nepal established in order to cope with stiff market competition and low profitability, SACCOs engaged in mergers, consolidation of operations and marketing were some of the strategic positioning ways managers of SACCOs used. In this case, most SACCOs that are thriving in the financial market in Western Kenya and any other place understand that they have to pool their resources and risks together in order to sustain their operations, grow their profits and achieve other long term goals. Some of the respondents who were undecided were naïve and therefore could not support either the positive or negative side.

4.6.2. Pricing Strategy, Strategic Positioning and Profitability of SACCOs

This was the second objective, which sought to establish the relationship between the three indicators, cash management, determination of interest rates charged on loans secured and dividends paid on saved amount as they determined the pricing strategy. In the findings presented in this study, 67.9% respondents stated that their SACCO was proud in giving high dividends to members/investors while 25.7% gave contrary opinions to that. The rationale behind it was that some respondents did not perceive slight increment in dividends as improvement, they preferred high positive change in earnings. However, from the majority, their SACCO was proud of even slight increments in dividends. Some of the respondents that gave neutral responses were those that did not have information about questions of discussion. In a different case, 60.5% respondents stated that in their SACCO, strict management of cash and liquidity helped in reduction of costs and hence increased profitability. Regarding interest rates, 71.6% of the respondents stated that interest rates charged on loans secured were usually low compared to that of other financial institutions. This indicated that most of the SACCOs positioned themselves by “setting prices” that attracted customers, a move that they were aware contributed immensely towards increasing profitability.

Compared to the findings in this study, Korir & Nzioki (2017) study on the effects of Product Differentiation of Substitutes on Competitive Strategy in SACCOs in Kericho County established that there was a positive correlation between product differentiation, dividends paid on savings, and Strategic Positioning. Asante (2017), In Ghana sought to determine how high performing microfinance institutions coped with competition and non-economic bottlenecks and in the findings, the researcher established that monitoring of financial operations, cost minimization and compliance on loaning policy were some of strategic positions ways microfinance institutions used to stay ahead of competition and hence pay high dividends after making high profits in the financial market.

4.6.3 Customer Service, Strategic Positioning and Profitability of SACCOs

Customer service is a component of strategic positioning and thus of profitability of selected SACCOs in Western Kenya, and others around the world. In the findings, in table 4, 87.1% of the respondents indicated that they had been part of the SACCO either as managers, Board of Managers or as Members for over 6 years. Such an experience, according to Gander (2017) ensures that the customer or client gets quality services and is satisfied for being part of the organization. In Table 7, out of 109 respondents, 75 (68.8%) observed that their SACCO was prioritizing customers/members/shareholders as part of the organization culture. However, 28 (29.4%) were contrary to the view that their SACCO was prioritizing customers/members/shareholders as part of the organization culture. This was attributed to the fact that the majority of respondents were satisfied with how their SACCOs prioritized their needs. Respondents who gave negative feedback were those who had personal issues/problems with a few staff or people they thought were not satisfying them at the organization. In other findings, 68 (62.4%) observed that Members/customers/shareholders had confidence and were loyal to their SACCO. In the findings, 76 (69.7%) stated that their SACCO staff were skilled and offered high quality services. It evident that, the majority of respondents (see Table 7) acknowledged that SACCO employees were skilled; they offered quality services, were strict on organization culture and encouraged others to join SACCOs. Relative to this findings, scholarly findings from Asante (2017) in Accra Ghana who sought to establish the influence of competitive advantage on profitability of microfinance determined that employee training and strict adherence to organization culture and encouragement to embrace a saving culture helped in improving customer satisfaction. In the findings, Musoke & Nyonyintono (2017) customer satisfaction is achieved whenever clients/members/shareholders are involved in decision making, it makes them confident of the SACCO, they feel part of the organization and as such, the SACCO gains advantage over others hence improves its profitability.

4.6.4 Technological Capability, Strategic Positioning and Profitability of SACCOs

The majority of respondents 88% indicated that SACCO transactions were systematic and computerized, which enhanced efficiency in service delivery compared with other SACCOs. In another case, 82(75.3%) respondents stated that technology was friendly. This was attributed to the fact that 87.1% of the respondents had an experience of over 6 years with SACCOs, which exposed them to technological prowess and hence high performance and profitability. Training or supporting capacity building motivates employees, enhances service delivery and hence profitability. Findings from Asante's (2017) study in Ghana on the influence of competitive advantage on profitability of microfinance found that capacity building aimed at improving the competence of employees and educating members on the importance of savings as a way of improving members socio-economic welfare.

In the findings in table 8, over 75% of the respondents observed that SACCOs had the good will to integrate information systems, they were connected to the internet, which helped them to compare interest rates, dividends and other related financial services in the financial market. Embracing the use of modern technology in service delivery for SACCOs positioned them strategically in the financial market and ahead of competition. In the same table, 75.3% of respondents indicated that there was no direct access where customers accessed the internet and accessed SACCOs' services. This was an indication that SACCO were not offering internet banking or services to their customers/shareholders and that services were offered upon visiting any of the SACCO branches.

Findings from scholars who delved on researching on the relationship between technological capabilities, competitive strategies and profitability were in line with findings from this study. Notably, Kirimi & Mutembei's (2017) study that focused on the analysis of factors influencing Competitive Advantage in Selected SACCOs in Nairobi North District established that most SACCOs were performing poorly in terms of profitability because their information system was poor. Most of the SACCOs lost or could not retrieve and manage customers information; hence, discouraging customers from maintaining their membership with them. Technological innovation is widely regarded as one of the most important sources of sustainable competitive advantage in an increasingly changing environment, because it leads to product and process improvements, makes continuous advances that helps firms to survive, allows firms to grow more quickly, be more efficient and ultimately be more profitable than non-innovators (Thierren *et al*., 2011). Ledgerwood, Earne & Nelson (2013) asserts that a number of technological innovations achieved by firms had a positive effect on their operating profit margin. Adoption of new technology such as IT is an enabler of process innovations from the perspective of the adopter in the implementation succeeds, the routines are changed and the new system is actually utilized.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1Introduction

This chapter presents a summary of the findings, conclusions and recommendation. Recommendation entailed policy and practice and suggestions for further research. It should be noted that summary of findings, conclusions and recommendations are presented based on every objective.

5.2 Summary of Key Findings

The Study investigated strategic positioning and profitability of Savings and Credit Co-operative societies in Western Kenya. The following were the key findings:

5.2.1 Effect of Branding Strategy on Profitability of SACCOs

In the findings, 80.8% of the respondents observed that SACCOs that merged and as a result, they acquired skilled labor, improved productivity and hence profitability. On the other hand, 82.5% respondents indicated that their SACCO was proud in creating awareness to the public about its loan products and other related services. Further, 68.8% respondents stated that their SACCO had centralized operation despite having other branches. Over 80% of respondents observed that their SACCO worked to fulfil its vision, its organization culture was tailored towards making the SACCO the best, and that their SACCO partnered with other financial institutions to improve its performance and profitability.

5.2.2 Effect of Pricing Strategy on Profitability of SACCOs

In the findings presented in this study, 67.9% respondents stated that their SACCO was proud in giving high dividends to members/investors while 25.7% gave contrary opinions to that. In another case, 60.5% respondents stated that in their SACCO, strict management of cash and liquidity helped in reduction of costs and hence increased profitability. Regarding interest rates, 71.6% of the respondents stated that interest rates charged on loans secured were usually low compared to that of other financial institutions.

5.2.3 Effect of Customer Service on Profitability of SACCOs

Out of 109 respondents, 68.8% observed that their SACCO was prioritizing customers/members/shareholders as part of the organization culture. In other findings, 62.4% observed that Members/customers/shareholders had confidence and were loyal to their SACCO. Further, 69.7% stated that their SACCO staff were skilled and offered high quality services. It evident that, the majority of respondents acknowledged that SACCO employees were skilled, they offered quality services, were strict on organization culture and encouraged others to join SACCOs.

5.2.4. Effect of Technological Capabilities on Profitability of SACCOs

Regarding technological capabilities, 88% indicated that SACCO transactions were systematic and computerized, which enhanced efficiency in service delivery compared with other SACCOs. In another case, 75.3% respondents observed that technology was friendly. This was attributed to the fact that 87.1% of the respondents had an experience of over 6 years with SACCOs, which exposed them to technological prowess and hence high performance and profitability. Over 75% of the respondents noted that SACCOs had the good will to integrate information systems; they were connected to the internet that facilitated them to compare interest rates, dividends and other related financial services in the financial market. Embracing the use of modern technology in service delivery for SACCOs positioned them strategically in the financial market and ahead of competition. Different from that, 75.3% of respondents indicated that there was no direct access where customers accessed the internet and accessed SACCOs' services.

5.3 Conclusions

Most SACCOs thrive in the financial market not because they have too much financial capacity, but because they created awareness of their products and services, have a strict cash management policy, have skilled workers and above all believe in pooling resources together with other financial institutions with an aim of making profits. The move to offer high dividends on invested funds and levying relatively low interest on loans secured was one of the ways to attract members who were core towards improving profitability. Some SACCOs were into levying high interest rates on loans and paying low dividends on savings hence discouraging members/shareholders, which in the competitive financial market, the earned low profits or closed down their operations.

Customer service is vital for any organization that seeks to sustain its business especially if members/shareholders contribute funds, which forms the capital needed for the running of the organization. It is important to note that the saving culture is not in many people in developing economies therefore, every SACCO has to strategically position itself to achieve its goals. The majority of SACCOs has not embraced the practice whereby members/shareholders can access banking or other SACCO services online, members/shareholders have to visit branches physically to access SACCO services. Technological advancement and specifically integration of information management systems in SACCOs' operations facilitate quality service, which in the long-run helps in improvement of profitability.

5.4 Recommendations for Policy and Practice

i). The Government through the Ministry of Co-operatives, Finance, Information Community Technology and Industrialization should formulate policies aimed at improving operations of SACCOs; for instance, cash and liquidity management, use of technology in service delivery and in linking them with other financial institutions to enhance their performance.

ii). SACCOs should actively engage in use of various forms of branding strategy like brand awareness, brand image, brand identity and brand recognition that do affect the consumer's consideration set and influencing choices among brands in the consideration set.

iii). SACCOs should implement a cost-leadership strategy by reducing its economic costs below its competitors. This can be achieved through tight control of costs and overhead, avoidance of marginal customer accounts, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs.

iv). The SACCOs need to provide excellent real-time customer service by developing a relationship with each value involved customer through the effective use of individual account information as this was not adequately exploited in most SACCOs.

v). SACCOs need to invest more in technological capabilities invest to ensure all the SACCOs' operations are digitized to enhance efficiency and effectiveness.

5.5 Suggestions for Further Research

i). Further research is encouraged to cover SACCOs in the other regions in Kenya because Strategic positioning and its influence on profitability in SACCOs in Western Kenya cannot be the same for SACCOs across the County Kenya.

ii). Further research is encouraged to cover SACCOs in the other regions in Kenya to ascertain is consistent results could be achieved.

iii). Research is encouraged to establish the moderating effect of organizational factors on the relationship between strategic positioning on the profitability of selected Savings and Credit Cooperative Societies in Western Kenya.

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APPENDICES

APPENDIX 1: INTRODUCTORY LETTER

Dear Sir/Madam,

RE: RESEARCH QUESTIONNAIRE

I am a Masters of Business Administration student specializing in Strategic Management Option. I am conducting a research as part of the examinations. The purpose if this letter is to kindly ask you to objectively share information on the **"Strategic Positioning and Profitability of Savings and Credit Co-Operative Societies in Western Kenya"**. All responses will be treated ethically and with a lot of confidentiality. The responses accrued out of this study will be used for this research only. Thanking you in advance.

Yours faithfully

ELISHA CHEPCHIENG KIPLAGAT
MBA/025/13

APPENDIX 2: QUESTIONNAIRE

You have been selected to participate in the study on the **Effects of Strategic Positioning on Profitability of Selected Savings and Credit Co-Operative Societies in Western Kenya.** Your participation is of high value to this study and will be highly appreciated. The information you give will be treated with utmost confidentiality. Kindly respond to the questionnaire, giving information in the space provided indicating by a tick where appropriate

SECTION A: BACKGROUND INFORMATION OF RESPONDENTS

1. Please indicate your gender

   Male [ ] Female [ ]

2. For how long have you been an employee/member/partner/shareholder in the SACCO?

   Less than 5 years [ ] 6 to 10 years [ ] 11 to 15 years [ ] 16 and above [ ]

3. State the category that best describes your qualification……………………….

   Attained certificate [ ] Degree level [ ]

   Master level [ ] Doctorate level

4. What is your occupation?

   Board of management [ ]

   Manager [ ]

   Staff [ ]

   Other, specify…………………………………………………………………………

SECTION B: Strategic Positioning on Profitability of SACCOs

Please rank the following statement on Likert scales ranging from strongly disagree to strongly agree, where;**1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree**

BRANDING STRATEGY AND STRATEGIC POSITIONING	SCORES				
	1	2	3	4	5
1. SACCOs that merge acquire skilled labor, improves productivity and hence profitability					
2. This SACCO prides in creating awareness to the public about its loan products and other related services					

3. This SACCO has centralized operation despite having other branches					
4. Unlike other SACCOs, this SACCO has unique loan products, and other related services that stands out in the financial market					
5. This SACCO partners with other financial institutions in order to enhance its performance in the financial market					
6. This SACCO operates to fulfil its vision and mission					
7. The organization Culture is tailored towards making this SACCO the best compared to others in the financial market					
PRICING STRATEGY AND STRATEGIC POSITIONING					
1. This SACCO prides in giving high dividends to members/investors					
2. In this SACCO, strict management of cash and liquidity helps in reduction of costs and hence increased profitability					
3. Interest rates charges on loans secured are usually low compared to that of other financial institutions					
CUSTOMER SERVICE AND STRATEGIC POSITIONING					
1. Prioritizing the customer/member is in the organization culture					
2. Members/customers have confidence and are loyal to this SACCO					
3. SACCO staff are skilled and offer high quality services					
4. SACCO trains and educate members to embrace a saving culture					
5. Members/customers are encouraged/supported to recruit others into the SACCO					
6. Customers/members give feedback that helps in improving service delivery					
TECHNOLOGICAL CAPABILITIES AND STRATEGIC POSITIONING					
1. SACCO transactions are systematic and computerized					
2. Technology is user friendly					
3. There is good will for integration of information systems into the SACCOs					
4. Staff is usually trained on the usability of computer applications and related devises					

	5. The Internet enables SACCOs to compare interest rates, loan products, and services in the financial market					
	6. There is direct access to consumers enabled by the Internet companies can collect information, introduce products & identify target consumers					
	SECTION THREE PART A: PERFORMANCE AND PROFITABILITY					
1	Improved shareholders dividends paid on savings					
2	Enhanced shareholders growth rate in terms of number of shares and hence decision making					
3	Enhanced improved organizational efficiency in terms of performance and profitability					
4	Increased the organizational ability to register more members for increased savings					

APPENDIX 3: LIST OF SELECTED SACCOs IN WESTERN KENYA

1) BARATON UNIVERSITY SACCO SOCIETY LTD**-ELDORET**
2) FARIDI SACCO SOCIETY LTD**-BUSIA**
3) IG SACCO SOCIETY LTD**-KAKAMEGA**
4) IMARISHA SACCO SOCIETY LTD**-KERICHO**
5) KITE SACCO SOCIETY LTD**-KISUMU**
6) NG'ARISHA SACCO SOCIETY LTD**-BUNGOMA**
7) TRANS-NATIONAL TIMES SACCO SOCIETY LTD**-KITALE**
8) MUDETE TEA GROWER SACCO SOCIETY LTD**-VIHIGA**

Source: *SARSA 2018*

APPENDIX 4: A MAP OF SOME OF THE COUNTIES IN WESTERN KENYA

APPENDIX 5: RESEARCH AUTHORIZATION

NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No.
NACOSTI/P/16/53988/11010

Date:
23rd May, 2016

Elisha Chepchieng Kiplagat
Kibabii University College
P.O Box 1699-50200
BUNGOMA.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Effects of strategic positioning on profitability of Saving and Credit Co-operative Societies in Western Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Bungoma, Busia, Kakamega and Vihiga Counties** for the period ending **23rd May, 2017.**

You are advised to report to **the County Commissioners and the County Directors of Education of the selected Counties** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioners
Selected Counties.

The County Directors of Education
Selected Counties.

APPENDIX 6: RESEARCH PERMIT