

**EFFECT OF FINANCIAL INNOVATIONS ON THE FINANCIAL
PERFORMANCE OF SACCOS IN KENYA**

972740 SANG PETER KIPLIMO

**A Research Submitted to the Strathmore Business School in the in
Fulfillment for the Degree of Bachelor of Commerce (Finance,
Accounting) of Strathmore University**

December 2019

DECLARATION

This research paper is my original work and has not been submitted for the completion of any degree in any other University.

Signed: SK.....

Date: 09/13/2019.....

Sang Peter Kiplimo

This research paper has been submitted for examination with my approval as a University Supervisor.

Signed: F.O......

Date: 09/13/2019.....

Mr. Fredrick Otieno

ACKNOWLEDGEMENTS

My journey through Strathmore University has been exciting and fruitful. I would like to appreciate those who supported me and helped me in writing this research paper to aid with my graduation, specifically my family and hardworking supervisor Mr. Fredrick Otieno. I would also like to thank Mr. Fredrick Otieno for his professional support and knowledge in helping me finish this paper. Finally, I would like to give thanks the Almighty God for his blessing and being beside me as I complete my studies.

TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENTS	ii
LIST OF FIGURES	vii
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
ABSTRACT	x
CHAPTER ONE: INTRODUCTION	1
1.1. Background of the Study	1
1.1.1. Financial innovation in the United States of America	2
1.1.2. Financial innovation in Kenya	2
1.2. Statement of the Problem	3
1.3. Research Objectives	4
1.4.1. General Objective	4
1.4.2. Specific Objective	4
1.5. Research Questions	5
1.6. Significance of the Study	5
1.7. Scope of the Study	5
1.8. Limitations of the Study	5
CHAPTER TWO: LITERATURE REVIEW	6
2.1. Introduction	6
2.2. Theoretical Review	6
2.2.1. Schumpeter’s theory on innovation	6
2.2.2. Technological Acceptance Model	7
2.2.3. Diffusion of Innovation Theory	8

2.3. Empirical Review	8
2.3.1. International studies on the effect of innovation on MFIs.....	8
2.3.2. Local studies on the effect of innovation on MFIs.....	10
2.4. Determinants of efficiency of SACCOs	11
2.4.1. Product innovations and performance in SACCOS.....	11
2.4.2. Service innovations and performance in SACCOS	12
2.5. Conceptual Framework.....	13
2.6. Summary of the Literature.....	13
2.7. Research Gaps	14
CHAPTER THREE: RESEARCH METHODOLOGY	15
3.1. Introduction	15
3.2. Research Design.....	15
3.3. Population and sampling	15
3.3.1. Population.....	15
3.3.2. Sampling.....	15
3.3. Data Collection Instrument.....	15
3.4. Data Processing and Analysis	16
3.5. Research quality	16
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	17
4.1. Introduction	17
4.2. Response rate.....	17
4.3. Background data	17
4.3.1. Name of institution	17
4.3.2. Gender of the respondents.....	18
4.3.3. Academic qualifications	18

4.3.4. Distribution by county.....	19
4.3.4. Length of operations.....	20
4.3.5. Position within the organization.....	20
4.3.6. Number of employees	21
4.3.7. Number of members.....	21
4.3.7. Influence to embrace innovation.....	22
4.3.8. Impact of products available to stakeholders/members on the profitability of the SACCO	23
4.3.9. Customer satisfaction	23
4.3.10. Key factor in high revenue turnover.....	24
4.4. Product innovation.....	25
4.5. Service innovation	26
4.6. Financial performance.....	27
CHAPTER FIVE: SUMARY, CONCLUSIONS AND RECOMMENDATIONS.....	28
5.1. Introduction.....	28
5.2. Summary of findings.....	28
5.2.1. Product innovation and financial performance.....	28
5.2.2. Service innovation and financial performance	28
5.2.3. Financial innovation and financial performance.....	28
5.3. Conclusion.....	29
5.3.1. Product innovation	29
5.3.2. Service innovation.....	29
5.3.3. Financial innovation and financial performance.....	29
5.4. Recommendations	29
5.4.1. Product innovation	29

5.4.2. Service innovation.....	30
5.4.3. Financial innovation and financial performance	30
5.5. Limitations	30
5.6. Area for further study.....	30
REFERECES.....	31
APPENDICES	34
Appendix A: Research questionnaire.....	34

LIST OF FIGURES

Figure 2.1: Independent and Dependent variables.....	13
Figure 4.2. Academic qualifications	19
Figure 4.3. Distribution by county	19
Figure 4.4. Length of operations.....	20
Figure 4.5. Distribution by position within the organization.....	21
Figure 4.6. Distribution by number of members.....	22
Figure 4.7. Distribution on the effect of financial innovation and profitability	23
Figure 4.8. Distribution by innovative strategies.....	24
Figure 4.9. Distribution by key factor in revenue collection	25

LIST OF TABLES

Table 4.1. List of SACCOS	17
Table 4.2. Distribution by number of employees	21
Table 4.3. Distribution basing on innovation factors.....	22
Table 4.4. Product innovation.....	26
Table 4.5. Service innovation	26
Table 4.6 Financial performance of SACCOS	27

LIST OF ABBREVIATIONS

SACCOS	Savings and Credit Corporations
MFIS	Micro-Finance Industries
SMES	Small and Medium sized Enterprises
CBK	Central Bank of Kenya

ABSTRACT

Financial innovation can be considered to be one of the crucial determinants for the performance of an organization. Various financial institutions have adopted various ways to enhance competition from other financial institutions and enhance their profitability in the market. In Kenya, SACCOS are noted to be the main drivers of the economy. They offer quick services such as quick and flexible loans to individuals seeking finance from micro-institutions rather than commercial banks. This investigated the effect of product and service innovation on the financial performance of SACCOS operating in Kenya. The target population was 10 SACCOS and random sampling was employed during data collection. Primary data was gathered through self-administered questionnaires after a pilot test was conducted to test the validity of the questionnaire. Results revealed that organizations adopted financial innovations to enhance their profitability and enhance competition with other financial institutions in the market. The study drew the conclusion that adoption of financial innovation enhanced the financial performance of the SACCO. The study had one major recommendation which urged SACCOS to adopt mobile banking to increase transactions among clients and create an online presence to create awareness of the existence of the SACCO.

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Financial innovation can be described as the coming up of new technologies that have an overall effect on an institution's performance and mode of operations. These innovations specifically affect the organization's revenue and risk by either increasing or reducing it thus affecting the overall performance of the organization. The most noticeable form of financial innovations is in the form of asset management, remittances and mobile banking (Mobility, 2019).

Asset management is concerned with how an organization manages its resources. It allows managers to effectively manage their investments in the financial market such as stocks and bonds. This financial innovation assists financial institutions in generating maximum profits by assisting organizations in their risk management through effective asset allocation procedures. This may be achieved through formation of departments to deal with the management of specific services.

Remittances is another form of financial innovation which allows group of companies to safely conduct transactions from anywhere in the world. The use of World Bank has enabled financial institutions to safely transfer funds from one branch to another with ease and within a short timely period. The World Bank has also developed a world-wide database that allows possible clients to compare asset transfer prices. Other common organizations dealing with international fund remittances include Western Union, which is an American Financial company with its headquarters in Meridian, Colorado and MoneyGram, an American Financial Company with its headquarters in Dallas, Texas. The two financial institutions allow easy, fast and reliable money transfer among the East African Countries (Mobility,2019).

Internet banking is among the innovations in the financial market. The use of Block-chain technology has allowed financial institutions to link their ledgers, allowing easier comparability of data. They would also reduce remittance costs between financial institutions thus increasing revenue (Mobility, 2019). Mobile banking is also another financial innovation. It allows financial institutions to make basic transactional services such as cash deposit and withdrawal easily accessible to their clients. Mobile banking has also allowed faster money transfer between individuals. This has allowed financial institutions to carry out transactions within the required time and provided a secure means of banking for individuals using security protocols to prevent unauthorized access of information.

1.1.1. Financial innovation in the United States of America

This study was brought about by the global financial crisis which occurred in the United States of America in 2007. It was noted to be the second most severe financial crisis in the United States market after The Great Depression which began in 1929 till late 1930s. During this time, the stock market crashed and led to high unemployment rate due to the collapse of most financial institutions such as Banks. During this time, individuals traded with gold. The Federal Reserve Bank introduced the dollar during this time to replace gold. This was to aid in the stabilization of the economy. The Federal Reserve Bank also raised its interest rates to restrict the availability of money in the economy (Kimberly, 2019).

The Financial crisis of 2007-2008, began in the United States of America where homeowners defaulted of their mortgage payments thus affecting the stability of the financial market. This was due to relators selling homes to individuals with questionable credit thus allowing individuals to take up loans greater than they can repay. This collapsed various financial institutions such as hedge funds that invested in mortgages and was brought about by the government making mortgage plans readily accessible to the public. This task was achieved by giving powers to monopoly agencies such as Fannie Mae and Freddie Mac, which the government sponsored to help manage mortgages in the United States of America (Helleiner, 2011).

The financial institution lent out and affordable rates thus flooding the markets with foreign capital, creating inflation by lowering the cost of issuing out credit facilities to individuals. This was achieved by maintaining a fixed interest rate on mortgages even after the Federal Reserve Bank began to rise interest rates in the year 2006-2007. The banks were forced into bankruptcy due to debt crisis from loan defaults by international countries and institutions. This crisis was corrected by financial institutions reducing their inter-bank borrowing and disposal of risky securities by selling them off to other investors.

1.1.2. Financial innovation in Kenya

In Kenya, micro finance institutions are governed by the CBK. They were formed by a non-government organization which sought to bridge the gap between low income earners in the informal sector with other individuals operating within the Kenyan market (Kibugo, 2016).

Micro financial institutions, such as SACCOs, are organizations that offer quick financial aid to medium and low-income earners in Kenya by trying to bridge the gap between social classes left

unattended by most commercial banks. The target clients are majorly in the informal sector, existing in medium professions such as a shopkeeper (EkarepИha, 2019). They assist the economy through ways such as: Offering soft loans to client's thus promoting self-employment among individuals in the informal sector of the economy and Assisting in the redistribution of resources to ensure everyone has equal access to financial facilities offered by the micro financial institution.

These micro finance institutions were aided in developments through legislation of favorable government policies and financial aid from international financial bodies such as World Bank. Micro financial institutions in Kenya have since developed financial innovations to aid in market penetration, customer satisfaction and profit maximization. Micro finance institutions have adopted innovations such as; product innovation to meet the needs of a variety of clients, location innovation to make their institutions readily accessible to the public, product improvement such as flexible savings schemes and conducting research and development on market trends to predict future market rise or dip.

Kenya has classified micro financial institutions into 3 major categories; Large (market share of above 5%), medium (market share between 1% and 5%)and small (market share of below 1%). Micro financial institutions have adopted various financial innovations over the years to aid in their operations. Such innovations have been fueled by the rapid adoption of Information System technology to usher in a digital age of banking. In Kenya, the micro finance sector has witnessed a growth since 2008 when the Government of Kenya allowed micro financial institutions to operate within Kenya. These micro financial institutions have since adopted the use of financial innovations such as the use of mobile banking, asset management practices and remittances to aid in their operations.

1.2. Statement of the Problem

Previous studies indicate that Micro finance institutions face difficulties in their growth and expansion within the Kenyan market. This limits their ability to employ individuals thus limiting job availability in the market. This study aims at identifying recent developments in financial innovation and its effect on the performance of MFIS. The study would help investors know types of innovations in the market, their degree of influence over an organization and in doing so, help individuals decide on what innovation to adopt. This research would also help future financial

managers with product innovation to meet customer needs thus retaining more clients for their organization.

In a study conducted by Martin Kabiro Kibugo, it was observed that the development of new financial instruments has affected the financial market system by ushering in change to a digital era. Reforms have been taken to improve on existing products though little documentation has been done on the effect financial innovations have in the micro-finance sector of the economy. This study aims at identifying technologies and innovations that have penetrated the market over the past few years and monitor its effect on micro finance institutions operation under the Central Bank of Kenya (Kibugo, 2016).

A study by Alexander Kagira Mwangi, it was discovered that micro financial institutions are yet to fully adopt financial innovations in the market. The study sampled commercial banks, ignoring SACCOs present in the market. The banks that adopted innovations, offered highly diversified products and services which clients found to be better than those offered by commercial banks (Mwangi, 2013).

This study aims at bridging the gap left by past scholars by researching on the effect of financial innovations on the performance of SACCOs in Kenya.

1.3. Research Objectives

The study was to address 1 general objective and 3 specific objectives.

1.4.1. General Objective

To investigate on the effect of financial innovation on the performance of MFIS operating under the Central Bank of Kenya.

1.4.2. Specific Objective

The research had a specific objective of:

- i. To investigate the effect of product innovation on the performance of SACCOs in Kenya.
- ii. To investigate the effect of service innovation on the performance of SACCOs in Kenya.

1.5. Research Questions

The study would help answer:

- i. What is the effect of product innovation on the performance of SACCOs?
- ii. What is the effect of service innovation on the performance of SACCOs?

1.6. Significance of the Study

The experiment would aid managers with future project innovation tailored to meet customer preferences. Managers would be able to identify popular innovations and adjust them to suit their client's needs. The research would also assist computer developers identify areas of interest in the financial market by managers' and work toward developing suitable software to bridge possible market gaps. The study would also assist future scholars in their quest to monitor the degree of change financial innovation has brought to the market over the past few years. The study would assist researchers identify commonly used technology over time and monitor their effects. Finally, the research would act as a pilot study to future scholars wishing to investigate the effect of finance innovations on the performance of Micro-finance institutions as little research had been focused on SAACOs.

1.7. Scope of the Study

The study aims to identify the various financial innovations that have come into the economy over the past few years and determine their effect on the financial performance of SACCOs from 2016 to 2019. The study would majorly focus on SACCOs operating within Kenya.

1.8. Limitations of the Study

The study faced challenges in the collection of data. The use of closed ended questionnaires limited the responses individuals could offer to the researcher. To counter this challenge, the researcher opted to issue an open and closed ended questionnaire to get maximum data from respondents to meet the objectives of the study. Respondents also needed constant reassurance that their data would only be used for research purposes to persuade them not to withhold any information. The study was limited to the workforce of the SACCOs to allow the researcher to gain accurate data on the effect each innovation had on the institution's client.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This section presents research conducted by past scholars in this field. This chapter will use past scholarly materials to help formulate the theoretical review, empirical review, conceptual framework and help determine a determine research gap. This chapter aims to cover the various types of innovations present in the financial market such as product, service, process and organizational structure innovation. This chapter also discusses the theoretical, empirical and determinants for the performance on SACCOs in Kenya.

2.2. Theoretical Review

The study focused on 3 theories to help explain effects of financial innovation under study: Schumpeter's Theory on innovation, Technological Acceptance Model and Diffusion of Innovation theory.

2.2.1. Schumpeter's theory on innovation

Schumpeter is regarded as one of the most brilliant economists during the early 1980's and was well known for arguing that anyone seeking profits, must innovate (Śledzik, 2013). He is famous for his writings in economics with the most profound being his theory on innovation. His theory innovation analyzed the business cycle of an entity with regards to economic changes (Sweezy, 1943). Schumpeter described innovation as a 5 a staged process:

The launch of a new product was the first step which involved the introduction of the product to the market which would usher change to the operations of an entity. The second step involved application of new sales promotion methods to create product awareness. The third step required the innovator to expand the product to a new market group such as trying to penetrate to a different sector of the economy such as macro-finance institutions or the agricultural sector of the economy. The fourth step involved simplification of the production process. This was done achieved through acquisition of new production materials such as semi-finished products or automation of processes to fasten the delivery of the innovation. The final step involved creation of a body or organization to oversee the delivery of the innovation services such as installation, maintenance and research and development group to help improve the product (Sweezy, 1943).

In his paper, Professor Schumpeter described innovators as entrepreneurs or entities seeking to make profits from households (Sweezy, 1943). He argued that innovation came as a result of demand from businesses to acquire methods to preserve and increase their capital and revenues. This may be achieved through ways such as employing cost accountants and research and development departments to analyze changes in market trends.

The theory suggests that each innovation present in the financial system has a source, a large number of users and brings benefits to the users (Sweezy, 1943). This theory would be used to identify innovators in the market, early adopters and developers of innovations and the late adopters. The theory would further assist the researcher identify factors and conditions that would favor the spread and adoption of an innovation by an organization. These conditions may include legal, geographical or internal such as financial capabilities to adopt a given innovation.

2.2.2. Technological Acceptance Model

This study was brought forward by Professor Fred Davis (1980) who tried to develop a relationship between the effects of computer systems and its acceptance by its users (Davis, 1985). He discovered that the features of a given system affect who its end users would be since each individual search for their own product specifications. Scholars have since adopted the model to try and determine factors influencing the adoption of an information technology. It was discovered that two major external variables influence the decision of an individual to acquire a given technology; perceived ease of use and usefulness (Shih-Chih Chen, 2011). Scholars revealed that this model is best when used to investigate online information systems

In a study by Paul (2001), it was reported that information systems are costly and require a duration of time to be fully implemented in an organization's system. The study was aimed at investigating why individuals use information technology. The researcher concluded that an innovation may be accepted homogeneous except where the needs were to meet the expectations of a group classified according gender, age or needs. The study revealed that the software needs of a student differs from that of a manager. The study concluded by recommending the adoption of the technological acceptance model by managers in their decision to acquire and implement a new software within an organization (Legris, 2003). The model would be used to try and explain why top-level management opt to select one system over another to enhance the organization's performance.

2.2.3. Diffusion of Innovation Theory

The theory was brought forward by Everett Rogers and seeks to explain the rate of spread of technologies. He is known for arguing that diffusion is the process by which an idea is passed on from one individual to another over a period (Rogers, 1983). He described diffusion through a five-step process: knowledge, persuasion, choice to acquire innovation, implementing innovation after acquisition and monitoring of progress brought by innovation. Each individual or institution is subjected through the process before a new technology is acquired to the business. Upon adoption, he further categorized adopters of innovations into five major categories: Innovators, early adopters, early majority, late majority and laggards who were slowest to acquire and adopt technologies (Rogers, 1983).

A study by Isleem (2003) adopted quantitative research to try and evaluate the relationship existing between level of computer use and other factors such as an individual's level of education on computers and accessibility to computers (Sahin, 2006). The study concluded that for an innovation to be accepted, adequate training should be done to employees to help them familiarize themselves with upcoming innovations and start developing positive attitudes towards new innovations. The ability to adopt innovations were determined factors such as the size of the organization, the needs of the organization, the financial capability of the institution to adopt inventions and the availability of the invention while the spread of the innovation was determined by external factors such as agents who created awareness about the innovation. The study however failed to reach a valid conclusion on the overall effect of diffusion of innovation since the area had been understudied leaving room for more research to be conducted in that area.

2.3. Empirical Review

This section covers local and international studies done by past scholars to investigate the effect of financial innovations on the financial performance of MFIs.

2.3.1. International studies on the effect of innovation on MFIs

A study conducted by Faisal Mustafa on the effect of global financial crunch on financially innovative micro-finance institutions in South Asia concluded that a country's political stability affects the revenue of MFIs. It was observed that when the economy is stable and at its peak, loans increased among individuals thus earning the bank more revenue in form of interest payments (Mustafa, 2019). The study examined data from 95 Micro finance institutions trading in the South

Asia Micro-Finance Information Exchange market for the period 2012-2013. The study recommended that the government should formulate favorable legislations to enable smooth operations of MFIs within the economy.

In Rwanda, a case study known as Réseau Interdiocesain de microfinance investigated the impact of the adoption of information technology innovations by finance institutions. The study adopted a descriptive research and applied both quantitative and qualitative analysis methods of data analysis over a sample of 132 financial institutions with each sample selected at random. The study was carried from the year 2011 to 2015 and concluded that even though financial innovations had a positive impact on the profitability, the degree of the impact was found to be low due to low investments in financial innovations by micro finance institutions (Harelimana, 2017).

Another study carried out in Ethiopia on the overall effect of board committees on the performance of MFIs concluded that corporate governance can influence the performance of an MFI. The study examined the relationship that existed between board members of MFIs and the profitability of the institution during multiple financial periods from the year 2006 to 2011. The study discovered that board members are more focused on institutional goals rather than meeting customer satisfaction. The researcher assumed this was due to the board members regulating a finance institution under the rule of the Central Bank which forces them to meet certain banking regulations such as strict policies on the composition of board members. The study however, urged that more research should be conducted on corporate governance to determine how micro finance institutions have adjusted their internal structure to meet the requirements of the Central Bank and boost revenue from its operations (Muluneh Hideto, 2019).

A study conducted in Uganda to determine the relationship between credit risk management techniques and financial performance of MFIs proved that credit management helped reduce losses by identifying possible loss exposures for finance institutions. The study focused on 3 firms operating within Kampala and obtained data from 60 employees within the finance and credit departments and analyzed data from financial statements during the period 2011-2015. The study however, failed to identify innovations adopted by finance institutions to help manage credit risk leaving room for further research to be done in the area (Emenike O. Kalu, 2018).

2.3.2. Local studies on the effect of innovation on MFIs

Martin Kabiro Kibugo examined the financial innovation's effect on the performance of MFIs in Nakuru established the existence of a supervisory framework that guides MFIs. It was discovered that innovations brought competitive advantage to each institution that adopted an invention. The study also concluded that micro-finance institutions offer variety of products compared to commercial banks operating in Kenya. Recommendations suggested that a study should be done on activities micro-finance institutions engage in to maximize profits and the challenges micro finance institutions face when implementing policies (Kibugo, 2016).

A local study to test the effect of service investment commercial banks and mobile service providers, (Nyagilo, 2019), it was concluded that service investment has a positive effect on the financial performance of local banks. The study examined independent variables such as returns and capital investments against dependent variables such as access, safety and convenience of financial services. The study, however, was limited to the headquarters of commercial banks within Nairobi thus leaving room for further studies to be done in the area. The researcher suggested that a similar research should be done on branch level and be widened to areas outside urban areas to reach a more accurate conclusion. The study was also limited to managers of commercial bank thus customers should be involved in data collection to help researchers explain the factors that affect a bank's investment in an innovation (Nyagilo, 2019).

A local study by Mwangi David Njoroge (2013) to test effects of innovation on the financial performance of MFIs, proved that innovation is a key determinant in the performance of MFIs. The researcher adopted a descriptive and analytical design to analyze data collected through use of questionnaires. The study targeted a sample of all 47 MFIs operating under the Microfinance Act of 2006, covering the period 2011 to 2013. The study however, only covered microfinance institutions and failed to capture data from other financial institutions such as banks and SACCOs and urged future scholars to focus on other variables such as market innovation that influence the performance of MFIs in Kenya (Njoroge, 2013). In order to draw a more valid conclusion, a research on financial institutions was suggested to help obtain accurate results. Further studies could also be conducted on external and internal variables that have influence over the financial performance of MFIs in Kenya.

A study by David Koitamet Maleto (2012) to determine the effect of financial innovation on the growth of SACCOs concluded that the adoption of electronic record keeping, boosted the performance of the 150 SACCOs operating in Kenya. The study analyzed data from financial statements and articles on the effect of financial innovations on MFIs during the period 2011 to 2015. The study adopted a descriptive analysis type of research to help explain data obtained through mean and frequencies. The researcher also adopted a regression analysis model to help explain the relationship between the financial innovations in the market and the overall performance of SACCOs operating in Kenya (Maleto, 2012). The study recommended that additional research should be conducted on growth of SACCOs to enable future scholars to have access to wide literature sources on the area of study.

2.4. Determinants of efficiency of SACCOs

The determinants of efficiency of SACCOs are the key independent variables which play an important role in the performance of SACCOs. They include: Organizational innovation, Product innovation and Service innovation.

2.4.1. Product innovations and performance in SACCOS

Product innovation can be defined as the good an organization has to offer that makes it unique from its competitors. It is crucial in the marketing of an institution. According to a previous scholar, Nagasimha Balakrishna Kanagal, product innovation can thus be defined as the marketing strategies institutions employ to beat rivals in the market retain its customers by offering a new and unique product to customers (Kanagal, 2015). The study conducted by the researcher tried to outline the nature of innovation by examining the types of product innovation. The study identified sources of product innovation to be customers, suppliers, competitor's research and development groups and finally borrowing technology from related industries such as from commercial banks. The adoption of innovations was discovered to be influenced by factors such as the origin of the innovation, size of the organization and the institutions investment in research and development. The study measured the effect of product innovation by analyzing the changes in revenue and market share due to product innovation. The study however, noted a need for balance between meeting the needs of the customers and the goals of the organization. It was therefore concluded that overinvesting on a product that favors one party may lead to the down-fall of the financial organisation (Kanagal, 2015).

The purpose of MFIs being innovative is to beat competitions and bridge market gaps in the finance sector of the economy that has been left out by rival financial entities such as commercial banks. SACCOs are well known for offering quick and flexible credit and savings schemes to individuals who are its members. Members can access loans easier than at commercial banks and enjoy benefits such as a shortened loan application process and a flexible repayment policy. This has drawn attention to low- and average-income earners who opt to shift from banking with various commercial banks to SACCOs. This study aims at investigating how such product innovations has influenced competition of SACCOs against other financial bodies such as commercial banks. The study also seeks to investigate the income generated from unique product innovations such as loan plans and how SACCOs have managed to innovate products that meet both the needs of its customers and the goals of the organization to maximize their revenue.

2.4.2. Service innovations and performance in SACCOS

Service innovation can be defined as a method in which a business entity relates with other businesses or its clients. In a previous research to investigate the SME Development Strategy and Product Innovation (Malcolm Beynon, 2018), it was discovered that various financial institutions may invest in modern technology to increase the quality of services provided. This may be achieved through methods such as acquiring new machinery to automate business processes, training of staff to improve on their skill, marketing of their products online to reach a wider client base and the creation of organizational levels to manage and address different issues within the institution. The study concluded that variables such as the size of the organization, number of staff and branches, influence the level of service innovation within an institution. The researcher concluded that these independent variables have an overall influence on the performance of SMEs. In Kenya, service innovation in SACCOs can be noted in areas such as process automation, data analysis, online marketing and banking and the strategic location of the institution to enable their target customers to access their services. Various financial institutions have opted to shift from an analogue era to a digital era by adopting an electronic mode of transactions (Malcolm Beynon, 2018). This may be noted through the adoption of SAPs such as Oracle, by large financial institutions, to connect various branches and help managers monitor branches easily. This study aims at investigating various technological innovations adopted by SACCOs such as mobile banking and convenience location of its branches influenced the performance of SACCOs within Nairobi.

2.5. Conceptual Framework

This is a diagrammatic representation illustrating how the variables relate with each other. The study adopted two kinds of variables: independent variables which includes organizational innovation (internal structure, number of branches), product innovation (differentiated products) and process innovation (automation of work, delivery process) and a dependent variable which is the performance of the institution (profitability, return on assets).

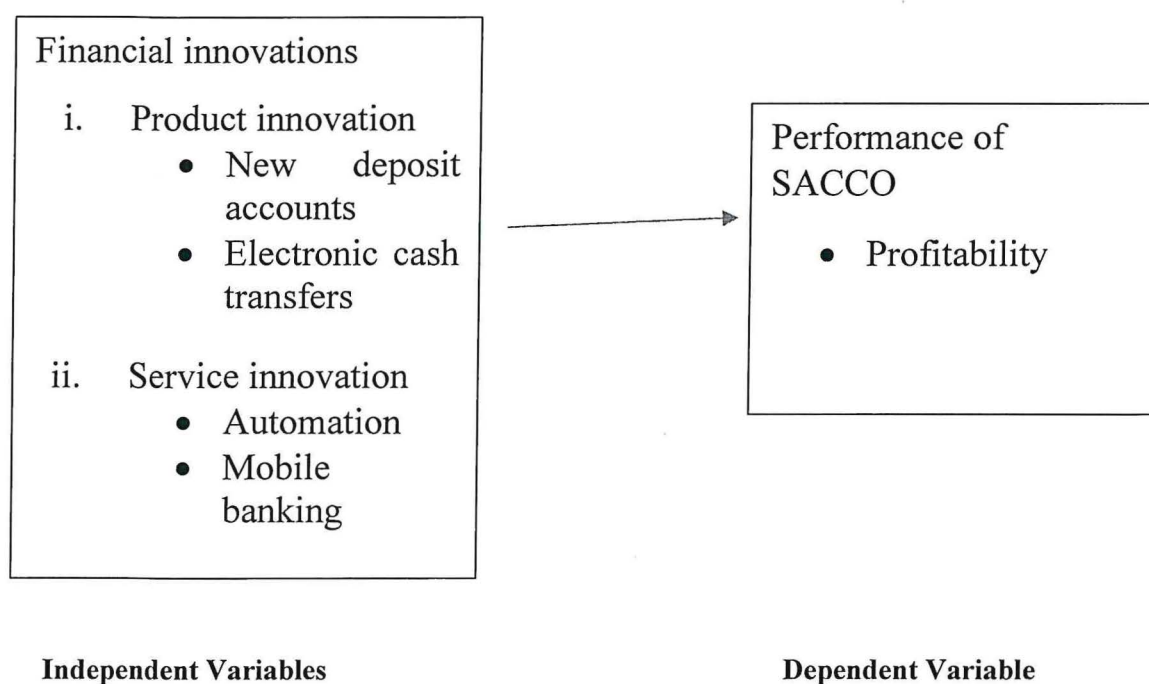


Figure 2.1: Independent and Dependent variables.

2.6. Summary of the Literature

From the above literature sources, it is evident that extensive research has been done on micro finance institutions with most researchers focusing on commercial banks. With an aim to explain the effect of financial innovation on the performance of MFIs, most researchers adopted a regression analysis model to help explain how the independent and dependent variables relate to each other in research. Scholars such as Faisal Mustapha (2019), studied the effect of the global financial crunch in South Africa concluded that favorable government practices favor the growth of SACCOs. Another study conducted in Ethiopia on the effect of management on the performance

of MFIs concluded that the personal goals of management affect the overall performance of an MFI. The study recommended that further studies to be conducted on corporate governance to enable scholars determine how various MFIs have adjusted to corporate governance regulations. A local study by Davit Maleto (2012) to investigate the effect of financial innovation on the growth of SACCOs concluded that adopting of electronic record keeping boosted the growth of SACCOs. The study however, recommended that further studies to be done to add literature to the area to the area of study. This would enable scholars to develop a more accurate analysis on the effect of innovations on the performance and growth of SACCOs. This research would help future scholars by investigating organizational innovations that SACCOs have put in place to counter influence from regulatory bodies such as board managements, organizational hierarchy and government practices such as loans issued to SACCOs, enable efficient operations within their organization and in doing so, increasing revenue.

2.7. Research Gaps

From studies cited above from past scholars, it is evident that little research has been focused on SAACOs while investigating the effect of financial innovation on the performance of MFIs. This has paved way for a research to be conducted to help bridge the gap left by past scholars by including SACCOS in the study of how financial innovation has affected the performance of MFIs in Kenya. This will help and current future scholars and market managers in knowing and monitoring financial innovations coming into the market and help in monitoring its effects in future. This research will focus on product innovation, service innovation and organizational innovation that have been adopted by SACCOS in Nairobi to help determine how these three independent variables affect the overall performance of SACCOS.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter tries to explain the research design, target population, sampling frame, sampling technique and the procedures employed by the researcher.

3.2. Research Design

Kothari (2004) defines a research design as a format or a body which a research follows to enable efficient data collection and analysis (Kothari, 2004). The study employed a descriptive type of research design. This would enable the researcher to identify and provide an explanation on the factors influencing the spread of financial innovations and their effects in the finance market through tabulation of frequencies from data collected.

The research questions have been designed to gather information from respondents on innovative techniques institutions have adopted to enhance competition and performance in the end. The questions would enable the researcher to determine the extent of knowledge individuals have on the innovations adopted by their institutions.

3.3. Population and sampling

3.3.1. Population

Kothari (2004) defines a sample as an element in a census selected for an experiment during a given study (Kothari, 2004). This study adopted a population of all 150 SACCOS located and operational in Kenya.

3.3.2. Sampling

The study sampled data from a SACCO located within Strathmore University for the purposes of convenience and from 9 other SACCOS operating within Nairobi town.

3.3. Data Collection Instrument

The researcher relied on primary data obtained from issued questionnaires. The questionnaires would collect data on the effect of various product and service innovations adopted by the institution. The study would be aimed at employees within the organization because of their adequate knowledge on the various financial innovations adopted by their SACCOS over the last 3 years.

3.4. Data Processing and Analysis

After collection, has to be processed and analyzed to enable comparison (Kothari, 2004). The research adopted a quantitative analysis was then employed through descriptive statistics incorporating the measure frequency counts, percentages, mode, mean and median where possible.

3.5. Research quality

A pilot test is a necessary step in determining the probability of success of a selected research. To test the quality of the questionnaire, a pilot test would be conducted to help me ascertain the reliability of the questionnaire and enable proper changes to be made to meet the needs of the study. In doing so, this will prepare me for data collection in the field as the questionnaire would allow efficient and accurate data collection during the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This section reports the evidence collected and analysis of the results based on the objective of the study, which was to determine the effect of financial innovations on financial performance of SACCOS institutions in Kenya. The results from the study are in tabular and chart form. This chapter comprise of the following sub-section: response rate, findings and interpretation of findings.

4.2. Response rate

The study issued out a total of 10 questionnaires. 10 subjects correctly filled and returned their questionnaires. Babbie (1990) argued that a feedback of 50% to be adequate, 60% to be good and 70% to 100% to be very good for analysis. This implied that the 100% response rate was acceptable to the researcher for interpretation.

4.3. Background data

4.3.1. Name of institution

The study aimed at identifying the institution participating in the study. Table 4.1 shows the list of institutions that took part in the study.

1. IG SACCO
2. Kakamega Entrepreneurs SACCO
3. The Noble SACCO society limited
4. Imarisha SACCO society ltd
5. Kakamega County Women's SACCO
6. Mzima Springs SACCO ltd
7. Boresha SACCO
8. Kingdom SACCO
9. 7 Mwalimu National SACCO
10. Stima SACCO

Table 4.1. List of SACCOS

4.3.2. Gender

The questionnaires gathered information on the gender of the participants. Results revealed that a great number of the respondents were of male gender (60%) while (40%) were of female. These findings are in line with those of Francis (2017); showing possible evidence that the SACCO industry is male dominated (Ngure, 2017). Figure 4.1 shows a chart representation of the results.

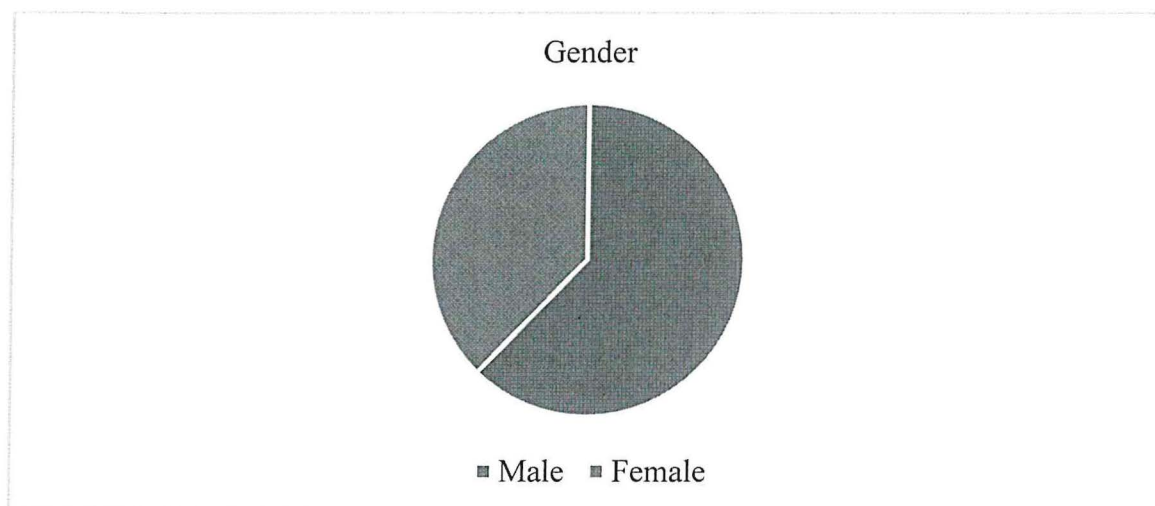


Figure 4.1. Gender.

4.3.3. Academic qualifications

The gathered information on the level of education of respondents. Findings revealed that majority attained a Bachelor's degree in their relevant fields (50%), 30% attained a Post graduate degree, 10% being diploma holders and the remaining 10% being certificate holders. Figure 4.1 illustrates distribution of respondents according to their academic qualifications. These results support previous recommendation of Sasra (2013) that education enhances the capacity of staff to improve governance and efficiency in service delivery.

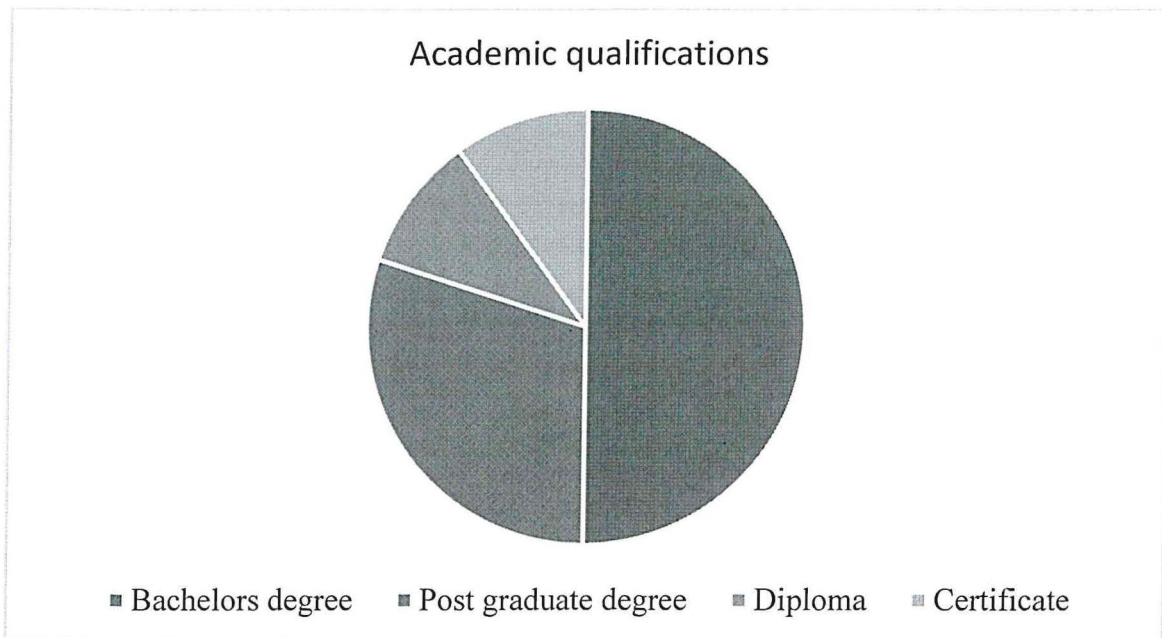


Figure 4.2. Academic qualifications

4.3.4. Distribution by county

The study determined location of the SACCO from where it operates. Majority of the respondents (40%), failed to state their county of operation while 30% Uasin-gishu, 20% Kakamega and 10 % North Rift County. Table 4.2 shows distribution of results.

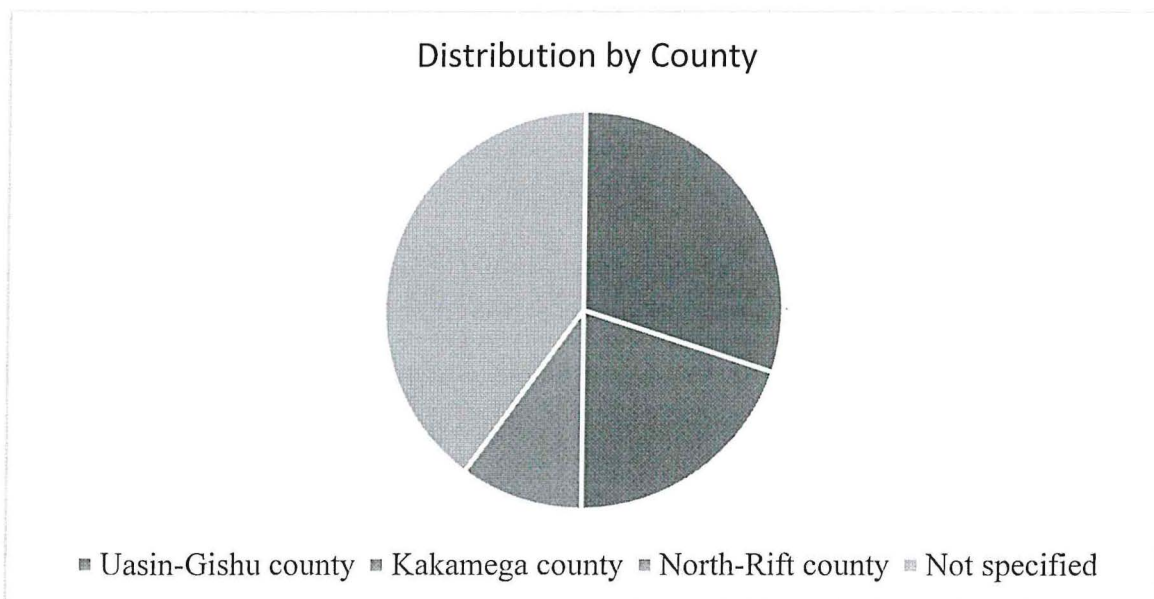


Figure 4.3. Distribution by county

4.3.4. Length of operations

Figure 4.4 shows findings obtained. Results indicate that 90% (9 responses) of the institutions have been operational for over 10 years while 10% (1 response) have been operational for less than 5 years. The number of years an organization has been operational helps determine its awareness to various innovations present in the market. These accords previous conclusions drawn by Karanja (2011) who concluded that the operating period of a firm shows the firm's financial stability and experience in the industry it operates in.

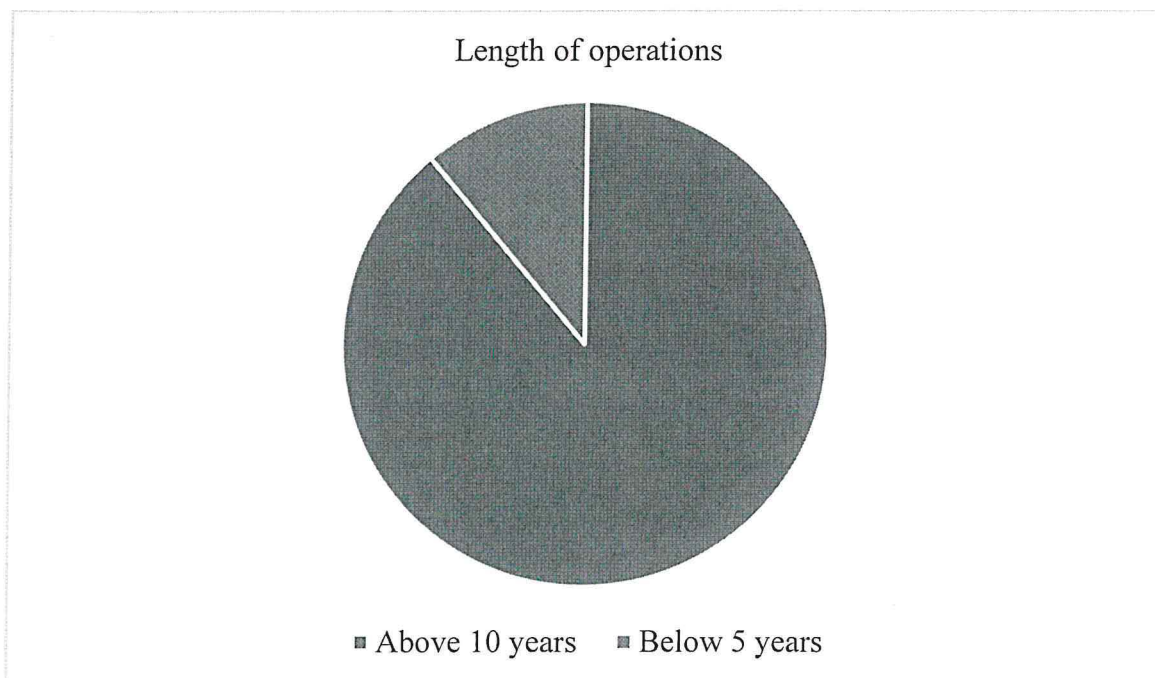


Figure 4.4. Length of operations

4.3.5. Position within the organization

The study determined the level of management the respondent holds to determine the level of awareness to financial innovations. The findings indicate that 80% of the respondents were of middle management while 20% were of top management as shown in figure 4.5.

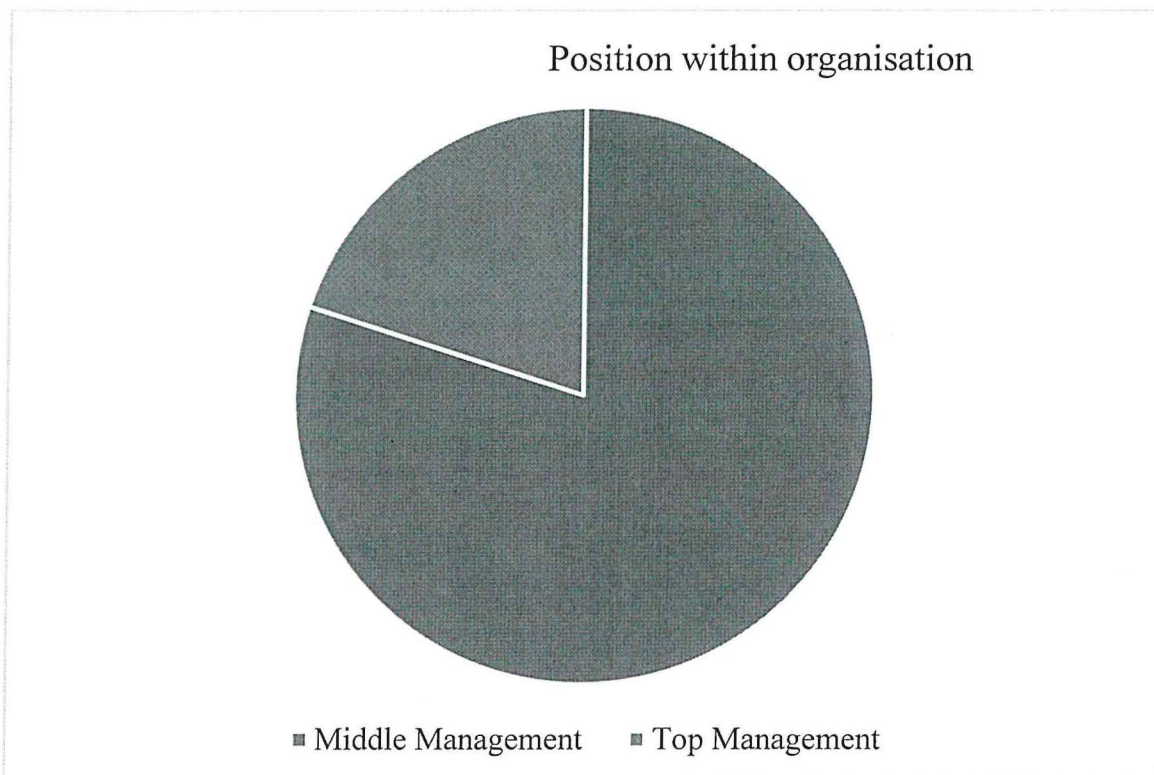


Figure 4.5. Distribution by position within the organization

4.3.6. Number of employees

Table 4.2 shows the data from the study. It was discovered that most of the SACCOS have below 10 employees (40%), 20% have between 11-50 employees, 10% have between 51-100 employees and 30% have above 101 employees.

Number of employees	frequency	Mean	Percentage
Below 10 employees	4	4	40%
11-50 employees	2	31	20%
51-100 employees	1	70	10%
Above 101 employees	3	287.5	30%

Table 4.2. Distribution by number of employees

4.3.7. Number of members

Findings indicated that majority of SACCOS have above 1500 members (70%), while 10% have between 1001-1500 members, 10% have between 501 and 100 members and 10% below 500 members. Figure 4.6 illustrates distribution according to members. The finding is in line with Ruttoh (2015) who conducted a similar experiment on the factors influencing growth of

Cooperative societies within Nandi county, Kenya. The research discovered that competition from other financial institutions led to slow membership growth of SACCO in Nandi County.

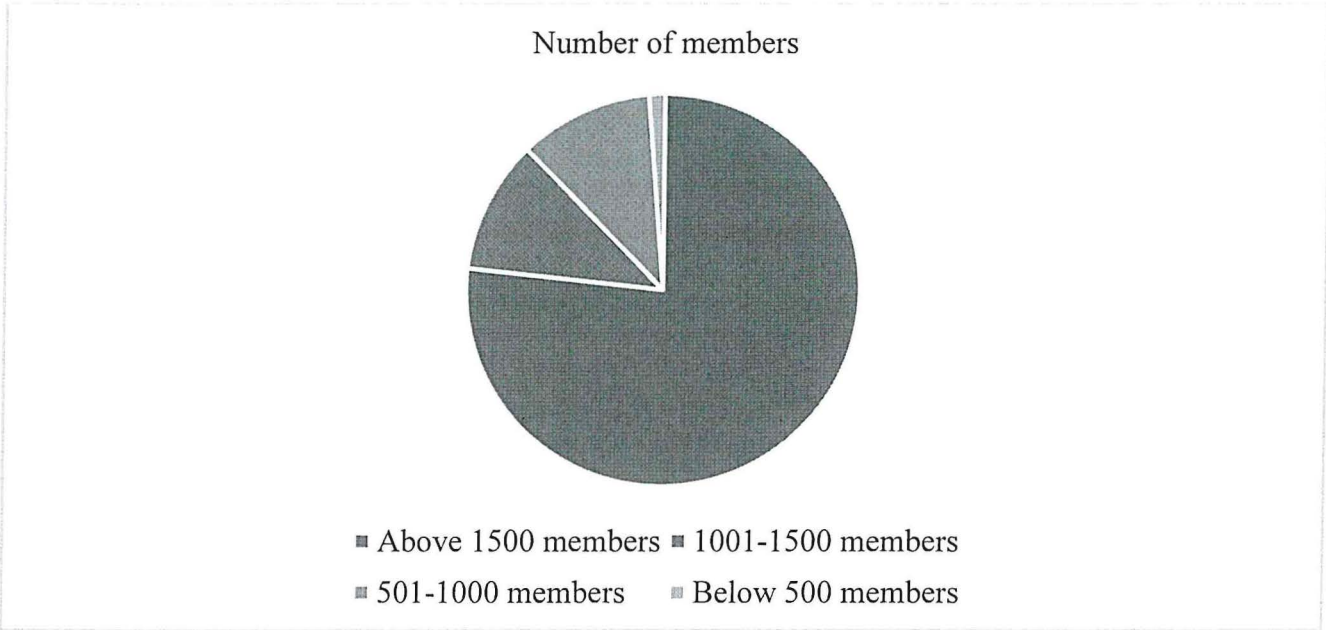


Figure 4.6. Distribution by number of members

4.3.7. Influence to embrace innovation

The study investigated possible factors that pushed SACCOS to embrace innovations. The results revealed that a great number of SACCOS adopted innovations to enhance profitability (40%) and meet customer needs (40%). Other factors included Competition from other financial institutions (10%) and 10% reported they embraced innovation to empower women. Figure 4.7 shows distribution of respondents according to their influence to embrace innovations.

Innovation factors	Frequency	Percent
Competition	4	40%
Enhancing profitability	4	40%
Regulations	0	-
Customers	1	10%
Other reasons	1	10%
Total	10	100%

Table 4.3. Distribution basing on innovation factors

4.3.8. Impact of products available to stakeholders/members on the profitability of the SACCO

Findings showed that 100% of the respondents claimed that innovations available to members have an impact on the profitability of the organization. Figure 4.1 shows distribution of respondents.

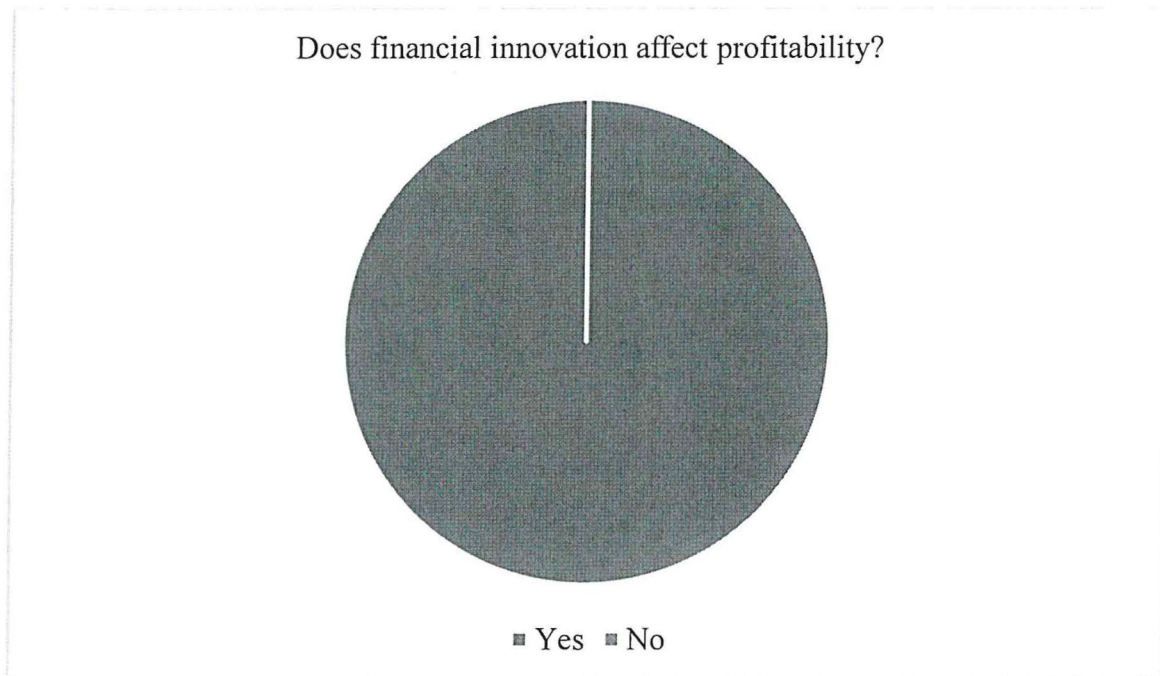


Figure 4.7. Distribution on the effect of financial innovation and profitability

4.3.9. Customer satisfaction

The study aimed at identifying innovative strategies adopted by various organizations to satisfy customer needs. Findings indicated that 80% of the respondents preferred products tailored to customer needs such as loan plans, 10% preferred debit cards and 10% preferred fast money transfer services. None of the respondents preferred credit cards. Figure 4.7 shows distribution of innovation preference to satisfy customer needs. The finding concurs with a study by Ngumi (2013) which found that money transfer services have transformed bank business and this has translated to more incomes and profits.

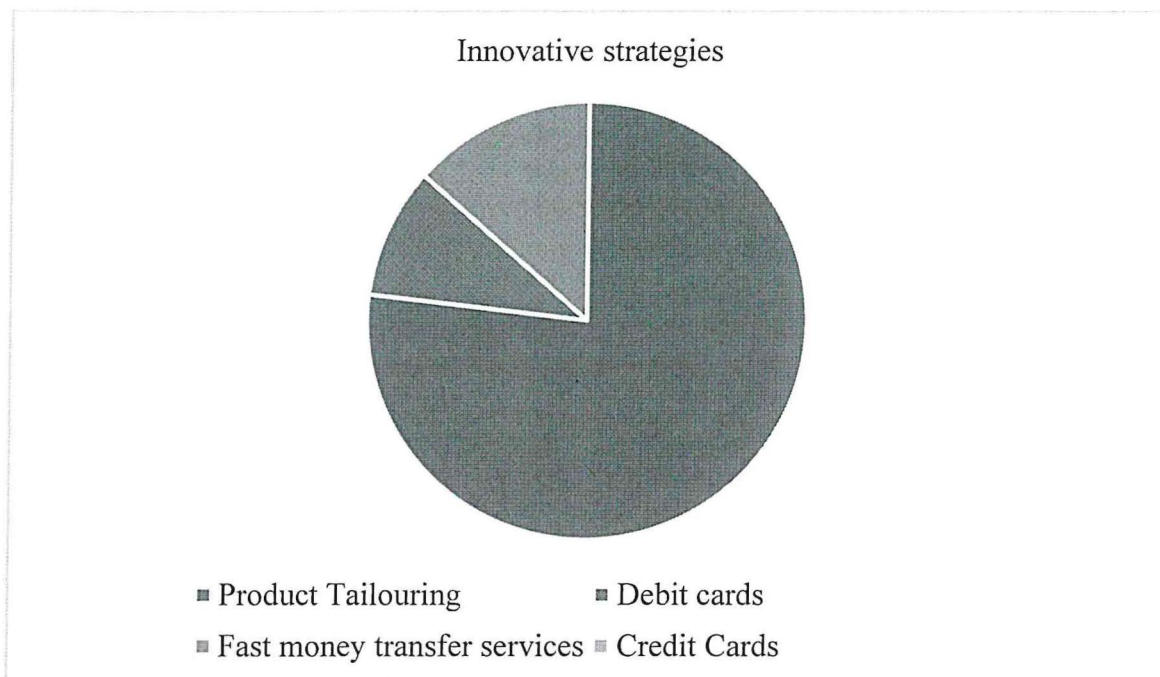


Figure 4.8. Distribution by innovative strategies

4.3.10. Key factor in high revenue turnover

The study sought to identify the key factor determining revenue turnover within various organizations. Findings indicated that 50% of the respondents preferred internet banking, 20% preferred electronic funds transfer services, 20% preferred ATM deposits and withdrawals and 10% preferred office automation. Figure 4.9 shows distribution of respondents. These findings are consistent to a similar experiment conducted in Uganda by Porteus (2006) which drew a conclusion that mobile banking played a role in increasing financial institution revenue.

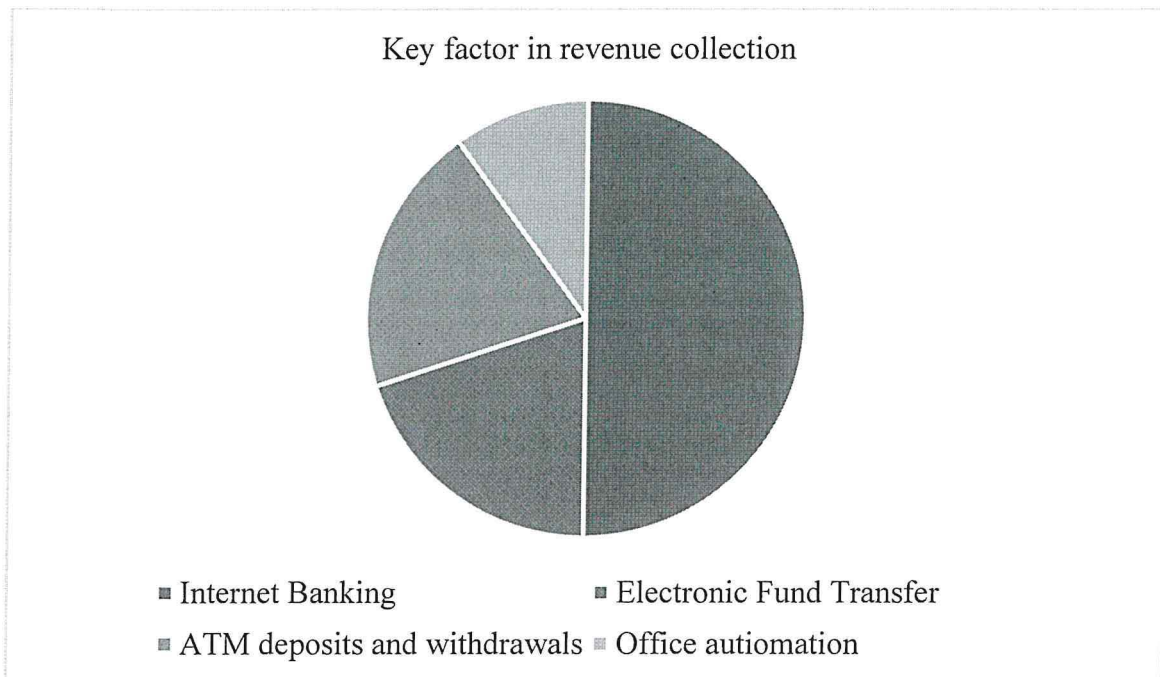


Figure 4.9. Distribution by key factor in revenue collection

4.4. Product innovation

The research inquired on the effect of various product innovations on the performance of the institution. Findings from the study are presented in Table 4.4. Responses were recorded on a 5 point Likert scale represented by numerals 5, 4, 3, 2, and 1 represented strongly agree, agree, not sure, disagree, and strongly disagree respectively and the findings presented in mean. The respondents disagreed that Electronic funds transfer has had a positive effect of increasing commission fee-based income (mean = 2.9). The respondents however, agreed that creating an online presence of SACCOS has helped attract more clients (mean = 4.3) and the introduction of new accounts to take deposits from clients has increased the amount of deposits (mean = 4.7). These findings agree with a study in Uganda by Porteus (2006) which came to a conclusion that mobile banking has aided in increasing revenues to financial institutions.

Product Innovation statements	Number of responses	Minimum	Maximum	Mean
Electronic funds transfer has had a positive effect of increasing commission fee-based income.	10	1	5	2.9
Creating an online presence of SACCOS has helped attract more clients	10	1	5	4.3
The introduction of new deposit account has increased the amount of deposits	10	1	5	4.7

Table 4.4. Product innovation

4.5. Service innovation

The study inquired on the effect of service innovations on the entity's financial performance. Table 4.5 shows findings. Responses were recorded on a Likert scale and the findings presented in mean. Results revealed that a great number of the respondents agree, office automation have enhanced the operations of the SACCO (mean = 3.5). The respondents also agreed that mobile banking has a positive effect of increasing income (mean = 3.9) and cashless service has reduced operational costs (mean = 3.5). These findings also agree with a similar research done in Uganda, Porteus (2006), which drew the conclusion that mobile banking played an important role in increasing financial institution revenue and profitability.

Service innovation statements	Number of responses	Minimum	Maximum	Mean
Automation of SACCO operations have enhanced efficiency of operations	10	1	5	3.5
Mobile banking has had a positive effect of increasing commission fee-based income	10	1	5	3.9
Cashless services have reduced operation costs	10	1	5	3.5

Table 4.5. Service innovation

4.6. Financial performance

The study inquired on how the various implemented financial innovations affect the financial performance of the entity. Responses were recorded on a Likert scale and the findings presented in mean. The findings from the study indicated that the respondents agreed that financial innovation has played a role in improving their return on assets (mean = 3.8). the respondents also agreed that financial innovations have improved the return on shareholders' equity (mean=3.6) and also increased profit margins for the SACCO (mean=3.7). table 4.6 shows distribution of statistics. These findings concur with Francis Nguni (2017) who conducted a similar experiment on financial innovations and performance of SACCOS in Kirinyaga County. The supported the idea that innovation positively impacts a firm's return on investments.

Financial performance statements	Number of responses	Minimum	Maximum	Mean
The rate of return on assets has improved over the years due to financial innovations.	10	1	5	3.8
Shareholders return on equity has improved over the years due to financial innovations.	10	1	5	3.6
Profit margin increase as SACCO embrace more innovation	10	1	5	3.7

Table 4.6 Financial performance of SACCOS

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This section of research gives a summary of the findings, conclusions, recommendations, limitations and suggestions for further research.

5.2. Summary of findings

The summary is guided by the earlier stated specific objectives of the study which were product innovation, service innovation and financial performance of SACCOS operating in Kenya.

5.2.1. Product innovation and financial performance

It was revealed that organizations opt to adopt various financial innovations to meet customer needs and enhance their profitability. Organizations were found to have adopted new innovations such as tailoring loan plans to meet client needs thus increasing their source of income from interest repayments by clients. The use of debit cards by some organizations increased their revenue collection through transaction charges from withdrawals the overall results reveal that product innovation has a positive effect on the financial performance of SACCOs. Findings also revealed that the creation of an online presence contributes to the performance of the SACCO by creating awareness. The creation of custom deposit taking accounts has also affected the performance positively by meeting client needs and specifications. These results are interpreted to mean that creation or adoption of new product innovations would lead to better financial performance by the organization.

5.2.2. Service innovation and financial performance

The results revealed that automation of services enhanced profitability of the SACCO. This is evident through transaction charges charged to clients when they need to access mobile banking services. Results revealed that use of mobile in banking increased income through commission charges and cashless services has reduced operational costs to the SACCO enabling it to retain more profits from operations. This meant that the financial performance of an organization depends on its mode of service delivery to meet its client needs.

5.2.3. Financial innovation and financial performance

It was revealed that the return on assets, shareholders' wealth and profit margins depend on financial innovations adopted by the organization. A great number of the respondents agreed that financial innovations play an important role in maximizing shareholders wealth and increasing

profit margins of the organization. These results are interpreted to mean that adoption of financial innovation would lead to better financial performance by the organization.

5.3. Conclusion

The findings can guide the researcher to conclude:

5.3.1. Product innovation

From the findings, it can be concluded that institutions try to come up with tailored products to meet client needs and enhance competition with other financial institutions. This makes institutions in the financial market come up with new products to attract new clients and retain existing ones. In conclusion, product innovation has a positive effect organization by giving the firm competitive advantage over other financial institutions and affects the level of satisfaction by their clients

5.3.2. Service innovation

Institutions are constantly trying to cut operational costs and increase profit margins. The researcher concludes that service innovation has a positive effect on the SACCO'S financial performance. Cashless services have helped reduce the operational expenses of the organization and automation of services has enhanced efficiency in operations.

5.3.3. Financial innovation and financial performance

It can be concluded that organizations which keep up with changed in financial innovations and are quick to adopt financial innovations are more likely to perform better financially that those organizations which do not adopt any innovation.

5.4. Recommendations

The study makes the following recommendations:

5.4.1. Product innovation

To embrace product innovations, various SACCOS should offer tailored products such as flexible deposit account and flexible loan plans to its clients to increase revenue collection thus increasing their number of members and source of income. SACCOS should also create an online presence to make information about their organization readily available to the public. Finally, SACCOS should adopt electronic fund transfer services to have a safe and reliable money transfer service and increase their revenue collection through transaction charges.

5.4.2. Service innovation

In order to ensure efficiency in their operations, SACCOs should adopt automation of services within their organization. SACCOS should also adopt mobile banking technology to enable quick transactions and communication between the organization and their client. The use of mobile banking would also reduce their cost of operations through the use of cashless services which help reduce operational costs of the business.

5.4.3. Financial innovation and financial performance

SACCOS should implement product innovations and service innovations to enable them to enhance their financial performance by increasing the return on assets, shareholder's wealth and profit margins of the business.

5.5. Limitations

The researcher was faced with challenges during data collections. Some of the respondents were unwilling to disclose information about their organization. Much time was taken to collect data from individuals and searching for parties willing to take part in the study.

Time allocated for the study was insufficient as the researcher had to balance between class time and time allocated to the research paper. This proved tiresome to the researcher thus causing a delay in data collection.

5.6. Area for further study

The study only targeted a few of the SACCOS operating a few of the counties in Kenya. Further research need to be conducted and be focused on areas not included in the study to reach a conclusive decision. This would help future scholars determine the effect of financial innovations on the financial performance of SACCOS in Kenya.

REFERECES

- Claretian Missionaries-East Africa*. (2012, December). Retrieved from Wordpress.com:
<https://cmfeastafrica.wordpress.com/2011/09/04/a-look-into-sacred-heart-parish-shanzu-kenya/>
- Davis, F. D. (1985). *A Technology Acceptance model for emperically testing new end user information systems: Theory and Results*. Massachusetts: Massachusetts Institute of Technology.
- Emenike O. Kalu, B. S. (2018). Credit-risk Management and Financial Performance of Microfinance Institutions in Kampala,Uganda. *Independent Journal of Management and Production*, vol.9, 153-169.
- H. Salavou, G. B. (2004). The importance of strategic orientation and competitive structure. *Organisational innovation*, 1091-1111.
- Harelimana, J. B. (2017). The Impact of Information Communication and Technology Utilization on the Financial Performance of Microfinance Institutions in Rwanda. *Management and Organizational Studies*, 13-28.
- Helleiner, E. (2011). Understanding the 2007–2008 Global Financial Crisis. *The Annual Review of Political Science*, 67-88.
- Kanagal, N. B. (2015). Innovation and product innovation in marketing strategy. *Journal of Management and Marketing Research Volume 18*, 1-25.
- Kibugo, M. K. (2016). *Effect of financial innovation on performance of mivcro financial institutions in Kenya*. Nakuru, Kenya: JKUAT.
- Kibugo, M. K. (2016). *Effects of financial innovation on financial performance of micro finance institutions in Nakuru*. Nakuru: JKUAT.
- Kimberly, A. (2019, August 01). *The Great Depression*. Retrieved from TheBalance:
<https://www.thebalance.com/the-great-depression-of-1929-3306033>
- Kothari, C. R. (2004). *Research Methodology Methods and Designs 2nd revised Edition*. New Delhi, India: New Age International Publishers.
- Lam, A. (2004). *Organizational Innovation*. London: University of London.
- Legris, I. a. (2003). Why do people use information technology? A critical review of the technology acceptance model. *Information & Management 40*, 191-204.

- Malcolm Beynon, P. J. (2018). *SME Development Strategy and Product / Service Innovation Intention*. United Kingdom: Cardiff University.
- Maleto, D. K. (2012). *Effect of financial innovation of the growth of SACCOs in Kenya*. Nairobi: U.O.N.
- Mobility, A. (2019, August 01). *Accenture*. Retrieved from Blockchain Banking: <https://www.accenture.com/pl-en/insight-blockchain-technology-how-banks-building-real-time>
- Muluneh Hideto, R. M. (2019). *Board Committees and Performance in Microfinance Institutions: Evidence from Ethiopia*. Ethiopia.
- Mustafa, F. (2019, July 04). *Springer Nature*. Retrieved from Springeropen: <https://jfin-swufe.springeropen.com/articles/10.1186/s40854-018-0099-8>
- Mwangi, A. K. (2013). *Effect of financial innovation on the financial performance of deposit taking micro financial institutions in Kenya*. Nairobi: UON.
- Ngure, F. (2017). *Financial innovations and performance on SACCOS in Kirinyaga County, Kenya*. Nairobi: University Of Nairobi.
- Njoroge, M. D. (2013). *Effect of financial innovation on financial performance of micro finance institutions in Kenya*. Nairobi: U.O.N.
- Njoroge, M. D. (2014). *The effect of financial innovations on the financial performance of micro finance institutions in Kenya*. Nairobi: University Of Nairobi.
- Nyagilo, S. a. (2019). Effect of service investment on financial inclusion among commercial banks and mobile service providers in Kenya. *International Journal of Business Management & Finance*, 1070-1086.
- Rogers, E. M. (1983). *Diffusion of Innovations Theory*. London: Collier Macmillan Publishers. Retrieved from http://www.ymcaust.ac.in/mba/images/Study_Material/Diffusion_of_Innovations_Theory_rogers.pdf
- Sahin, I. (2006). Review of Rogers Diffusion of Innovations Theory and Educational Technology related studies based on Rogers theory. *The Turkish Online Journal of Educational Technology*, volume 5, Issue 2 Article 3, 14-23.
- Shih-Chih Chen, S.-H. L.-Y. (2011). Recent related research in Technology Acceptance Model: A literature review. *Australian Journal of Business and Management Research Vol.1 No.9*, 124-127.

Śledzik, K. (2013). *Schumpeters View on Innovato*. Zilna: University of Zilina & Institute of Management by University of Zilina.

Sweezy, P. M. (1943). Professor Schumpeter's Theory of Innovation. *The Review of Economics and Statistics, Vol. 25, No. 1*, 93-96.

ЕкарепИһа, Б. (2019, August 01). *Importance of micro finance in the economy*. Retrieved from Euroasia: <https://euroasia-science.ru/ekonomicheskije-nauki/importance-of-the-microfinance-institutions-in-economy/>

APPENDICES

Appendix A: Research questionnaire.

This is a research questionnaire for the effect of financial innovation on the financial performance of SACCOS in Kenya.

1. Name of the institution
2. How long has your institution been operational?

Less than 5 years	
5 to 10 years	
Above 10 years	

3. What position do you hold within your institution?

Top management	
Middle management	
Subordinate	

4. Number of employees in the business? (Provide an approximate if not sure)
5. How many members does your organization have? (Approximate)

Below 500 members	
501-1000 members	
1001-1500 members	
Above 1500 members	

6. What influenced your organization to embrace innovation?

Competition []

Profitability []

Regulations []

Customers []

Others; Specify.....

7. Which of the following innovation does your Sacco consider as a key success in service delivery?

Mobile banking technology []

Insurance services []

Investment banking []

Others not specified

8. Which of the following product innovation strategies does your SACCO considers as a key success in customer satisfaction?

New deposit account []

Credit card []

Debit card []

Money transfer services []

Product tailored to favor certain group []

9. Which type of process innovation is key factor in realization of high revenue turnover in the Sacco?

Office automation []

Electronic fund transfer []

Internet banking []

ATM deposits and withdrawal []

Others (specify)

SECTION B

Select the extent to which you agree or disagree on the following factors using the scale of 1 to 5 where: 1=strongly disagree and 5=strongly agree

PRODUCT INNOVATION	Strongly disagree	Disagree	Neutral/Not sure	Agree	Strongly agree
i. Electronic funds transfer has had a positive effect of increasing commission fee-based income.					
ii. Creating an online presence of SACCOS has helped attract more clients					
iii. The introduction of new deposit account has increased the amount of deposits					

SERVICE INNOVATION	Strongly disagree	Disagree	Neutral/Not sure	Agree	Strongly agree
i. Automation of SACCO operations have enhanced efficiency of operations					
ii. Mobile banking has had a positive effect of increasing commission fee-based income					
iii. Cashless services have reduced operation costs					

FINANCIAL PERFORMANCE	Strongly disagree	Disagree	Neutral/Not sure	Agree	Strongly agree

i. The rate of return on assets has improved over the years due to financial innovations.					
ii. Shareholders return on equity has improved over the years due to financial innovations.					
iii. Profit margin increase as SACCO embrace more innovation					

EFFECT OF FINANCIAL INNOVATION ON THE FINANCIAL PERFORMANCE OF SACCOS IN KENYA

ORIGINALITY REPORT

19%	14%	4%	17%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to Kenyatta University Student Paper	2%
2	www.iajournals.org Internet Source	1%
3	Submitted to Mount Kenya University Student Paper	1%
4	www.ijsrp.org Internet Source	1%
5	Submitted to University of Nairobi Student Paper	1%
6	chss.uonbi.ac.ke Internet Source	1%
7	Submitted to KCA University Student Paper	1%
8	41.89.99.18 Internet Source	1%
9	pdfs.semanticscholar.org Internet Source	1%
10	Submitted to Grand Canyon University Student Paper	<1%
11	Submitted to Strathmore University Student Paper	<1%
12	Submitted to Kenya College of Accountancy University Student Paper	<1%
13	ir.jkuat.ac.ke Internet Source	<1%

Submitted to Pioneer International Univeristy

14	Student Paper	<1 %
15	hdl.handle.net Internet Source	<1 %
16	Submitted to University for Development Studies Student Paper	<1 %
17	eprints.uthm.edu.my Internet Source	<1 %
18	Submitted to Eiffel Corporation Student Paper	<1 %
19	erepository.uonbi.ac.ke Internet Source	<1 %
20	ecis2018.eu Internet Source	<1 %
21	ultimatereminders.com Internet Source	<1 %
22	www.value-ageing.eu Internet Source	<1 %
23	repository.unika.ac.id Internet Source	<1 %
24	www.emeraldinsight.com Internet Source	<1 %
25	slidelegend.com Internet Source	<1 %
26	Submitted to Ghana Technology University College Student Paper	<1 %
27	Submitted to Glasgow Caledonian University Student Paper	<1 %
28	Submitted to Kuala Lumpur Infrastructure University College Student Paper	<1 %
29	www.sitetop.org Internet Source	<1 %

30	Submitted to University of Wolverhampton Student Paper	<1 %
31	Submitted to Kiriri Women's University of Science and Technology Student Paper	<1 %
32	Submitted to Lebanese American University Student Paper	<1 %
33	repository.smuc.edu.et Internet Source	<1 %
34	www.macrothink.org Internet Source	<1 %
35	Submitted to University of Exeter Student Paper	<1 %
36	www.rpublication.com Internet Source	<1 %
37	Submitted to Royal Holloway and Bedford New College Student Paper	<1 %
38	www.edwardcurry.org Internet Source	<1 %
39	Submitted to Greenwich School of Management Student Paper	<1 %
40	Submitted to Institute of Accountancy Arusha Student Paper	<1 %
41	Jean Bosco Harelimana. "The Impact of Information Communication and Technology Utilization on the Financial Performance of Microfinance Institutions in Rwanda Case Study: Reseau Interdiocesain De Microfinance (Rim) Ltd, Rwanda (2011 -2015)", Management and Organizational Studies, 2017 Publication	<1 %
42	Submitted to Univerza v Ljubljani Student Paper	<1 %
43	bestproject.com.ng Internet Source	<1 %

44	Submitted to Northern Consortium UK Student Paper	<1 %
45	Submitted to University of Greenwich Student Paper	<1 %
46	Submitted to University of Bradford Student Paper	<1 %
47	afridev.org Internet Source	<1 %
48	libserv5.tut.ac.za:7780 Internet Source	<1 %
49	cisjournal.org Internet Source	<1 %
50	www.mubs.ac.ug Internet Source	<1 %
51	Submitted to Universiti Teknologi MARA Student Paper	<1 %
52	scholar.mzumbe.ac.tz Internet Source	<1 %
53	jamal.ub.ac.id Internet Source	<1 %
54	mitiq.mit.edu Internet Source	<1 %
55	Submitted to Kensington College of Business Student Paper	<1 %
56	Submitted to London School of Marketing Student Paper	<1 %
57	Submitted to RDI Distance Learning Student Paper	<1 %
58	mojet.net Internet Source	<1 %
59	epdf.pub Internet Source	<1 %
60	Submitted to University of Stellenbosch, South Africa	<1 %

Student Paper

61 Submitted to 2387 <1%
Student Paper

62 www.sciencedupress.com <1%
Internet Source

63 dspace.brunel.ac.uk <1%
Internet Source

64 Submitted to University of Newcastle upon Tyne <1%
Student Paper

65 Submitted to Kabarak University <1%
Student Paper

66 Submitted to University of Huddersfield <1%
Student Paper

67 Submitted to Saint Paul University <1%
Student Paper

Exclude quotes Off

Exclude matches Off

Exclude bibliography On