INTERNATIONAL JOURNAL OF SOCIAL Sciences and Information Technology
ISSN 2412-0294 www.ijssit.com

http:// www.ijssit.com

RELATIONSHIP BETWEEN COMPETITIVE STRATEGIES AND PERFORMANCE OF SAVINGS AND CREDIT CO OPERATIVE SOCIETIES: A CASE OF MWALIMU NATIONAL SACCO IN KENYA

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Abstract

Savings and Credit Cooperative Societies have significantly contributed to the growth of Kenyan economy through empowering members to save, access credit and mobilize resources for instance in Kenya today it is a requirement for all public service vehicles operators to be members of a SACCO. However, a majority of the SACCOs in the recent past have faced a number of challenges in retaining membership, mobilizing resources and consequently reduction in share capital. This study assessed the relationship between Competitive Strategies and the performance of Mwalimu National Sacco. The study was carried out at Mwalimu National Sacco head office at Nairobi Kenya. Descriptive survey design was used. The study targeted a total of three hundred (300) employees of the Mwalimu National Sacco. The researcher adopted Yamane (1967) formula to obtain a sample which was two hundred and fourteen (214). The sample size of 214 was then apportioned to the various strata which are cadres of staff namely Managers, Accountants, Tellers, Human Resource and Marketing officers. Stratified sampling technique was used to obtain a representative sample. Primary data was collected using structured questionnaires. They were administered through drop and pick method. Secondary data was obtained from relevant literature review of annual reports, financial statements. Validity of data collection instrument was ascertained by use of my supervisors and research experts. Reliability was calculated by using split half method. Cronbach alpha was be calculated and it was above 0.6, deeming the research instrument reliable (Creswell, 2016). Data was analyzed by use of, descriptive statistics (mean, frequencies and percentages), multiple regression model and Pearson Product Moment Coefficient. Data analysis was aided by Statistical Package for Social Sciences (SPSS).Frequency tables were used to present the data. The study findings indicated that there was a positive relationship between competitive strategies and the performance of Mwalimu National SACCO. The study recommended that Mwalimu National SACCO should encourage integration of competitive strategies in its operations to enable employees to feel incorporated in the workplace and to boost SACCO performance.

Keywords: *Front Office Service Activity, Savings and Credit Co-operative, Sacco Societies Regulatory Authority*

Background of the study

SACCOs are owned, managed and run by its members through democracy and members driven. It's the member's right to decide how the money will be used for self-benefit and benefits of the Sacco. Cooperative societies are managed by board members who are democratically elected on the basis of one member one vote. Members also elect supervisory committee that plays an audit role (Husssein, 2011)

The World Council of Credit Unions (WOCCU, 2014) statistical report recorded that a total of 57,000 Credit Unions (SACCOs) spread across 105 countries and the 6 continents. The worlds Credit Union system had a combined savings of $ 1.5 trillion (US dollars), and an asset base of $ 1.8 trillion (US dollars) out of which $ 1.2 trillion (US dollars) constituted the loan portfolio. The penetration rate of credit Union systems is at 8.2 percent. The United Nations declared 2012 the Year of Co- operatives to recognize and celebrate the contribution of cooperatives to members. ICA developed a Blueprint for a Co-operative decade enterprises where they should be acknowledged as leaders in social, economic and environmental sustainability which is a business model preferred by people who are the fastest growing form of enterprise by Year 2020 (Allela, 2011)

SACCO societies were introduced in Africa in 1931 with the intention of assisting villagers improve their economic wellbeing (Husssein, 2011). English speaking nations were first at adopting SACCO's with Ghana, Uganda, Nigeria, Tanzania and Kenya being the first countries. SACCO societies in Kenya have introduced strategies to monitor liquidity risk as part of an integrated institution wide risk management to ensure stability and improvement of loan portfolio in the balance sheet. This helps a SACCO to identify its future funding requirements and any potential risks (Fiedler, Brown, & Moloney, 2016). Failure or poor management of liquidity risk and credit risk affect the quality of loan portfolio and SACCOs that have managed liquidity risk and credit risk adequately their loan portfolio quality and performance is sound and healthy and vice versa (Barney,2007).

The SACCO sub-sector is part of the larger co-operative movement in Kenya. There are two major categories of co-operatives: Financial co-operatives (Savings & Credit co-operatives societies – SACCOs) and Non-financial co-operatives (includes farm produce and other commodities marketing co-operative, housing, transport and investments co-operative). The establishment of SACCO societies Act 2008 places regulation on growth and development under the armpit of SACCO regulatory Authority (Nyakichi, 2009).

A well-defined and executed strategy will impact on all aspects of organization's business and has a direct link with the customer needs, emotions and it's responsive to competitive environment. SACCO strategies have been necessitated by SASRA regulations that require deposit-taking SACCOs to have a core capital of not less than 10 million shillings. This has forced SACCOs to find alternative ways of expanding the common bond. Re-branding has enabled most deposit /takers to expand membership and increase the core capital in order to be licensed by regulatory authority (Wanyonyi, 2011). However, a business strategy has also its challenges that if not well addressed can have negative impact on business performance. Since SACCOs in Kenya are major players in the financial Industry with about 25% of the GDP in members' deposits, prudent management is therefore important to ensure safety of member's deposit. This can only be achieved if proper strategies are adopted in the management of SACCOs. Strategies can only be effective if properly conceived and executed. Poorly executed strategies can lead to inefficiency and financial losses that can be detrimental to the long – term survival of the Sacco (Capon, 2008).

In SACCOs, profitability is not the primary concern (Burnes, 2009). However, the WOCCU report (2005) takes a different look at profitability of SACCOs. It stated that Sacco's should generate profit in order to directly benefit the owners as they (members) serve as both the owners of the Sacco's and the recipients of the services offered by the organization. Thus SACCOs maximize their profits; they lower service fees and pay higher dividends. In line with the WOCCU report (2011), Allela (2011) states that SACCOs organized to meet the needs of their members thus surplus or profit are returned to members in the form of reinvestment in the Sacco, dividends to members, or lower interest rates on loan products.

Grant (2012) observes that business is affected by social change irrespective of its magnitude is going to be part of the international business community. This is so because the business setting is changing, vibrant, tumultuous, discontinuous and highly competitive. He further observes that the Key main contributors for this change include; increased corporate governance, globalization of business, influence of corporate organizations, the repositioning of government and the rise in the strategic significance of stakeholder's relationships, knowledge and reputation.

Hamel (2013) notes that strategic management involves all the sets of managerial decisions and actions that enhance the long-term performance of an organization. It involves both external and internal environmental scanning, long range planning, strategy implementation, and evaluation and control. Kimutai (2010), Opined that External opportunities and threats of an organization's strengths and weaknesses are emphasized in analysis. Grant (2012) observes that strategic management process combines three interconnected activities which include; strategic analysis, strategy formulation and strategy implementation.

Sababu (2007) argues that a competitive business environment has led to a complex and sophisticated business decision-making. Managing multi-faceted internal activities an organization is anomaly critical responsibility of strategic managers. Strategic practices ensure accurate scanning of environmental changes and preparedness due to the unexpected organizational competitive demands. Wanyonyi (2011) observes that the fundamental nature in formulating comprehensive competitive strategy is linking the organization to its environment. Maina (2010) argues that when a strategy is clearly defined it creates enthusiasm among the stakeholders more particularly on the shareholders, customers, suppliers, employees, creditors and this encourages commitment to better performance of an organization. Strategic management enables organization to mobilize resources for the future through management of change. Oyeila (2011) posits that in a globalization era, strategic management is considered the fundamental practice which makes a distinction between organizations management and subsequent performance.

Onyango (2011) observes that strategic management assist the organizations to attain the organizational vision through the realization of its set strategy and objectives. Strategic management involves identifying the organization's vision, mission and objectives, developing policies and plans, often in form of projects and programs, designed to attain its objectives, and then allocating resources for implementation of the plans and policies. Strategic management is a managerial function of setting goals that provides overall direction of the organization and it includes the management team and the Board of Directors. Allela (2011) observes that an organization will not have a sustainable basis for creating and maintaining a competitive advantage in the industry where it operates without a strategy (Barney, 2007).

Marketing strategies are vital in the response to the demands and needs of the Sacco's environment which is constantly evolving in management. Environment influences a business normally arises from competition (Burnes, 2009). Combined strategy of an organization involves matching its corporate objectives and its available resources. In this development of strategy, managers are concerned with reconciling the business the organization is in with the allocation of resources (Bintomari, 2010). This allocation process is concerned with the general purposes of an organization, whether it is part of the grand plan, the overall objectives or a 'strategy' designed to keep the organization in business (Businei, 2011)

When organizations develop generic strategies, it is critical that they have grand strategies that provide the basic direction for strategic actions (Lucy, 2013). The success of a business in a competitive environment depends greatly on the strategies it applies in order to attract and maintain customers. Product differentiation strategy is adopted by organizations in order to provide products that satisfy individual customer's needs; hence it can be a tool of competitive advantage. In satisfying individual customer's needs, quality has become a major differentiating factor among products (Mwaniki, 2013). As a result, customers are willing to pay more for products that cater to their individual size, taste, style, need or expression.

Low cost leadership involves becoming the low cost firm in an activity and can be operationalized as low input costs, economies of scale, experience, products/process design and low pricing (Capon, 2008). Low input costs involve locating operations close to materials and cheap labour; economies of scale require large scale operations and experience is where more experience leads to efficiency. Products/process design influence efficiency by making products from cheap standard materials while low pricing is made possible by having products that are close to competitors in terms of features. The firm can then make small price cuts to compensate the slightly lower quality (Gandoito, 2011).

Mwalimu National Saving and Credit Cooperative Society Limited (Sacco) was started in 1974. The Sacco is a national wide SACCO with head office at Nairobi and branches at Kisumu, Nyeri, Kisii, Webuye and Mombasa. The SACCO has 48,024 members which are from Mwalimu National Sacco Society staff, TSC Primary and secondary teacher, TSC lecturers, TSC secretariat, and members' spouses in formal employment. Currently, the Sacco is offering the BOSA, WSF (FOSA) and Business Loans. The Mwalimu National Sacco in the year 2011 was voted the best managed co-operative society in the 89th International Co-operative. The Sacco had previously won other awards which include; Best Loan Services to Members; Highest Average Savings; Best Insured Urban Sacco; Second best Most Innovative SACCO and Lowest Expenditure SACCO. In the year 2016 Mwalimu National SACCO won; Highest Average Savings and the best Innovative SACCO losing other awards. The Co-operative sector in general has experienced increase in the number of institutions providing similar services previously preserve for Sacco's and they include Banks, Rotating Savings and Credit Associations, NGOs and micro finance institutions, these changes have brought about competition for survival of the Sacco's depending on the ability to effectively compete in the market (Mbegwa, 2010).

Problem Statement

The internal and external environment in which business operate is turbulent and dynamic faced with numerous challenges which bring about changes that often render yester-years strategies irrelevant. Onyango (2011) observes that the hypercompetitive business environment has made organizations to adopt strategic management practices that support the organizational plans, decisions and choices that promote organizations to have a competitive advantage and to achieve its desired performance, which in most organization is realization of profits and wealth creation. Strategic management is critical in addressing the reasons why some organizations succeed and others fail since it covers the causes for organization success or failure (Porter, 2011). Mwalimu National Sacco has experienced challenges in the management of liquidity risk and credit risk which affect the quality of loan portfolio and capital adequacy and as a result poor dividend declaration. This is despite the strategies in place to ensure competitive advantage over other SACCO's. research has been carried out inquiring on the influence of competitive strategies on organizational performance, for instance, Bakar *et al* (2011); Dauda *et al.*, (2010); Melchorita, (2013), Murimbika, (2011) and Ofunya, (2013) analyzed the relationship between competitive strategies and organizational performance in the banking sector but none of them investigated the relationship between competitive strategies and performance of Mwalimu National Sacco. Thus, this study assessed the relationship between competitive strategies and the performance of Mwalimu National Sacco.

Theoretical Review

A theoretical review or frame work explains why the problem under study exists thus serves as a basis for conducting research (Grant, 2012). The study will adopt Porter’s Generic Strategies Theory and Goal Setting Theory.

Porter’s Generic Strategies theory

Porter (1998) cited by (Nderitu2015) noted that strategy target cost leadership, differentiation and focus/ niche marketing strategy. He further stated that a company should choose one of the three strategies or risk wastage of resources. But other researchers such as White (1996) and Nangila (2014) feel that a combination of the three generic strategies could offer an organization an edge over other organizations.

Radas et *al.,* (2005) opined that the strategies an organization chooses to implement must be in line with its goals and objectives. David (2008) highlighted that firms which adopt cost leadership, set out to be the lowest cost producers in an industry in order to gain competitive advantage. Cost advantage depends on the industry structure and it includes pursuit of economies of scale which is achieved by production in bulk, superior technology and access to low materials. For an organization to succeed in achieving stumpy cost benefit, it ought to have a strategy that focuses on achieving more using little resources, the core competencies and low production cost (Malburg, 2007). The firms that succeed in cost leadership have internal strengths that include access to capital required and assets which prevent new entrants or presents as a barrier to entry of a particular market (Hyatt, 2008)

Differentiation strategy entails the improvement of service or products making them to be exceptional and treasured by customers and that customers normally identify the products to be better than or different from other products of the competitor (Nderitu, 2015). Value addition by the uniqueness of a product may allow a premium price to be charged for it. The firm that succeeds in differentiation usually has such strengths as access to superior research and a skilled and innovative development team (Kiechel, 2010)

Niche marketing or focus strategy refers to concentrating on segments to achieve either cost or differentiation. Niche marketing strategy usually allows organization to enjoy customer loyalty, thus such loyalty discourages direct competition or competitors. The organizations that pursue market niche strategy have lower volume and consequently less bargaining power with their suppliers. However, pursuing a differentiation focus or niche strategy may enable passing of higher costs to customers because close substitutes do not exist (Grant, 2012).

Therefore, Porter’s generic strategies are significant in identifying the competitive pressures in a market and they also help organizations to choose generic strategies that would successfully enable the organization to compete favorably in an industry. This theory will therefore, contribute in the study by identifying the competitive strategies that are appropriate for SACCOs. You need to explain how each theory will contribute to your study and the shortcomings of each theory plus any other study that has used the same theory.

Goal Setting Theory

The goal setting theory emphasizes the positive relationship between goals and performance. The theory provides that performance in organizations is enhanced when goals are specific and challenging. Goals are also used in organizations to evaluate performance. Manages have a general agreement that goal setting improves performance and this is why they come up with goal based programs such as Management Information Systems (MIS), high-performance work practices (HPWPs), Management by Objectives (MBO), and strategic planning. Goal setting theory is among some of the motivational theories that assert that staff should be motivated into achievement of the stated goals (Mwaniki, 2013)

The setting of goals directs employee attention towards relevant targets. It has been proven in literature that goal-setting theory contributes to the performance of individuals in the organization. In international business, human resources are key in driving organizations towards performance and the goal setting theory supports the motivation of staff in meeting organizational goals. Wanyonyi (2011) observes that employees should set goals which should motivate them to superior performance if followed, In case the goals are not achieved they have a chance to modify or improve them. Maina (2012) highlighted that the harder the goals are the more motivating they are because it requires harder work to establish the goal. Organizations should set goals to be achieved through various strategies formulated by the management of the organizations; the strategies should be able to have a competitive advantage hence competitive in nature.

Empirical Review

Empirical review involves the search for published work like journals and books (Zikmund et al., 2010). This section will review previous studies on competitive strategies and SACCO performance.

SACCO Performance

The SACCO performance will be measured by establishing return on assets and return on equity and profitability. Return on assets is an accounting ratio that shows how much a firm has been able to derive from its assets. It is measured by net income to total assets ratio. It is generally used as a measure of a firm's performance with a measure of over 5% being considered a good firm performance. A better indicator of SACCO profitability is provided by ROA and measures the profitability from the point of view of the overall efficiency of a SACCO's utilization of total asset. ROA is often accepted as the most comprehensive accounting measure of a SACCO's overall operating performance. ROA gives information about how much profits are generated on average by each unit of asset. Analysts use ROA to assess managerial performance, or asset and liability management skill as it their efficiency in creating values. An extended or modified decomposition of ROA also exists and can be used to address a certain industry.

Return on Equity is a ratio of net income attributed to shareholders to shareholders equity. It is also a measure of financial performance that shows how much income has been derived from shareholder's equity. Generally a rate of 15-20% is considered favorable performance. ROE gauges the profitability from the shareholders perspective and measures SACCO accounting profits per unit of dollar of book equity capital (Sinkey, 1998). In other words, it is the reflection of how effectively a SACCO management utilizes invested fund by shareholders. Hence, if a SACCO management aims to maximize Economic profit (EP) ROE is the foremost important driver of value, therefore SACCO's focus on ROE especially when presenting to shareholders since it is subject to their interest ROE, along with return on assets (ROA), is one of the all-time favorites and perhaps most widely used overall measure of corporate financial performance (Rappaport1986). This was confirmed by Monteiro (2006) who stated that ROE is perhaps the most important ratio an investor should consider. The fact that ROE represents the end result of structured financial ratio analysis, also called Du Pont analysis (Jordan, 2004) contributes towards its popularity among analysts, financial managers and shareholders alike.

ROE is calculated by taking the profit after tax and preference dividends of a given year and dividing it by the book value of equity (ordinary shares) at the beginning of the year. Average equity can also be used. Equity would consist of issued ordinary share capital, plus the share premium and reserves.

It is worth noting that while some researchers have used return on assets, return on equity and earnings per share as a measure of financial performance in firms, there is diverse financial performance measures used in other studies as well. For instance Coleman (2007) used outreach and default rate in small and medium enterprises in Ghana as measure of financial performance. Other measures of performance include market book value of Equity Tobin's Q (Ebrati et al., (2013), Profit margin, profit efficiency (Pratomo et al., (2006); Gweny et al., (2014).

Ebaid (2009) conducted a similar study on companies listed in Egyptian stock market from1997 to 2005. He used return on asset (ROA), return on equity (ROE), and gross profit margin (GPM) as measure of performance against total debt, long-term debt and short-term debt as the explanatory variables. The firm size was used as the control variable and found negative influence of short term debt on return on asset (ROA), no influence between long term debt (LTD) and return on asset (ROA). He found no relationship between all levels of debt and gross profit margin (GPM) as well as with return on equity (ROE).

Ebrati et al., (2013) carried out a study on impact of capital structure on firm performance in eighty five firms listed in Tehran stock exchange. They used return on asset (ROA), return on equity (ROE), market book value of equity (MBVR), earnings per share and Tobin's Q as measure of financial performance. They also used short term debt to total assets, long-term debt to total assets total debt to total assets and total debt to total equity as a measure of leverage. They found no significant relationship between earnings per share and return on asset and short term debt and long term debt.

Except for income channels, asset and liability structures influence ROA and ROE as well. In assessing asset quality loan portfolio, sector and exposure distribution should receive special attention. While government bonds are considered to relatively safe loan however with low rate of return, corporate and consumer loans deliver higher return but have higher probability to turn into loss loan, thus driving down the profitability. Classification and definition of non-performing loans is also important for overall asset quality and are usually defined by the major rating agencies, SACCO's and in some cases, by SACCOs themselves. SACCO assets are divided into two main categories: fixed, and revenue generating assets. Revenue generating assets are those that earn interest income such as loans, inter-SACCO assets investment operations and revenue generation ability of these assets influence on commercial SACCO profitability. However, when transferring funds into revenue generating assets and allocating them, risk related to the type of assets must be considered. Profitability is also dependent on a SACCO's ability to manage and eliminate risks in asset activities.

Competitive Strategy

Allela (2011) define competitive strategy as fretful with particulars of the game that management plan for contending productivity and achieve a niche over other in the market with the same products. Onyoro (2011) also observed that the strategies that give a competitive as the exploration encourage competition in the industry. Organizations need an effective competitive strategy to function successfully in the market where there is conventional and possible competition. Choosing competitive strategies which will bring competitive advantage is an inexact course of action (Capon, 2011). Capon (2011) also argues that the accomplishment of competitive advantage and hence superior profits are essential to the strategy of any organization. Also flourishing achievement of competitive advantage is likely to result if a company is apparent about its competitive strategy. According to Kimutai, (2010) the fundamental nature of formulating a competitive strategy is to link a company to its surroundings. Industry configuration has a strong manipulate in determining the competitive rules of the game as well as the strategies potentially existing to the firm.

Barney (2012) argues that competition in an industry is entrenched in its fundamental economic configuration and goes well further than the behavior of existing competition. The state of competition in an industry depends on five indispensable competitive forces which include the bargaining power of customers, bargaining power of suppliers, and threat of new entrants, treat of substitutes, and competitive rivalry. The combined strength of these forces conclude the eventual profit probable in the industry where profit which is prospective is calculated in terms of long run proceeds on endowed capital. Hence to cope productively with the competitive forces and thus yield a superior return on investment, firms have exposed many diverse approaches to this and the finest strategy for a given firm is eventually unique construction reflecting its meticulous circumstances.

According to Maina (2010), a competitive advantage has a three stage life cycle which begins with the buildup period where strategic moves are successful in producing competitive advantage. Secondly, there is the benefit period. In this stage, fruits of competitive advantage are enjoyed and the firm earns profits and recoups on investment.

Onyango (2011) hypothesized that some nations were more competitive than others. In addition to being able to successfully maneuver through the environment, he identified that the foundation of success lay in the diamond of home advantage. In Porter's analysis, industry competitors can be threatened by new or potential entrants and substitutes. In systems, barriers to new entrants can exist as well as barriers to international competitiveness. These barriers can be related to technical characteristics of commodities, Perish ability, bulkiness, and production characteristics, economies of scale, laws, rules and standards. In industrial products, many factors go into making up the competitive advantage of a supplier. These factors are primarily related to size and patterns of demand which is shaped by incomes, tastes and technological developments, sector policies, rate of inflation, investment policies, natural resources, human capital endowments, physical, social infrastructure and micro-marketing relationship.

A competitive strategy is concerned with what a firm is doing in order to gain a sustainable competitive advantage. Nyakichi (2011) outlines three approaches to competitive strategy which are, low cost leadership strategy, whereby a firm strives to be the overall low cost producer. Then there is differentiation strategy where a firm seeks to differentiate its product offering from that of its rivals. Finally there is the focus strategy in which a firm focuses on a narrow portion of the market. Organizations focuses on gaining competitive advantage to enable them compete effectively in the market. According to Burnes (2009), fundamental competences are more robust and imitable because it provides a linkage of the organization with its suppliers.

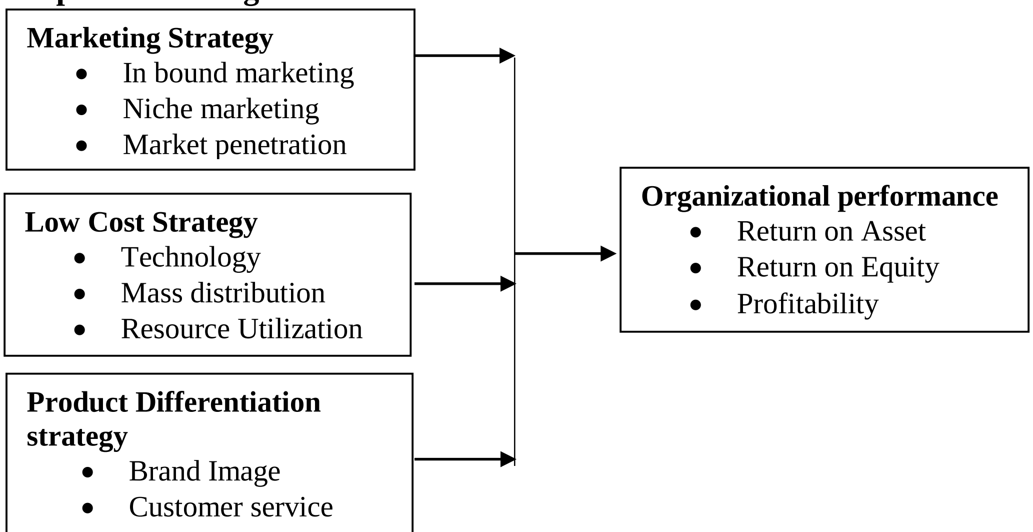
Mwaniki (2013) argues that the products must be continually be developed by the management to make them imitable and the employees be non-substitutable since the environmental hassle are constantly changing and management need to adjust the organization according to the demands and needs of the environment. Mbegwa, (2010) observe that the overall strategy of an organization involves matching its corporate objectives and its available resources. Managers are concerned with reconciling organization operations with the allocation of resources (Oyeila, 2011). The process of allocation is concerned with the overall vision of an organization, whether it is part of the grand plan

Conceptual Framework

A conceptual framework is systematic contrivance with several variations and a context it is makes a conceptual distinction and organizes ideas.

Independent Variable **Dependent Variable**

Competitive strategies



Source; Author (2017)

Research Design

Saunders, Lewis and Thornhill, (2009) defines a research design as a general plan that you choose to incorporate the diverse components of the study. The study will adopt a descriptive research design so as to provide a framework to examine current conditions, trends and status of events. Descriptive research can either be qualitative or quantitative the researcher will use descriptive design so that he can gather data that describe events and phenomena in details. Design is more analytical and focuses on a particular variable factor. This design will provide a framework to examine current conditions, trends and status of events.

Study Area

The study was conducted in Mwalimu National SACCO in Kenya at its Head Quarters in upper hill Nairobi.

Target Population

The target population for a survey is the entire set of units for which the survey data are used to make inferences. Sekeran and Bougie (2010) state that a population is the collection of elements about which inference is made to all possible cases that are of interest in the study. 300employees were the target population. The population was chosen because it had all the characteristics that can be used to answer the research questions under study.

Table 1: Target Population

Employees	**Target population**
Managers	15
Accountants	80
Tellers	115
Human Resource officers	40
Marketing officers	50
Total	**300**

Source: Human Resource Department Mwalimu National SACCO (2017)

Sampling Technique and Sample Size

According to Cooper and Schindler as cited by Sifuna (2014) sampling is defined as selecting a subset of the population to present the whole population. A sampling frame on the other hand is the source material from which a sample is drawn from. The sampling frame for this study was drawn from managers, accountants, teller officers, human resource and marketing officers of Mwalimu National SACCO because they were conversant to information regarding competition and performance of the organization. The sampling frame consisted members of staff who have worked in the organization for more than one year.

Hart (2004) Stratification is meant at reducing standard error presenting some control over variance, in each stratum, simple random sampling was used to select respondents. Random sampling frequently minimizes the sampling error in the population. After obtaining a sample size of two hundred and fourteen (214), the researcher apportioned it to the various strata in the assumption that response would be 100%. The apportioning was be obtained by dividing the target population in each stratum by the total population and then multiplying the figure by two hundred (214). Therefore, the sample size for each stratum was as shown in table 2

Table 2: Sample Size

Employees	Target population	Sample
Manager	15	11
Accountants	80	57
Tellers	115	82
Human Resource	40	29
Marketing officers	50	35
Total	**300**	**214**

Source: Researcher 2018

Data collection instruments consist of data collection formats (such as the household survey questionnaire) and their associated protocols (which are an instruction manual and methodology) which provide an input to the tools. The researcher used both primary as well as secondary data. Secondary data was obtained from both the published and unpublished sources. Some of the published sources are: relevant literature review from Annual reports and Financial Statements, dissertations/thesis, journals, magazines and the internet. Some of the unpublished sources are records maintained by private firms or business enterprises. Questionnaires were used to collect primary data. A questionnaire is a data collection tool in which set of printed or written questions are presented and are to be answered by the respondents in written form. Questionnaires can also be answered through mails or telephones. Each item was developed to address specific themes of the study. In addition, questionnaires allowed respondents to answer questions at times which are well-situated. They are termed as the most productive source of collecting huge primary data.

Validity is the degree to which a tool assesses what it is supposed to assess and it is generally measured in degrees. The researcher focused on both external and content validity. The researcher also used expert judgment which was done by contacting supervisors and lecturers to ensure the relevance, wording and clarity of the questions or items in the instrument.

The importance of measuring the accuracy and consistency of research instrument (especially questioners) is to reduce error in the measurement process. The researcher ensured the reliability in relevance, and the validity of the instruments at hand. In achieving this, guide study was done in a different organization so as to detect any major failures that were likely to result from the research instruments to be applied. A guide testing of the research instruments was done in Gusii Mwalimu SACCO an institution with similar characteristics to those in this sample. The researcher used test re-tests approach to evaluate the reliability of the questionnaires after carrying out a guide study. The construct being measured by a treatment outcome questionnaire however was expected to change over time for this reason the researcher applied an alternative statistical approach the Cranach's coefficient alpha to estimate the consistency of the questionnaires and if it is above 0.6, the research instrument would be deemed to be reliable (Creswell, 2016).Table 3 summarizes these scores

Table 3: Reliability Testing Analysis for Adjusted Instruments

Variable	Cronbach's alpha	No of items
Marketing strategies	0.721	7
Low cost strategy	0.769	6
Differentiation Strategy	0.754	10

Source: Field data 2018

Reliability was checked through the Cronbach's alpha value of each variable as shown in table 3 above and the acceptable minimum of 0.600 was met.

The collected data was edited carefully so that omissions inconsistence irrelevant answers and wrongs computation from the researcher may be corrected. The data was classified then tabulated. Statistical and logical techniques were used to evaluate the data such as measure of central tendency, correlation, percentages regression, coefficient and measure of variation. After analysis the data was presented using figures, frequency tables, and then findings were interpreted.

Relationship between the Competitive Strategies on SACCO Performance

An analysis of the Pearson's correlations depicts lack of Multicolinearity since all the independent variables have demonstrated weak relationship except for differentiation strategy which has a moderate relationship hence they are all independent from each other. This is a good sign that the proposed regression model is appropriate and therefore can be used to discern which variables are important to the multiple regression model as proposed. Pearson product-moment correlation coefficient was used to measure the strength of a linear association between the variables as demonstrated by table 4 below.

Table 4: Pearson's Correlation

		Marketing strategy average	Low Cost strategy average	Differentiation strategy average	V36:Performance
Marketing strategy average	Pearson Correlation	1	.483**	.664**	.462**
	Sig. (2-tailed)		.000	.000	.000
	N	193	193	193	193
Low Cost strategy average	Pearson Correlation	.483**	1	.563**	.293**
	Sig. (2-tailed)	.000		.000	.000
	N	193	193	193	193
Differentiation strategy average	Pearson Correlation	.664**	.563**	1	.359**

	Sig. (2-tailed)	.000	.000		.000
	N	193	193	193	193
V36:Performance	Pearson Correlation	.462**	.293**	.359**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	193	193	193	193

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher, 2018

Table 4.21 shows that competitive strategies are significant in relation to organizational performance. Marketing strategy had a moderate, positive and a significant relationship (r =0.462, p<0.01), with Low Cost strategy having a weak, positive and significant relationship (r= 293, p<0.01), while Differentiation has a strong, positive and significant relationship (r = 664, p<0.01).

Further analysis using multiple regression analysis generated three models as presented in Table 4 and 5.

Table 5: Model Summary for multiple regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.471[a]	.222	.210	.01577

Source: Researcher, 2018

As shown in the table 5, the R-squared is the proportion of variance in the dependent variable which can be explained by the independent variables .The model summary shows that the adjusted R-squared in this study was 0.210, which means that, marketing strategy, low cost strategy, and differentiation strategy (independent variables), combined can explain up to 21.0% of the changes in the Mwalimu National SACCO Performance (dependent variable) and other factors not subject of this study cumulatively contribute to the remaining 79% of the performance of Mwalimu National SACCO.

ANOVA test was conducted to find out the level of significance on the effect of competitive strategies on performance of Mwalimu National SACCO. Table 6 provides the summary of the F test.

Table 6: ANOVA Summary

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	.013	3	.004	17.971	.000[b]
	Residual	.047	189	.000		
	Total	.060	192			

Source: Researcher, 2018

The results of the ANOVA in table 6 indicate that competitive strategies have a positive and significant influence on the performance of SACCOs. The model R^2 is therefore significantly different from zero F= 17.971, p<.0.05

In order to test the appropriateness of the regression model, explaining how the outcome variable Y is caused by the predictor's variables X_1, X_2, and X_3, regression coefficient table is generated and analyzed. Table 7 represents regression coefficient results for competitive strategies on performance of Mwalimu National SACCO.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	.547	.020		27.910	.000
Marketing strategy average	.024	.006	.386	4.427	.000
Low Cost strategy average	.004	.004	.072	.912	.363
Differentiation strategy average	.004	.006	.063	.680	.497

Source: Field data, 2018

The regression coefficient table above shows that the constant α=0.547 is significantly greater than zero. The Unstandardized coefficients of; Marketing strategy B = 0.024, Low Cost, B =0.004 and differentiation B = 0.004. However, in order to use the predictor variables to predict the outcome in performance, the standardized coefficients of marketing (X_1), low cost strategy (X_2) and differentiation (X_3) are used. The standardized coefficients are used to build the linear regression equation that may be used to predict new scores of Y using available scores of X_1, X_2 and X_3.The results show that for each unit increase in the independent variable, there is an expected increase of coefficients 0.386, 0.072 and 0.063 in the dependent variable. A multiple regression analysis was formulated to determine the relationship between competitive strategies and the performance of Mwalimu National SACCO. The regression equation ($Y = \beta0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$).Therefore, the proposed regression model will be:

$$Y = 0.547 + 0.386X_1 + 0.072X_2 + 0.063X_3$$

(Where Y = Performance of Mwalimu National SACCO, X_1 =Marketing Strategy; X_2 = Low Cost Strategy; X_3 = Differential Strategy and **ε =** error term).The implication is that all the competitive strategies used in this study have a statistical significance to the regression model and all therefore contribute positively to the performance of Mwalimu National SACCO. Capon (2011) argues that the accomplishment of competitive advantage and hence superior profits are essential to the strategy of any organization. Also flourishing achievement of competitive advantage is likely to result if a company is apparent about its competitive strategy. According to Kimutai, (2010) the fundamental nature of formulating a competitive strategy is to link a company to its surroundings. Industry configuration has a strong manipulate in determining the competitive rules of the game as well as the strategies potentially existing to the firm.

Summary of Findings

The study addressed the following specific objectives to; establish the relationship between marketing strategies and the performance of Mwalimu National SACCO Society, determine the relationship between low cost strategy and the performance of Mwalimu National SACCO Society,establish the relationship between product differentiation and the performance of Mwalimu National SACCO Society and determine the moderating role of SACCO size in the relationship between competitive strategies and performance of

Mwalimu National SACCO Society.Performance was quantified by Return on Asset ROA ,Return on Equity ROE and profitability as major ratios that denotes the performance of Mwalimu National SACCO.

Conclusion

The researcher sought to establish the effect of marketing strategy on performance in the Mwalimu national SACCO. The study established that there was a moderate positive and significant relationship between marketing strategy and performance in Mwalimu National SACCO(r =0.462). Marketing strategy contributed a 20.9% to the performance, thus the study concludes that marketing strategy positively affect the performance of Mwalimu SACCO.

The researcher sought to establish the effect of low cost strategy on performance in the Mwalimu national SACCO. The study established that there was a weak but positive and significant relationship between low cost strategy and performance in Mwalimu national SACCO (r=0.293). Low cost strategy contributed8.1% to the performance, thus the study concludes that low cost strategy positively affect the performance of Mwalimu SACCO.

The researcher sought to establish the effect of differentiation strategy on performance in the Mwalimu national SACCO. The study established that there was a moderate, positive and significant relationship between differentiation strategy and performance in Mwalimu national SACCO (r=0.359) Differentiation strategy contributed 12.4 % to the performance, thus the study concludes that differentiation strategy positively affect the performance of Mwalimu SACCO.

In general, the model summary in table 4.26 reveals that the competitive strategies (marketing, Low Cost and differentiation) explains up to 21% of the variance in the SACCO performance. This implies that competitive strategies in the context of this study have positive and statistical significant effect on the performance of Mwalimu SACCO. The results further revealed that SACCO size moderated up to 22.7% on the relationship between competitive strategies and performance hence the SACCO size has little significant moderating effect on the relationship between competitive strategies and performance of Mwalimu National SACCO.

An examination of the beta coefficients reveals that specifically Marketing strategy had the highest significant influence on the performance of Mwalimu SACCO with $\beta = 0.569$ and the influence was very significant at $p<0.000$**.** This clearly, proves the importance of marketing strategy in Mwalimu SACCO. The SACCO has invested heavily on cost cutting technologies which have given it the capacity to distinguish itself from the competitors and reinvent itself in terms of product and service innovations, offer unique and superior customer experience, and technological economies of scale as well as increase its competitiveness.

Recommendations

This section covers the recommendations for improvement as well as the recommendations for further research

Mwalimu National SACCO needs to establish clear marketing strategies to assist have a marketing niche and also to help increase customer base in order to make them aware of the existing and new products and services offered. Given that the study has established a positive correlation between marketing strategy and financial performance, it is important for the SACCO to determine ways in which they can engage its marketing officers so as to boost client base. The study further recommends that Mwalimu Sacco should heavily advertise its Products in all parts of the country and encourage primary teachers graduates to join the Sacco in order to increase its customer base and compete even more with other competing Sacco's and other financial institutions.

The Mwalimu National SACCO Board of Management should come up with a policy to address the marketing strategy so that resources are directed to this strategic objective for instance advertisement and promotion policy and its implementation.

The Government through the SACCO regulatory body SASRA should come up with a policy on competitive Strategies in order to protect SACCOs from unhealthy competition.

The study recommends that Mwalimu SACCO should deepen its technological and innovation leadership so as to uniquely differentiate its products, services and customer service. Such innovations and technology may allow the SACCO to invest in non-tangible strategic asset that may be difficult to imitate, substitute, or simply be competed away by a competitor`s higher order of capability. This will in turn lead to more sustainable competitive advantage for superior performance. Mwalimu National SACCO should develop and implement a policy on Low Cost Strategy on adoption of technology in SACCO operations and a reward system for innovators to encourage new innovations in order to boost the SACCO performance.

The study recommends that the SACCO enhances differentiation strategies like product design and Re-engineering, economies of scale etc. so as to gain a competitive advantage over other Sacco's.

Suggestion for further Research

The study recommends another study since the study had focused on Mwalimu SACCO, and due to the successful achievement of research objectives, the researcher suggested that, further studies should be conducted on other Sacco's and other financial institutions so as to find out whether the same results would be achieved and how other companies also respond to performance since each company a different strategy approach. Since the predictor variables in this study (Marketing, Low cost, Differentiation,) could only account for up to 21% of the outcome, the researcher recommends another study to be done on other factors contributing to the remaining 79% of the SACCO performance for instance the factors influencing the SACCO environment.

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