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Financial Innovation and Financial Performance of Deposit-Taking SACCOs in North Rift Region, Kenya

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Abstract

Deposit-taking SACCOs in the North Rift Region of Kenya face significant financial performance issues that impede their ability to effectively serve their communities and sustain long-term growth. Therefore the study sought to assess the effect of financial innovation on financial performance of deposit-taking Saccos in North Rift Region, Kenya. Specifically, the study sought to assess the effect of product innovation, process innovation and organizational innovation on the financial performance of DT-SACCOS in the North Rift region. The study was anchored on the Schumpeter's theory of innovation, transaction cost innovation theory, innovation diffusion theory and dynamic capabilities theory. The study employed a causal research. The unit of analysis was 30 deposits taking SACCOs licensed by SASRA in the North Rift Region. The unit of observation was 408 employees working with the with these SACCOs. The study used Slovin formula to obtain a sample size of 202 respondents. Secondary and primary sources of data were used to meet the objectives. The study assessed content validity, face validity and construct validity. Secondary data was collected through data google sheet to collect data on net income and average total assets for all the Saccos. Descriptive statistics was employed in this study to determine general trends of the related variables. The study used multiple linear regression to determine the extent to which independent variable predicted the dependent variable. The findings revealed that product innovation had a strong positive correlation with ROA. In addition, the findings revealed that process innovation showed an even stronger positive correlation with ROA. Finally, the findings revealed that organizational innovation was positively correlated with ROA. Based on the findings the study concludes that product innovation had a significant effect on the on financial performance of deposit-taking Saccos in North Rift Region, Kenya. In light of the findings the study recommends that the Deposit-Taking SACCOs (DT-SACCOS) should embrace a culture of innovation by encouraging creativity, experimentation, and continuous improvement within the organization. In addition, regulators and policy makers should develop supportive regulatory frameworks and policies that encourage innovation, competition, and entrepreneurship within the SACCO sector.

Keywords: *Financial Innovation, Product Innovation, Process Innovation, Organizational Innovation, Financial Performance.*

1.0 Introduction

Deposit-taking Savings and Credit Cooperatives (SACCOs) play a significant role in providing financial services to communities worldwide. Their performance varies across different countries due to factors such as regulatory environments, economic conditions, and cultural norms, (Kumar & Shah, 2020). For instance, in United States, credit unions serve a similar function to SACCOs, providing financial services to members. According to data from the National Credit Union Administration (NCUA),(2020), there were over 5,000 federally insured credit unions in the U.S. (NCUA, 2021). They collectively held over $1.6 trillion in assets and served more than 125 million members. Their financial performance is monitored by regulatory agencies such as the NCUA, which assesses metrics such as net worth ratios, loan delinquency rates, and return on assets (ROA) to ensure financial stability Despite facing challenges such as competition from banks and regulatory burdens, U.S. credit unions have maintained relatively strong financial performance, with ROA averaging around 0.70% in recent years.

In India, SACCOs are known as cooperative banks, and they play a crucial role in providing financial services to rural and urban communities. The Reserve Bank of India (RBI) regulates themwhere they are categorized into urban and rural banks based on their geographic location. By March 2021, India had over 1,500 urban cooperative banks and over 93,000 rural cooperative banks (RBI, 2021). Despite challenges such as governance regulation and non-performing assets (NPAs), the financial performance of these banks has improved over years, (Chaudhuri & Roy, 2021). Data from the RBI shows that the gross non-performing asset ratio for urban cooperative banks declined from 7.42% to 5.89% between in March 2017 to March 2021. Additionally, the net worth of urban cooperative banks increased by 12.5% during the same period (RBI, 2021).

In Nigeria, SACCOs are known as cooperative societies and are regulated by the Cooperative Societies Regulations Department of the Federal Ministry of Agriculture and Rural Development. By2020, Nigeria had over 25,000 registered cooperative societies, serving millions of members across various sectors of the economy (Nigeria Cooperative Societies Regulations Department, 2020). The financial performance of these societies is influenced by factors such as governance structures, regulatory compliance, and access to funding, (Obi & Eze, 2021). Despite challenges such as limited access to credit and governance issues, Nigerian cooperative societies have demonstrated resilience, with data showing that an average loan recovery rate of over 90% has been achieved over the years years (Nigeria Cooperative Societies Regulations Department, 2020).

In Kenya, the SACCO sub-sector comprises DT-SACCOS and non-Deposit-Taking SACCOs. Under the SACCO Societies Act 2008, DT-SACCOS are licensed and regulated by SACCO Societies and Regulatory Authority (SASRA). These SACCOS essentially operate like commercial banks providing services that traditionally were only offered by the banks. With this development, their client base is expanded to include members who are not shareholders of SACCOs, (Mwangi & Nyakundi, 2022).

Financial innovation encompasses the development and implementation of new financial products, services, processes, or technologies aimed at improving efficiency, accessibility, and risk management within the financial system (Adeel, et al., 2021). In the context of D-T SACCOs, financial innovation refers to the introduction of new products, services, or operational strategies designed to enhance the institution's ability to attract deposits, manage risk, and generate sustainable returns for its members (Khan, et al., 2022). This can include the introduction of digital banking platforms, innovative loan products tailored to specific customer needs, or the adoption of advanced risk management techniques to mitigate credit

and liquidity risks (Adeel et al., 2021). SACCOs, as member-owned financial institutions, have a unique opportunity to innovate and tailor their offerings to meet the diverse financial needs of their members, particularly in underserved or marginalized communities. Financial innovation enables SACCOs to expand their product and service offerings, catering to the evolving needs and preferences of their members.

Process innovation involves the implementation of new or significantly improved production or delivery methods. It aims to increase efficiency, reduce costs, and improve quality. For example, the adoption of lean manufacturing techniques has transformed production processes by minimizing waste and optimizing resource use. Process innovation is essential for enhancing operational performance and maintaining a competitive edge (Hammer & Champy, 2019). Service innovation focuses on developing new or improved services to enhance customer satisfaction and value. It includes changes in service delivery, customer interactions, or support systems. Radical innovation represents breakthrough advancements that create entirely new markets or significantly alter existing ones. It often involves a high degree of risk and uncertainty.

Social innovation aims to address social challenges and improve community well-being through novel solutions. It often involves collaborative approaches and stakeholder engagement. An example is microfinance, which provides financial services to underserved populations to promote economic development (Edwards-Schachter, 2018). Social innovation is important for addressing societal issues and fostering inclusive growth (Murray et al., 2020). Responsible innovation involves the development of technologies and practices that consider ethical implications and societal impacts. It emphasizes sustainability, equity, and transparency. For instance, the adoption of green technologies that minimize environmental impact exemplifies responsible innovation (Edwards-Schachter, 2018).

Financial performance refers to the assessment of how well an organization utilizes its financial resources to achieve its objectives and generate returns for its stakeholders. It encompasses various financial metrics such as profitability, liquidity, solvency, efficiency, and growth rates (Allen, 2021). In the context of D-T SACCOs, financial performance reflects the institution's ability to effectively manage its funds, attract deposits, extend loans, and generate sustainable returns for its members while maintaining financial stability, (Yunis, 2018). Key indicators of financial performance in SACCOs include ROA, ROE, asset quality ratios, liquidity ratios, and capital adequacy ratios (SASRA, 2021). Financial performance is a measure of a firm's financial health. Ngumo et al. (2020) explains that it measures the extent to which an organization meets its short-term and long-term financial obligations. It measures how well a firm generates revenues from its assets and generates value for the owners of the firm. The sound financial performance of an organization gives it a competitive edge and makes it attractive to investors.

1.1 Statement of the Problem

The financial performance of deposit-taking SACCOs in Kenya's North Rift region has demonstrated a complex trend over the last five years marked by both recovery and ongoing challenges. In 2021, SACCOs saw a moderate rebound with improvements in key financial metrics. The Return on Assets rose to 2.8%, and the return on equity increased to 3.3% as SACCOs adapted to the economic recovery and integrated digital financial innovations (SASRA, 2021). Despite these improvements, issues such as high non-performing loans persisted, reflecting underlying vulnerabilities in financial management and operational efficiency. In 2022, SACCOs continued their recovery trajectory, with ROA improving to 3.1% and ROE rising to 3.6%. The enhanced financial performance was attributed to further adoption of technology, improved risk management practices, and stabilization of member

contributions. However, the sector still faced challenges related to liquidity, as rising operational costs and increased competition from alternative financial service providers put pressure on margins and profitability (SASRA, 2022).

By 2023, SACCOs in the North Rift region experienced a more pronounced recovery, with ROA reaching 3.4% and ROE at 4.0%. This positive trend was driven by more extensive implementation of digital tools and financial innovations, such as mobile banking and automated loan processing systems. Despite these advancements, the sector remained challenged by persistent issues such as inadequate capital reserves and regulatory compliance pressures. NPLs continued to be a concern, highlighting the need for ongoing improvements in loan management and member engagement strategies. The ongoing financial performance issues, despite gradual improvements, underscore the critical role of financial innovation in addressing sector-wide challenges. The integration of advanced financial technologies has shown promise in enhancing operational efficiency and member service. However, the sector must address deeper systemic issues, including effective financial management and regulatory compliance, to ensure sustainable growth and stability (SASRA, 2023).

Studies have been conducted on the financial innovation and financial performance of Saccos previously. Ngure, (2017) conducted a study on the financial innovations and performance of savings and credit co-operatives societies in Kirinyaga County, Kenya where the study used a descriptive research design. The findings revealed that financial innovations had a positive relationship with financial performance of SACCOs in Kirinyaga County. However, the study was conducted using a descriptive research design and focused on the general performance of savings and credit co-operatives societies in Kirinyaga County, Kenya. The current study focused on the financial performance of deposit taking SACCOs using a causal research design.

Nekesa and Olewny (2018) imvestigated on the effect of financial innovation on financial performance: a case study of deposit-taking savings and credit cooperative societies in Kajiado County. The study used analytical research design. It was established that product, process and organizational innovations are the critical factors that influence the performance of the financial status of deposit-taking SACCOs in Kajiado County. However, the study was conducted in Kajiado County and used analytical research design the current study sought to fill the gap by using a descriptive research design entirely focusing on the deposit-taking Saccos in North Rift Region, Kenya. Ouma (2020) did a study on the financial innovations and performance of deposit taking Saccos in Nairobi City County, Kenya. The study used exploratory research design and the findings were , that new products and service processes had significant effect on the financial performance while new organizational form had insignificant effect on liquidity and profitability and significant effect on capital adequacy. However, the study was conducted in Nairobi City County and used exploratory research design the current study sought to fill the gap by using a causal research design with exclusive focus on the financial innovation and financial performance of deposit-taking Saccos in North Rift Region, Kenya.

1.2 Research Objectives

i. The effect of product innovation and financial performance of DT-SACCOS in the North Rift region.
ii. The effect process innovation and financial performance of DT-SACCOS in the North Rift region.
iii. The effect organizational innovation and financial performance of DT-SACCOS in the North Rift region.

1.3 Research Hypotheses

The research tested the following research hypotheses:

H_{01}: There is no relationship between product innovation and financial performance of Deposit-Taking SACCOS

H_{02}: There is no relationship between process innovation and financial performance of Deposit-Taking SACCOS

H_{03}: There is no relationship between organizational innovation and the financial performance of Deposit-Taking SACCOS

2.1 Theoretical Literature

The study was anchored on the Schumpeter's theory of innovation, transaction cost innovation theory, innovation diffusion theory and dynamic capabilities theory.

2.1.1 Schumpeter's Theory of Innovation

The theory was developed by Joseph Schumpeter (1934) and it argues that innovation is the primary driver of economic growth and development within capitalistic economies. Schumpeter argued that innovation occurs through the introduction of new products, technologies, production methods, or organizational structures by entrepreneurial individuals or firms. He emphasized the role of entrepreneurs as agents of change who disrupt existing markets and industries through the introduction of groundbreaking innovations. According to Schumpeter, this process of creative destruction leads to the obsolescence of old technologies and the emergence of new industries, ultimately fostering economic progress and dynamic change within the capitalist system (Schumpeter, 1934).

While this theory has gained widespread recognition and influenced subsequent economic thought, it has also faced several critiques, one being that, central assumption that innovation inherently leads to economic growth and prosperity for all members of society. Critics argue that the benefits of innovation are often unevenly distributed, with certain individuals or groups disproportionately benefiting while others experience displacement or economic hardship (Allen, 2017). Additionally, some scholars have questioned the extent to which entrepreneurship and innovation are truly disruptive forces within capitalist economies, pointing to factors such as regulatory barriers, market concentration, and entrenched interests that may impede the process of creative destruction. The theory was therefore relevant to the current study since it emphasizes the role of product innovation as a driver of economic growth and competitive advantage. In this context, product innovation can lead to the introduction of new savings and loan products tailored to the needs of members, potentially increasing market share and revenue.

2.1.2 Transaction Cost Innovation Theory

The Transaction cost innovation theory was developed by Oliver E. Williamson, who proposed it in the late 1970s and early 1980s. The theory posits that firms innovate not only to improve their products or processes but also to reduce transaction costs. According to Williamson, firms seek to minimize these transaction costs by internalizing certain activities within the organization rather than relying on market transactions. Thus, the theory suggests that innovations within firms are driven by the desire to economize on transaction costs, leading to the development of new organizational structures, processes, and technologies. In essence, firms innovate to enhance their efficiency and effectiveness in managing transactions, thereby gaining a competitive advantage in the marketplace, (Cuypers & Hennart, 2021).

Despite its relevance and applicability in understanding organizational behavior, the Transaction Cost Innovation Theory has faced criticism on several fronts. One critique is that

the theory may oversimplify the factors influencing organizational innovation, particularly regarding the role of strategic decision-making, market dynamics, and technological advancements. Critics argue that transaction costs are just one of many factors driving innovation within organizations, and focusing solely on minimizing transaction costs may overlook other important considerations, such as quality, innovation, and customer satisfaction (Rindfleisch, 2020). The theory was relevant to the current study because transaction costs associated with introducing new products, such as information gathering, negotiation, and enforcement costs, can influence the decision to innovate.

2.1.3 Innovation Diffusion Theory

Innovation diffusion theory was first articulated by Rogers in 1962 and it examines how innovations spread within and among organizations. The theory focuses on the process through which new ideas, practices, or technologies are communicated over time among the members of a social system. Rogers identified several key components of this diffusion process, including the innovation itself, communication channels, the social system, and the rate of adoption. The theory posits that the adoption of innovations follows a predictable pattern, typically segmented into categories such as innovators, early adopters, early majority, late majority, and laggards (Rogers, 2003). This framework helps in understanding how and why certain innovations gain traction and become widely accepted within organizations or communities.

Innovation Diffusion Theory offers several strengths in understanding organizational change and technology adoption. Firstly, it provides a structured framework to analyze how innovations spread, which helps organizations plan and manage the introduction of new technologies effectively. The segmentation of adopters into categories allows for targeted strategies to engage different groups, thereby increasing the likelihood of successful implementation (Rogers, 2003). Despite its strengths, Innovation Diffusion Theory has faced several critiques, a major one being its tendency to oversimplify the adoption process by assuming a linear progression through adopter categories, which may not always reflect real-world complexities (Greenhalgh et al., 2004). These limitations suggest that while Innovation Diffusion Theory provides a valuable framework, it may need to be supplemented with additional perspectives to fully capture the nuances of innovation adoption.

Innovation diffusion theory was relevant to this study because it explores how new ideas and technologies spread within and across organizations. It helps to explain the adoption and impact of financial innovations within DT-SACCOs by examining factors that influence the rate and extent of innovation adoption. According to this theory, the successful implementation of innovations in SACCOs depends on factors such as perceived benefits, compatibility with existing systems, and ease of use. Understanding these factors can expound how organizational innovation affects the financial performance of SACCOs by enhancing efficiency, expanding market reach, and improving member satisfaction. Therefore, the theory helped in explaining the effect of organizational innovation on the financial performance of DT-SACCOS in the North Rift region.

2.1.4 Dynamic Capabilities Theory

Dynamic Capabilities Theory, proposed by Teece et al., (1997), provides a framework for understanding how organizations adapt and respond to changing environments. At its core, the theory suggests that sustainable competitive advantage stems not only from a firm's existing resources and capabilities but also from its ability to reconfigure and develop new capabilities in response to shifting market conditions. Unlike static views of strategy, which focus on exploiting existing resources, dynamic capabilities theory emphasizes the importance of

organizational learning, flexibility, and innovation in maintaining competitiveness (Teece, 2014).

However, dynamic capabilities theory has not been without its critiques. One major critique is the challenge of operationalizing and measuring dynamic capabilities. Unlike tangible resources or capabilities, such as physical assets or technical skills, dynamic capabilities are inherently abstract and difficult to quantify. This makes it challenging for researchers and practitioners to assess the extent to which organizations possess and leverage dynamic capabilities effectively, (Andreeva & Chayka, 2006). Despite these critiques, Dynamic Capabilities Theory remains a valuable framework for understanding organizational adaptation and competitive advantage, particularly in dynamic and uncertain environments. In the context of financial innovation and financial performance of deposit-taking SACCOs in the North Rift Region of Kenya, Dynamic Capabilities Theory offers insights into how these organizations can respond to changes in the financial landscape (Andreeva & Chayka, 2006).

2.2 Empirical Review

2.2.1 Product Innovation and Financial Performance

YuSheng and Ibrahim (2020) investigated the effect of adopting innovation on the financial performance of banks in Ghana. The study employed a survey research design on enterprises and data collected using semi-structured questionnire. They sampled 500 respondents from 10 twigs of the chief banks in Ghana. Data remained analyzed using investigative, assenting issue exam, and mechanical calculation model. They concluded that product origination has a significant contribution (51%) to the innovation capability of banks and it has a substantial optimistic consequence on secure presentation. Assenting Feature Examination was used to measure discriminant validity among the constructs.

Ombati (2021) studied effect of the financial performance of commercial banks in Kenyaand data was extracted from the audited financial statements of the 37 banks targeted in the study. This took place for a period of five years from 2016 to 2020. The independent variables in the study were mobile banking, internet banking, and agency banking while return on assets was the dependent variable. Capital adequacy, asset quality, and bank size were the control variables used. To determine the relationship between the dependent and independent variables, multivariate analysis was used. Mobile banking, agency banking, and Internet banking were all found to positively and significantly influence the return on assets of commercial banks.

Mugo (2019) studied debit card facilities' fiscal routine analysis on Kenyan SACCOs . The variables considered included cash removal facilities, credit facilities, account statement services, bill payment amenities and stability question amenities. The findings showed that all the facilities that used debit cards had a confident and noteworthy influence on fiscal act among SACCOs is thus The recommendation was that improvement of debit card services was required to increase usage by members which in turn would have led to increased number of transactions and therefore generate more returns for SACCOs.

2.2.2 Process Innovation and Financial Performance

Ncurai (2022) studied the strength of innovation on Kenyan SACCOs performance. A total of 105 licensed DT-SACCOs were involved in the study. Measures of performance included worker fulfillment, client gratification worth of goods or amenities, product consciousness and possessions revenue loans deposits. They established that there was a helpful affiliation on modernization and DT-SACCO's act . This study used bivariate linear regression analysis to predict the impact of DT-SACCOs act on Innovation.

Mugunyi (2022) study sought to examine the inspiration of financial modernization on the financial act of Kenyan DT-SACCOs. He sampled 120 cooperative societies from the 175 licensed deposit-taking cooperatives. Secondary information was obtained via financial intelligences and SASRA information for 5 years between 2017 and 2021. Main information was collected using semi-formed questionnaires The focus of the study was process innovation (risk management and credit scoring), product innovation (new deposit accounts and electronic funds transfer), and service innovation (ATM and mobile banking). The dependent variable was measured using return on assets. The investigation found a significant association between process origination and economic act. Product and service innovation were also found to affect fiscal performance.

Chepkorir (2022) examined the relationship between mobile banking and financial performance of deposit taking SACCOs in Kericho County, Kenya using a sample of 108 managers of all levels in the 5 deposit-taking SACCOs. The results of the study indicated a strong and favorable correlation between financial performance and mobile banking. According to the study, DT-SACCOs should upgrade and improve their mobile banking technology to improve their economic results. Doing so boosts the number of subscribers and transactions made through mobile banking, as well as allow customers to transact whenever it is most helpful to them.

2.2.3 Organizational Innovation and Financial Performance

Ombati (2021) investigated the effects of fiscal revolution on monetary presentation of profitable Kenyan banks by analysis of secondary data obtained from financial reports of central bank in the period 2016to 2020. Agency banking as a measure of organizational innovation was found to influence monetary presentation in education. The results of the investigation demonstrated a favorable and noteworthy impression on the monetary act of viable banks. According to the report, CBK should develop policy rules on how banks implement agency banking, foster a setting that makes it simple for banks to do so, and work with directors and executives to make sure that they have independent bank locations across the nation.

Nyambura (2021) investigated the association of society rearrangement and presentation of profitable banks in Mombasa using a sample size of 42 respondents. The investigation results indicated that a there was a correlation between parameters of organizational restructuring and performance. Data from SACCOs' accounts payable and other accounting records were analysed using document review guides, Ingow and Oluoch (2020) studied on company reform on the fiscal health of SACCOs in Kenya. The findigs established tthat capital reform had a favorable and noteworthy impact on the fiscal presentation of SACCOs in Kenya. The investigation also found that property reorganization had a significant but negative relationship withthe monetary state of Kenyan SACCOs.

Ndung'u and Mutinda (2022) used a group of 102 individuals from 34 registered and active deposit SACCOs to inspect business expansion plans on the financial health of SACCOs in Nairobi. The topics addressed included adequate capital, market share, technological innovation, and management qualities. The results showed that the monetary act of SACCOs was positively and significantly affected by every business growth strategy element. Technology investments boosted marketplace share, lowered operating costs, enhanced buyer support, and assisted SACCOs in introducing new goods and solution.

2.3 Conceptual Framework

A conceptual frameworkis an illustration showing the theorized relationship between independent , dependent variables and their indicators.. Independent variables are those that

influence others while dependent variables are those influenced. In this study, product, process and organizational innovations formed the constructs of the independent variable.. The dependent variable was monetary success measured by ROA.

Independent Variables **Dependent Variable**

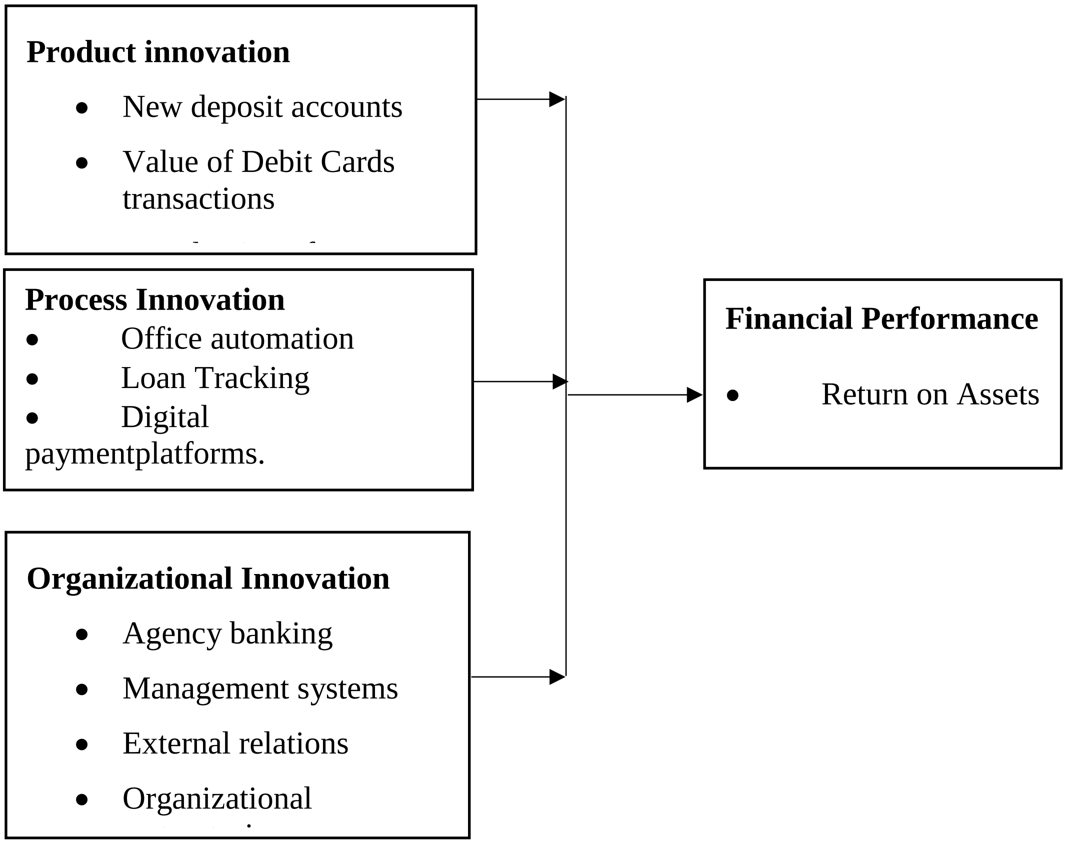

Figure 1: Conceptual Framework

Source: Author (2024)

3.0 Research Methodology

The study employed a correlationalresearch design, which is an approach used in research to predict relationship between independent and dependent variables, (VanderWeele, 2019). Unlike descriptive which focuses on describing or analyzing relationships between variables without implying causation, correlationseeks to determine whether changes in one variable directly cause changes in another variable. The unit of analysis was 30 deposits taking SACCOs licensed by SASRA, (2023) in the North Rift Region. The unit of observation was 408 employees working with the 30 targeted deposit taking SACCOs in North Rift Region. Sample size determination is the process of calculating the number of observations or respondents to include in a study to ensure that the results are statistically significant and representative of the target population. Sampling procedure refers to the method or steps used to select individuals or units from the target population to participate in a study. The study adopted Slovin formula to get a sample size of 202 employees from a target of 408 employees. The formula is as follows:

$$n = \frac{N}{1+N(e)^2} \quad \ldots\ldots\ldots\ldots (3.1)$$

Where: n = sample size

N = Total Population

e = desired margin of error (assumed to be 0.05) at 95% confidence interval

Therefore, using the formula, we obtain a sample size of 202 respondents.

$$n = \frac{408}{1+ 408\ (0.05)^2}$$

$$=201.9$$

$$= 202$$

In addition, a stratified random sampling was used to determine the number of employees from each Sacco to form stratum. Each Sacco represented a stratum. After determination of each employee in the stratums, they were selected through stratified random sampling to participate in the study. The formula below was used to determine the number of employees from each stratum.

$n_h=(N_h/N)$ x n

n_h = Sample size of stratum h

N_h = population size of stratum h

N = total population size

n = total sample size

The study made use both primary and secondary data. Primary data was collected using research questionnaires from sampled employees. Primary data was ideal because it provided coolection of the most updated data tha addressed the hypotheses and objectives of the study. This ensuresed that the data collected was relevant to the specific context of SACCOs and their financial operations. According to Cooper and Schindler (2015) data analysis involves applying statistical, computational, and analytical techniques to interpret and draw conclusions from raw data collected through research, observations, experiments, surveys. In this research, both inferential and descriptive statistics were studied. Descriptive statistics were employed to summarize and related variables. The data was categorized, processed, and summarized using descriptive statistics, such as percentages, and frequency distribution tables. Furthermore, tables were employed to present the findings.

Inferential statistics were used to determine the relationship between financial innovation and financial performance of deposit-taking SACCOs. Pearson correlation and multiple linear regression were used to predict the relationship between financial innovation and financial performance at various levels. The regression model that was used was presented as follows:

$$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y= Financial Performance

$\beta 0$ =constant

$\beta_1 \ldots \beta_3$= Co-efficient for independent Variables

X_1 = Product Innovation

X_2 = Process Innovation

X_3 = Organizational Innovation

ε = Error term

4.0 Findings and Discussion

The study administered 202 questionnaires and 175 were properly filled and returned which represented 87% response rate. Trex (2012) suggested that a response rate of 50% is adequate, 60% is good, and above 70% very good for analysis. This implies that 87% response rate was very appropriate for data analysis. The results show that 9% of the respondents indicated that they hold a management position within the SACCO departments, 11% marketing 37% accounts, 29% credit, and 14% customer service. It was established that 12% of the respondents stated that their SACCOS had been registered for 0-5 years, 27% 6-10 years, 33% 11-15 years, 17% 16-20 years, while 11% of the respondents stated that their SACCOS have been registered for over20 years. The study revealed that 17% of the SACCOs had 1501-2000 members while 83% stated that their SACCOs had more than 2000 members. This implied that majority of the deposit-taking Saccos in North Rift Region, Kenya had more than 2000 members.

Moreober, 87% of the respondents stated that they been applying modern technology and financial innovation in conducting daily operations at their SACCOs, 34% stated that they had been applying modern technology and financial innovation in conducting daily operations at their SACCOs, 46% stated that they been applying modern technology and financial innovation in conducting daily operations at their SACCOs s while 13% stated that they been applying modern technology and financial innovation in conducting daily operations at their SACCOs. A third of the respondents stated that competition influenced their SACCOS to embrace innovation, 17% stated that accessibility influenced their SACCOS to embrace innovation, 30% stated that efficiency influenced their SACCOS to embrace innovation while 22% stated that customers influenced their SACCOS to embrace innovation. In addition, 32% of the respondents indicated that office automation was considered as a type of process innovation in realization of high revenue turnover in their SACCOs, 25% stated that internet banking was considered as a type of process innovation in realization of high revenue turnover in their SACCOs while 43% of the respondents indicated that loan tracking was considered as a type of process innovation in realization of high revenue turnover in their SACCOs. 55% of the respondents stated that agency banking was the key factor in realization of SACCO goals, while 45% stated that organizational restructuring was the key factor in realization of SACCO goals. This implied that in majority of the deposit-taking SACCOs in North Rift Region, Kenya, considered agency banking as the key factor in realization of SACCO goals.

4.1 Descriptive Analysis of the Variables

Product Innovation

The respondents were asked to indicate their level of agreement on the effect of product innovation of deposit-taking Saccos in North Rift Region, Kenya. The findings were as indicated in Table 1.

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Table 1: Product Innovation on Financial Performance

Product Innovation	N	SA %	A %	N %	D %	SD %	Mean	Std.
The Sacco has introduced new deposit accounts to attract more members, hence increasing deposits and revenue.	175	15.4	65.1	6.9	12.6	0.0	3.8343	.83801
New deposit accounts provide opportunities for targeted marketing and engagement initiatives.	175	20.6	31.4	22.9	25.1	0.0	3.4743	1.08181
Debit card transactions reduce the reliance on cash transactions, leading to lower cash handling and processing costs for the SACCO.	175	28.6	40.6	18.3	12.6	0.0	3.8514	.97714
Debit cards offer members a convenient and secure means of conducting financial transactions both online and offline.	175	41.1	29.1	17.1	12.6	0.0	3.9886	1.04490
The Sacco has introduced microloans that cater to low-income members, boosting membership and increasing the loan portfolio.	175	32.6	36.6	18.3	12.6	0.0	3.8914	1.00269
Microloans offered by the Sacco have flexible repayment plans, encouraging more members to access credit facilities.	175	42.3	28.0	17.1	12.6	0.0	4.0000	1.05045
Overall Mean							3.8394	0.6151

Source: Research Data 2024

Key: SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree

From Table 1 above, 15.4% of the respondents strongly agreed, 65.1% agreed, 6.9% were neutral, 12.6% disagreed, and none strongly disagreed that the introduction of new deposit accounts had attracted more members, thereby increasing deposits and revenue. The statement recorded a mean of 3.8343 and a standard deviation of 0.83801. This suggested that new deposit accounted for moderate influence on member growth and revenue generation. Similarly, 20.6% of the respondents strongly agreed, 31.4% agreed, 22.9% were neutral, 25.1% disagreed, and none strongly disagreed that new deposit accounts provided an opportunity for targeted marketing and engagement initiatives. This statement had a mean of 3.4743 and a standard deviation of 1.08181, indicating that targeted marketing through these accounts had a slight influence on member engagement and financial performance. The study findings are in line with Nekesa and Olweny (2018) who found that when a customer opens a new deposit account, sending a personalized welcome message can go a long way in making them feel valued. This could include a thank you message, an overview of the benefits of their new account, and information on additional services they might find useful

Regarding debit card transactions, 28.6% of the respondents strongly agreed, 40.6% agreed, 18.3% were neutral, 12.6% disagreed, and none strongly disagreed that debit card transactions reduced reliance on cash transactions, leading to lower cash handling and processing costs for the SACCO. The statement had a mean of 3.8514 and a standard deviation of 0.97714, reflecting that debit card usage was and effective innovation for reducing operational costs. For the convenience and security of debit card transactions, 41.1% of the respondents strongly agreed, 29.1% agreed, 17.1% were neutral, 12.6% disagreed, and none strongly disagreed that

debit cards offer a convenient and secure way for members to conduct financial transactions both online and offline. The mean score for this statement was 3.9886, with a standard deviation of 1.04490, highlighting that debit cardswere a product innovation that enhanced member convenience. The study findings align closely with the research conducted by Ombati (2019) who found that debit cards eliminate the need to carry large amounts of cash or checques.

Regarding microloans, 32.6% of respondents strongly agreed, 36.6% agreed, 18.3% were neutral, 12.6% disagreed, and none strongly disagreed that the SACCO introduced microloans to cater for low-income members, thereby boosting membership and increasing the loan portfolio. The mean was 3.8914, and the standard deviation was 1.00269, indicating that microloans had expanded membership and financial performance to some extent. Additionally, 42.3% strongly agreed, 28.0% agreed, 17.1% were neutral, 12.6% disagreed, and none strongly disagreed that microloans offered by the SACCO had flexible repayment plans, encouraging more members to access credit facilities. This recorded a mean of 4.0000 and a standard deviation of 1.05045, underscoring the appeal of microloans due to their flexibility and accessibility. The overall mean for product innovation was 3.8394, with a standard deviation of 0.6151.

Process Innovation

The respondents were asked to indicate their level of agreement on the effect of process innovation on financial performance of deposit-taking Saccos in North Rift Region, Kenya. The findings were as indicated in Table 2.

Table 2: Process Innovation on Financial Performance

Process Innovation	N	SA %	A %	N %	D %	SD %	Mean	Std
The Sacco has automated office services to reduce repetitive work like document processing, which enhances performance.	175	45.1	29.7	12.6	9.1	3.4	4.0400	1.12117
Office automation facilitates seamless collaboration and communication among staff members, which enhances performance.	175	34.9	33.7	18.9	12.6	0.0	3.9086	1.01861
The Sacco has loan tracking systems that provide real-time visibility into the status and performance of loan portfolios.	175	40.6	30.3	16.6	12.6	0.0	3.9886	1.03939
Loan tracking systems generate comprehensive reports and analytics on loan performance metrics such as delinquency rates, default rates.	175	44.0	29.1	13.7	10.3	2.9	4.0114	1.11926
Monitoring loans has improved the rate of payback, expanding the source of income.	175	26.3	49.1	12.6	11.4	0.6	3.8914	.94363
The Sacco has adopted digital payment platforms like mobile banking, enhancing convenience for members.	175	28.6	34.3	12.6	21.7	2.9	3.6400	1.18980
Digital payment platforms have improved transaction speed and efficiency, leading to increased member satisfaction and retention.	175	20.6	48.6	15.4	14.9	1.0	3.7371	.97057
Overall Mean							**3.8594**	**0.9128**

Source : Research Data 2024

Key: SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree

Results on table 2 ahows that, 45.1% strongly agreed, 29.7% agreed, 12.6% were neutral, 9.1% disagreed, and 3.4% strongly disagreed that the automation of office services reduces repetitive work like document processing, enhancing performance. The mean score for this statement was 4.0400, with a standard deviation of 1.12117, suggesting that automation was key to improving efficiency. Moreover, 34.9% strongly agreed, 33.7% agreed, 18.9% were neutral, 12.6% disagreed, and none strongly disagreed that office automation facilitated seamless collaboration and communication among staff members, enhancing performance. The statement recorded a mean of 3.9086 and a standard deviation of 1.01861, demonstrating the effectiveness of automation in streamlining operations and improving communication. This aligns with the findings of Mugunyi (2022), which showed that internet banking allows customers to access their accounts and conduct transactions anytime, from anywhere, thus eliminating the need to visit physical branches.

Regarding loan tracking systems, 40.6% of respondents strongly agreed, 30.3% agreed, 16.6% were neutral, 12.6% disagreed, and none strongly disagreed that the SACCO's loan tracking systems provided real-time visibility into the status and performance of loan portfolios. The mean score for this statement was 3.9886, with a standard deviation of 1.03939, reflecting that real-time tracking was essential to some extent for managing loan portfolios effectively. In terms of generating comprehensive reports, 44% strongly agreed, 29.1% agreed, 13.7% were neutral, 10.3% disagreed, and 2.9% strongly disagreed that loan tracking systems generate comprehensive reports and analytics on loan performance metrics such as delinquency and default rates. The mean score for this statement was 4.0114, with a standard deviation of 1.11926, indicating that reporting systems were important in decision-making.

On monitoring loans, 26.3% strongly agreed, 49.1% agreed, 12.6% were neutral, 11.4% disagreed, and 0.6% strongly disagreed that monitoring loans had improved the rate of payback, expanding the SACCO's income sources. This recorded a mean of 3.8914 and a standard deviation of 0.94363, underscoring the financial benefits of enhanced loan monitoring. This aligns with Chepkorir (2022) study, which found that loan monitoring systems allowed lenders to track repayment behavior in real-time, helping to identify early warning signs of potential defaults and mitigate risks. Furthermore, 28.6% strongly agreed, 34.3% agreed, 12.6% were neutral, 21.7% disagreed, and 2.9% strongly disagreed that digital payment platforms like mobile banking enhance convenience for members. The mean score for this statement was 3.6400, with a standard deviation of 1.18980, suggesting that digital platforms are had some contribution improving service accessibility.

Finally, 20.6% of respondents strongly agreed, 48.6% agreed, 15.4% were neutral, 14.9% disagreed, and 1.0% strongly disagreed that digital payment platforms had improved transaction speed and efficiency, leading to increased member satisfaction and retention. The statement had a mean of 3.7371 and a standard deviation of 0.97057, reflecting that digital payment solutions had some contribution to overall customer satisfaction and retention. The overall mean for process innovation was 3.8594, with a standard deviation of 0.9128. The results demonstrated that process innovations, including office automation, loan tracking systems, and digital payment platforms, significantly enhanced the financial performance of SACCOs in the region.

Organizational Innovation on Financial Performance

The respondents were asked to indicate their level of agreement on the effect of organizational innovation on financial performance of deposit-taking Saccos in North Rift Region, Kenya. The findings were as indicated in Table 3.

Table 3: Organizational Innovation on Financial Performance

Organizational Innovation	N	SA %	A %	N %	D %	SD %	Mean	Std
Agency banking save time and enhances service delivery	175	15.4	50.3	18.3	16.0	0.0	4.0286	1.00818
Agency banking provides convenient access to banking services through a network of retail agents	175	40.6	33.1	14.9	11.4	0.0	3.9086	1.07355
Management systems facilitate compliance with regulatory requirements and internal governance standards	175	35.4	35.4	16.0	10.9	2.3	3.9486	1.09999
Management systems help the Sacco track member retention rates and loan portfolio quality, and which helps to increase performance	175	38.9	33.7	13.1	12.0	2.3	4.1714	1.04732
External relations create opportunities for strategic partnerships which enhances financial performance	175	52.0	24.0	14.9	7.4	1.7	4.0571	.99258
Engaging with external stakeholders provides valuable insights into market trends and emerging opportunities	175	41.1	34.3	13.7	10.9	0.0	4.0286	1.00818
Overall Mean							3.9764	1.0005

From the findings, 15.4% of the respondents strongly agreed, 50.3% agreed, 18.3% were neutral, 16.0% disagreed, and none strongly disagreed that agency banking saves time and enhances service delivery. The mean score for this statement was 4.0286, with a standard deviation of 1.00818, suggesting that agency banking significantly improved service efficiency. Additionally, 40.6% of the respondents strongly agreed, 33.1% agreed, 14.9% were neutral, 11.4% disagreed, and none strongly disagreed that agency banking provided convenient access to banking services through a network of retail agents. The mean score for this statement was 3.9086, with a standard deviation of 1.07355, indicating that agency banking facilitates convenient service access. The study findings agreed with those of Kibet, (2021) which revealed that agency banking enabled financial institutions to extend their reach to underserved or remote areas where establishing traditional bank branches may not be feasible or cost-effective.

Regarding management systems, 35.4% of the respondents strongly agreed, 35.4% agreed, 16.0% were neutral, 10.9% disagreed, and 2.3% strongly disagreed that these systems facilitated compliance with regulatory requirements and internal governance standards. The mean score for this statement was 3.9486, with a standard deviation of 1.09999, reflecting that

management systems had a role for regulatory compliance and governance. Furthermore, 38.9% strongly agreed, 33.7% agreed, 13.1% were neutral, 12.0% disagreed, and 2.3% strongly disagreed that management systems helped the Saccos track member retention rates and loan portfolio quality, thereby enhancing performance. The mean score was 4.1714, with a standard deviation of 1.04732, underscoring the value of the systems in improving performance metrics. The study findings were in line with those of Ndung'u and Mutinda (2022) who found that management systems allow SACCOs to track member engagement, satisfaction levels, and retention rates over time.

In terms of external relations, 52.0% of respondents strongly agreed, 24.0% agreed, 14.9% were neutral, 7.4% disagreed, and 1.7% strongly disagreed that external relations created opportunities for strategic partnerships, enhancing financial performance. The mean score for this statement was 4.0571, with a standard deviation of 0.99258, highlighting the importance of external relations in fostering strategic partnerships. Finally, 41.1% of respondents strongly agreed, 34.3% agreed, 13.7% were neutral, 10.9% disagreed, and none strongly disagreed that engaging with external stakeholders provided valuable insights into market trends and emerging opportunities. The mean score was 4.0286, with a standard deviation of 1.00818, indicating that engagement with stakeholders is crucial for gaining market insights.

Return on Assets

The study sought to assess return on asset of the 30 targeted Saccos in North Rift region. To determine the ROA the researcher calculated the net income and assets of Saccos. The findings are indicated in Table 4.

Table 4: Return on Assets

	N	Minimum	Maximum	Mean	Std. Deviation
Net Income	30	.01	7.74	1.1983	1.92348
Assets	30	.11	64.06	8.6160	14.74310
ROA	30	.07	.21	.1442	.02941
Valid N (listwise)	30				

Source : Research Data 2024

From the findings on Table 4, the net income among the targeted SACCOs was in the range of 0.01 to 7.74 units, with an average of 1.1983 units. This considerable variation in net income, reflected in a high standard deviation of 1.92348, suggested a large disparity in profitability among the SACCOs. While some SACCOs were performing well, others struggled to generate significant income. This disparity highlighted the potential importance of financial innovation in driving profitability, especially for SACCOs at the lower end of the spectrum.

The total assets of the SACCOs also exhibited wide variation, ranging from 0.11 to 64.06 units, with an average asset base of 8.616 units. The standard deviation of 14.74310 reflects significant differences in asset sizes across SACCOs, indicating that some are much larger and have greater financial resources than others. This disparity suggests that the capacity to adopt and benefit from financial innovation may vary significantly, with larger SACCOs possibly having more resources to invest in new technologies and services. Smaller SACCOs, on the other hand, may face challenges in keeping pace with innovation due to their limited asset base, which could affect their competitive advantage in the long run.

Return on assets (ROA), which measures the efficiency of SACCOs in generating income from their assets, was relatively stable across the sample, with values ranging from 0.07 to 0.21 and had anaverage of 0.1442. The standard deviation of 0.02941 indicated that the SACCOs

performed similarly in terms of asset efficiency, with fewer variations compared to net income and assets. This suggested that while profitability and asset sizes vary widely, the efficiency with which SACCOs use their assets was more consistent. Overall, these findings implied that while financial innovation hadpotential to boost performance, its impact differed depending on the SACCO's size and financial standing, with larger SACCOs likely to benefit more from innovation-driven strategies.

4.6 Inferential Statistics

Inferential statistics makes inferences and predictions about a population based on a sample of data taken from the population in question. The study used pearson correlation analysis and regression analysis.

Correlation Analysis

The study adopted Pearson correlation analysis. Pearson's correlation coefficient (r) measures the strength of the association between the variables. As indicated in table 5.

Table 5: Correlation Matrix

		ROA	Product Innovation	Process Innovation	Organizational Innovation
ROA	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	30			
Product Innovation	Pearson Correlation	.877*	1		
	Sig. (2-tailed)	.029			
	N	30	175		
Process Innovation	Pearson Correlation	.934*	.688*	1	
	Sig. (2-tailed)	.016	.453		
	N	30	175	175	
Organizational Innovation	Pearson Correlation	.649*	.582**	.596	1
	Sig. (2-tailed)	.026	.345	.563	
	N	30	175	175	175

*. Correlation is significant at the 0.05 level (2-tailed).

The findings revealed that product innovation has a strong positive correlation with ROA, indicating that SACCOs that innovate in their product offerings tend to have higher ROA. The correlation coefficient of 0.877 suggests a significant and strong relationship, meaning that improvements or advancements in product innovation are likely associated with better financial performance in terms of ROA. The p-value of 0.029, which is below the 0.05 significance level, confirms that this correlation is statistically significant.

In addition, the findings revealed that process innovation shows an even stronger positive correlation with ROA compared to product innovation, with a correlation coefficient of 0.934. This indicates that SACCOs engaging in process innovations, which could include improvements in operational efficiencies or internal procedures, are likely to see a substantial increase in their ROA. The p-value of 0.016 also indicates that this correlation is statistically significant, suggesting a robust relationship between process innovation and financial performance.

The findings also revealed that organizational innovation is positively correlated with ROA, with a coefficient of 0.649. This suggests that SACCOs that adopt innovative organizational

practices also tend to have better financial performance in terms of ROA. Although the correlation is weaker compared to Product and Process Innovation, it is still significant, as indicated by the p-value of 0.026, which is below the 0.05 threshold.

Regression Analysis

The researcher conducted multiple regression to assess the relationship between each of the independent variable and dependent variable. The study sought to determine the value of R-Squared. The R-Squared is the proportion of variance in the dependent variable which can be explained by the independent variables.

Table 6: Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.867[a]	.752	.730	.36261	
b. Predictors: (Constant), Process Innovation, Product Innovation, Organization Innovation					

The R-squared in this study was 0.730, which showed that the three independent variables (product innovation, process innovation and organizational innovation) explained 73.0% of financial performance of deposit-taking Saccos in North Rift Region, Kenya was established while other factors explain 27.0%. The analysis of variance in this study was used to determine whether the model wasgood fit for the data. The findings are indicated in Table 7.

Table 7: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.930	3	5.977	26.215	.000[b]
	Residual	5.917	26	.228		
	Total	23.847	29			

a. Dependent Variable: Financial Performance of deposit-taking Saccos in North Rift Region, Kenya

b. Predictors: (Constant), (Product Innovation, Process Innovation and Organizational Innovation).

From the findings, the p-value was 0.000 which is less than 0.05 and hence the model was good in predicting how the four independent variables (product innovation, process innovation and organizational innovation) affected financial performance deposit-taking Saccos in North Rift Region, Kenya. Further, the F-value was (26.215) which showed that the model was fit in predicting the effect of the independent variables on dependent variable. Table 8 shows the overall significant test results for the hypothesized research model.

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Table 8: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.124	.038		3.299	.003
Product Innovation	.008	.013	.252	.632	.003
Process Innovation	.004	.014	.115	.300	.007
Organizational Innovation	.009	.013	.184	.690	.004

The interpretations of the findings indicated follow the following regression model.

$Y= 0.124+ 0.008X_1 + 0.004X_2 +0.009X_3$ ……..……. 4.1

According to the intercept (β0), when the three independent variables were held constant, the value of financial performance of deposit-taking Saccos in North Rift Region, Kenya was 0.124. In addition, holding all the other independent variables constant, a unit increase product innovation led to a 0.008 increase in financial performance of deposit-taking Saccos in North Rift Region, Kenya. The study findings were in line with those of Macharia and Tirimbi (2018) that suggested that Innovative products helped financial firms to manage risk more effectively. For example, offering innovative loan products with flexible repayment options or introducing risk management tools and insurance products help mitigate credit risk and protect financial assets.

In addition, holding on the other independent variables constant, a unit increase in process innovation led to a 0.004 improvement on financial performance of deposit-taking Saccos in North Rift Region, Kenya. The study findings were in line with Nekesa and Olweny (2018) who stated that process innovation aims to make operations more efficient and effective. By reengineering processes, implementing technology solutions, and improving resource allocation, firms accomplish tasks more quickly and with fewer resources. This increased efficiency allows firms to serve more members, process transactions faster, and handle higher volumes of business, leading to revenue growth and improved financial performance.

Further, holding all the other variables constant, a unit increase in organizational innovation led to a 0.009 improvement on financial performance of deposit-taking Saccos in North Rift Region, Kenya. The study findings were in line with those of Mugo (2019) who showed that organizational innovation involves rethinking and improving the way firm structure their operations, manage resources, and empower employees. By implementing innovative organizational structures, processes, and systems, firms enhance efficiency, streamline workflows, and boost productivity. This leads to cost savings, improved operational performance, and ultimately, better financial results.Hypotheses results were as summarized in table 9.

Table 9: Summary Table

Hypothesis	Findings	Significant Level	Decision
Product Innovation	.003	0.0	Reject
Process Innovation	.007	0.05	Reject
Organizational Innovation	.004	0.05	Reject

https://doi.org/10.53819/81018102t4344

5.0 Conclusion

The study concluded that product innovation significantly impacted on the financial performance of deposit-taking SACCOs in the North Rift Region of Kenya. The introduction of new deposit accounts proofed to be effective in attracting more members, which in turn boosted deposits and revenue. Additionally, these new accounts provided opportunities for targeted marketing and engagement initiatives, leading to better outreach and customer relations. Debit card transactions also enhanced financial efficiency by reducing reliance on cash handling, which consequently lowers costs. The study also concluded that the convenience and security offered by debit cards further contributed to member satisfaction both online and offline. The introduction of microloans expanded the SACCOs' client base, especially among low-income earners, enhancing their loan portfolio. Moreover, the flexible repayment plans associated with these microloans encouraged more members to access credit facilities. Overall, the study concluded that product innovation had been instrumental in enhancing the financial performance of SACCOs by offering diverse and tailored financial products that catered to the varying needs of their members.

The study concluded that the implementation of agency banking had saved time and improved service delivery. Through a network of retail agents, SACCOs increased the convenience and accessibility of their services, especially in areas where traditional branches may be scarce. The use of management systems facilitated compliance with regulatory standards and internal governance, ensuring smooth operations. They also played a crucial role in monitoring member retention rates and the quality of loan portfolios, which directly contribute to the SACCO's financial health. Additionally, the study concluded that the establishment of external relations had opened avenues for strategic partnerships, which positively influenced financial outcomes.

6.0 Recommendations

For product innovation, the study recommended that SACCO management should prioritize the continuous introduction and refinement of diverse financial products tailored to meet the needs of their members. Specifically, SACCOs should develop new deposit accounts that cater to various member segments and implement marketing strategies aimed at enhancing engagement and boosting deposits. Additionally, SACCOs should focus on expanding the availability and accessibility of debit card services, ensuring that members can conduct secure transactions both online and offline. Management should also prioritize the development of microloan products with flexible repayment plans to attract low-income members and enhance the loan portfolio.

For process innovation, the study recommended that SACCOs should continue automating office operations and adopting digital tools to improve efficiency and reduce repetitive tasks. The focus should be on fully integrating office automation technologies that facilitate seamless staff collaboration and communication. Additionally, SACCOs should invest in advanced loan tracking systems that provide real-time insights into loan performance, helping improve decision-making and reduce default risks. The adoption and improvement of digital payment platforms, including mobile banking, should be a priority, enhancing transaction speed and customer convenience.

For organizational innovation, the study recommended that SACCOs should further invest in and expand agency banking operations to enhance service delivery, particularly in remote areas. Management should focus on strengthening networks of retail agents to increase service accessibility and convenience. The study also suggested that SACCOs should continuously upgrade management systems to improve regulatory compliance and internal governance, as well as to enhance monitoring of member retention and loan portfolio quality. Building strong

external relations for strategic partnerships should be a priority to tap into new opportunities that can improve financial performance.

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