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**IMPACT OF ORGANIZATIONAL CHARACTERISTICS ON CHANGE
MANAGEMENT PRACTICES AT DIGITAL CREDIT PROVIDERS IN KENYA**

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**RESEARCH THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION AT STRATHMORE BUSINESS SCHOOL, STRATHMORE
UNIVERSITY**



MAY 2025

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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Approval

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ABSTRACT

The Central Bank of Kenya's 2022 Digital Credit Providers Regulations introduced clear standards to ensure transparency and ethical practices in digital lending. This study aimed to examine the effect of organizational characteristics on change management practices implemented by Digital Credit Providers in Kenya in response to these regulations. The specific objectives were to determine the influence of governance structure, financial performance, firm age, and ownership structure on strategic changes and operational changes among Digital Credit Providers in Kenya. The research employed a mixed-methods approach, combining qualitative insights and quantitative analysis through questionnaires administered to employees of Digital Credit Providers regulated by the Central Bank of Kenya. Descriptive and inferential statistics were used to analyze the quantitative data, while qualitative data from open-ended questions were examined using content analysis techniques to provide deeper insights into the providers' experiences and perspectives. The study found that governance structure, financial performance, firm age, and ownership structure had significant positive influences on both strategic changes and operational changes. Regression analysis revealed that these organizational characteristics collectively explained a substantial portion of the variation in strategic changes and operational changes. Financial performance emerged as the strongest predictor of strategic changes, while ownership structure showed the strongest influence on operational changes. Governance structure demonstrated a significant impact on both strategic adaptations and operational adjustments, with robust governance mechanisms enabling effective decision-making and compliance management. Firm age had a positive effect on strategic changes and operational changes, with established regulatory relationships and accumulated operational insights facilitating smoother adaptation. The study concludes that organizational characteristics play a pivotal role in shaping digital credit providers' ability to implement strategic and operational changes in response to regulatory requirements. The findings underscore the importance of well-designed governance frameworks, robust financial standing, accumulated experience through firm age, and clear ownership structures in driving successful regulatory compliance and adaptation. The study recommends that policymakers should consider providing guidance on optimal board compositions and structures, implementing supportive measures to help providers manage the financial impact of compliance, adopting a tiered approach to compliance requirements based on firm age, and establishing guidelines related to ownership structure to promote transparency and responsible practices.

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ABBREVIATIONS AND ACRONYMS

CBK:	Central Bank of Kenya
CR:	Credit Risk
DCPs:	Digital Credit Providers
EFA:	Exploratory Factor Analysis
FER:	Foreign Exchange Rates
ICTD:	Information and Communication Technologies for Development
IR:	Interest Rates
KMO:	Kaiser-Meyer-Olkin
NACOSTI	National Commission for Science, Technology Innovation



OPERATIONAL DEFINITION OF TERMS

Change Management: Change Management Practices refer to the systematic approach organizations use to prepare for, implement, and adapt to significant transformations in their operations, strategies, and organizational structure in response to internal or external factors like new regulations (Metz, Ilieş & Nistor, 2020; Cho, Kim & Oh, 2022). In the study, change management practices included strategic changes and operational changes

Digital regulations: The Central Bank of Kenya (CBK) introduced Digital Credit Providers Regulations in 2022, transforming the digital lending regulatory landscape (Central Bank of Kenya, 2022). The digital regulations in the study was based on compliance, consumer protection measures and clarity and accessibility of loan terms.

Organizational characteristics: Organizational characteristics encompass a broad array of structural, cultural, and operational characteristics that define how an entity, whether it is a business, institution, or any organized group, functions and conducts its activities (Alabdullah, Ahmed & Ahmed, 2021). The organizational characteristics in the study was determined by governance structure, financial performance, firm age and ownership structure.

Strategic and operational adjustments. Strategic and operational adjustments refer to the changes that organizations make to their overall business strategies and day-to-day operations in order to adapt to new regulations, market conditions, or other external factors (Alabdullah, Ahmed & Ahmed, 2021; Metz, Ilieş & Nistor, 2020; Cho, Kim & Oh, 2022). In the study strategic and operational adjustments included target market expansion and customer segmentation strategies, product/service diversification and innovation, leadership structure and decision-making processes, organizational culture and values alignment, partnerships and collaborations with external stakeholders, branding and reputation management strategies, staffing changes and talent acquisition strategies, marketing and customer engagement initiatives.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Regulations establish clear guidelines and standards that govern financial practices, ensuring that institutions operate in a transparent and ethical manner (Central Bank of Kenya, 2022). This not only promotes fair competition but also protects consumer interests, minimizes systemic risks, and fosters an environment of trust. By ensuring adherence to these rules, the regulatory framework supports the overall health and sustainability of the financial system, aligning the interests of different stakeholders and promoting the growth and stability of institutions (Financial Sector Deepening Kenya, 2019). This, in turn, has a direct impact on their credit processes, as adherence to regulations often translates into enhanced reputation, customer confidence, and long-term profitability.

Globally, the regulatory landscape in the financial sector has witnessed significant transformations, with countries implementing various measures to enhance stability, transparency, and consumer protection. In the United Kingdom, the Financial Conduct Authority (FCA) has been at the forefront of regulating the financial sector, introducing initiatives such as the Senior Managers and Certification Regime (SM&CR) to improve accountability and governance within financial institutions (Brennan et al., 2020). The FCA has also been proactive in addressing the challenges posed by digital finance, establishing a regulatory sandbox to foster innovation while ensuring consumer protection (Allen, 2019).

In the United States, the Dodd-Frank Act was enacted following the 2008 financial crisis, introducing major reforms and establishing the Consumer Financial Protection Bureau (CFPB) to protect consumers from unfair financial practices (Acharya et al., 2010; Kennedy et al., 2012). In Asia, countries such as China and India have been actively regulating their financial sectors. China's regulatory framework has focused on managing risks associated with shadow banking and peer-to-peer lending (Xu et al., 2020), while India has introduced measures such as the Insolvency and Bankruptcy Code (IBC) to address non-performing assets and improve the efficiency of the banking system (Rajan, 2018). The regulatory developments in these countries highlight the global trend towards strengthening financial sector oversight and consumer protection.

Regionally, African countries have been actively reforming their financial sector regulations to address the unique challenges and opportunities presented by the continent's rapidly evolving

financial landscape. In South Africa, the Twin Peaks regulatory model was introduced in 2018, separating prudential and market conduct regulation to enhance financial stability and consumer protection (Godwin et al., 2018). The Financial Sector Conduct Authority (FSCA) was established to oversee market conduct and ensure fair treatment of customers (Schmulow, 2020). Egypt has undertaken significant reforms to strengthen its banking sector, including the implementation of the Basel III framework and the introduction of a new banking law in 2020 to enhance governance and risk management (Hashem & ElGiziry, 2021). Rwanda has made notable progress in financial inclusion through the development of its digital financial services ecosystem, supported by a conducive regulatory environment (Nzayisenga et al., 2020). The National Bank of Rwanda has implemented a risk-based supervision framework and introduced regulations for electronic money issuers to promote innovation while ensuring consumer protection (Nshimiyimana & Luhizo, 2021).

In Nigeria, the Central Bank of Nigeria (CBN) has been proactive in regulating the digital lending space, issuing guidelines for digital lending platforms to curb predatory practices and protect consumers (Odusanya et al., 2021). The CBN has also introduced the National Financial Inclusion Strategy to promote access to financial services and reduce financial exclusion (Ozili, 2018). Ethiopia has embarked on a gradual liberalization of its financial sector, allowing the entry of foreign banks and the establishment of a stock market (Geda & Addison, 2021). The National Bank of Ethiopia has been working on strengthening its regulatory and supervisory framework to support these reforms and ensure financial stability (Lakew & Azadi, 2020). Uganda has made strides in promoting financial inclusion through the adoption of mobile money and agency banking, supported by a regulatory framework that balances innovation and stability (Mawejje & Lakuma, 2019). The Bank of Uganda has implemented a risk-based supervision approach and introduced regulations for mobile money services to safeguard consumer funds and promote trust in digital financial services (Anguyo & Anguyo, 2021).

In Kenya, the digital lending landscape has experienced rapid growth, driven by the proliferation of mobile technology and the expansion of financial inclusion initiatives. According to the Central Bank of Kenya (2022), the number of mobile money subscribers increased from 1.3 million in 2007 to over 34.5 million by 2021, representing approximately 68% of the total population. Wamalwa et al. (2019) documented that the value of mobile money transactions grew from KES 732 billion in 2012 to KES 5.2 trillion in 2020, demonstrating the significant expansion of digital

financial services. Moreover, Totolo (2018) reported that approximately 19% of Kenyan adults had accessed digital credit by 2018, highlighting the substantial penetration of these services in the market. This growth has been facilitated by Kenya's high mobile phone penetration rate, which stood at 114% in 2021 according to the Communications Authority of Kenya, and the country's well-developed mobile money infrastructure, particularly M-Pesa.

Prior to the introduction of the Digital Credit Providers Regulations in 2022, the digital lending market in Kenya was largely unregulated, leading to issues such as high interest rates, lack of transparency, and unethical lending practices (Gwer et al., 2019). The Central Bank of Kenya (2022) established this new framework to address the growing concerns around the operations of digital credit providers, particularly issues related to consumer protection, interest rate transparency, and ethical lending practices. Under these regulations, digital lenders are required to be licensed by the CBK, ensuring a level of oversight previously absent in this rapidly expanding sector. The regulations aim to curb predatory lending practices by enforcing fair and transparent interest rates and fees, and by mandating that digital lenders adhere to responsible lending practices (Central Bank of Kenya, 2022).

The Digital Credit Providers Regulations of 2022 marked a significant milestone in the oversight and governance of digital credit providers within the country. The Central Bank of Kenya (2022) established detailed requirements for the licensing, governance, and lending practices of Digital Credit Providers (DCPs) in Kenya that were previously unregulated. Specifically, section 4(1) of the regulations mandates that all DCPs must obtain a license from the Central Bank of Kenya to operate legally. Section 11 establishes comprehensive governance requirements, including board composition and risk management frameworks. Section 16 addresses consumer protection by requiring clear disclosure of all loan terms, interest rates, and fees, while section 18 prohibits aggressive debt collection practices. These new rules required all unregulated DCPs to apply for a license by September 17, 2022, or stop their operations (Central Bank of Kenya, 2022). The CBK has committed to continuous collaboration with stakeholders to align the regulations with the needs of Kenyans and global best practices, thereby reinforcing its commitment to responsible, transparent, and ethical digital lending practices. The implementation of these regulations is expected to bring more credibility and stability to the digital lending space in Kenya, fostering a healthier financial ecosystem.

The digital regulations are designed to enhance the integrity and fairness of the digital lending landscape, focusing on key areas such as compliance, consumer protection measures, and the clarity and accessibility of loan terms. Compliance ensures that digital lenders adhere to established legal and regulatory standards, promoting a level playing field and safeguarding the financial ecosystem (Frolova & Ermakova, 2022). Consumer protection measures are put in place to defend borrowers from unfair practices, ensuring their rights are protected, and they are treated ethically, particularly concerning data privacy and fair debt collection. The emphasis on the clarity and accessibility of loan terms aims to address issues of information asymmetry, making sure that borrowers are fully informed about the conditions, risks, and costs associated with their loans (Sommer, 2021). Clarity and accessibility of loan terms and conditions provided to consumers, the disclosure of all fees and interest rates, and the provision of timely and understandable communication regarding loan obligations can increase transparency. Together, these regulations are crucial for building trust in digital financial services, enhancing customer experiences, and ensuring the sustainable growth of the digital lending sector.

1.1.1 Organizational characteristics

Organizational characteristics encompass a broad array of structural, cultural, and operational characteristics that define how an entity, whether it is a business, institution, or any organized group, functions and conducts its activities (Alabdullah, Ahmed & Ahmed, 2021). Organizational characteristics encompass elements such as organizational structure, leadership style, size and scale, culture, technology utilization, human resources practices, regulatory compliance, customer relationships, innovation capacity and financial management (Metz, Ilieş & Nistor, 2020; Cho, Kim & Oh, 2022; Mohammadi, 2020). Organizational characteristics are crucial in understanding an entity's operational framework and they play a fundamental role in determining its efficiency, effectiveness and ability to achieve its objectives while responding to external challenges and opportunities (Moradi, Jafari, Doorbash & Mirzaei, 2021).

The study examines four key organizational characteristics influencing regulatory compliance: governance structure, financial performance, firm age, and ownership structure. The governance structure, such as ownership and board composition, is an important organizational factor to consider (Alabdullah, Ahmed & Ahmed, 2021). The makeup and attributes of the board of directors, along with the ownership structure of an organization, can have a considerable impact on the performance and risk-taking behavior of firms in regulated sectors (Metz, Ilieş & Nistor,

2020; Cho, Kim & Oh, 2022). Factors such as board size, director independence, and leadership structure can influence the organization's capacity to adjust to new regulations and ensure compliance with requirements.

The organizational characteristics will also encompass the financial performance of the firm, including metrics such as profitability, liquidity, and leverage. These financial characteristics have been found to influence the compliance and adaptability of organizations in regulated sectors (Oke, Sanni & Ijaiya, 2019; Dalci, Tanova, Ozyapici & Bein, 2019; Angori, Aristei & Galloway, 2020). The financial standing and resource availability of the firm can determine its capacity to invest in necessary changes, adopt new technologies, or allocate resources towards regulatory compliance (Mallinguh & Zoltan, 2022). Additionally, the ownership structure and concentration can shape the financial decision-making and risk appetite of the organization, which in turn affects its response to regulatory shifts.

Organizational characteristics such as firm age, size, and geographic reach play a significant role in shaping how digital credit providers respond to regulatory changes. Older, larger, and more geographically diverse firms often have the resources, expertise, and experience to navigate regulatory landscapes more effectively, whereas younger, smaller, or more localized firms may face distinct challenges in adapting to new rules and requirements (Alabdullah, Ahmed & Ahmed, 2021; Metz, Iliş & Nistor, 2020; Mallinguh & Zoltan, 2022; Mohammadi, 2020). These factors, when considered alongside governance structure and financial performance, can greatly influence how well organizations adhere to the 2022 regulations in Kenya. Firms with stronger governance, healthier financial standings, and more established organizational structures are likely to be better equipped to adapt to regulatory shifts, while those with weaker or less favorable characteristics may face greater difficulties in compliance (Moradi, Jafari, Doorbash & Mirzaei, 2021; Tampuri, 2023). Analyzing these organizational traits helps identify key drivers and barriers to compliance, as well as the strategies and resources necessary for firms to effectively navigate the evolving regulatory landscape. Furthermore, these factors provide valuable insights into the industry's perspective on the regulations, including their views on the strategic and operational changes required, the fairness of the market, and the challenges encountered during compliance.

1.1.2 Change Management Practices

Change Management Practices refer to the systematic approach organizations use to prepare for, implement, and adapt to significant transformations in their operations, strategies, and

organizational structure in response to internal or external factors like new regulations. According to Metz, Ilieş and Nistor (2020) and Cho, Kim and Oh (2022), these practices encompass both strategic changes (like target market adjustments and product innovation) and operational modifications (such as process improvements and system updates) that organizations undertake to successfully navigate transitions while maintaining effectiveness. In the study, change management practices will include strategic changes and operational changes. Strategic and operational adjustments refer to the changes that organizations make to their overall business strategies and day-to-day operations to adapt to new regulations, market conditions, or other external factors (Metz, Ilieş & Nistor, 2020). These strategic changes involve modifications to the leadership, vision, mission, and long-term goals of the organizations (Karakasilioti, 2024). For instance, digital credit providers may have appointed new leaders with expertise in regulatory compliance, realigned their organizational vision and mission to prioritize adherence to the regulations, or adjusted their long-term growth strategies to ensure alignment with the regulatory requirements. These strategic adjustments reflect the providers' commitment to prioritizing compliance and adapting their overall organizational direction to navigate the changing regulatory landscape effectively (Nthiga & Simiyu, 2021).

Operational adjustments encompass the changes made at the functional and process level within the digital credit providers' organizations. These operational changes can include modifications to the types of products and services offered, the target market and customer segmentation strategies, and the internal business processes and workflows (Brown, 2020). Digital credit providers may have restructured their product portfolios to ensure compliance with the new regulations, discontinued certain offerings, or developed new products that meet the regulatory standards (Holopainen, Ukko & Saunila, 2022). Additionally, they may have adjusted their target market and customer focus to align with the regulatory requirements, targeting specific customer groups or geographical regions that are better suited to the new rules. Furthermore, operational changes can involve the implementation of new risk management practices, the enhancement of data management and reporting systems, and the streamlining of compliance-related procedures (Njuguna, 2021). These operational adjustments are crucial in ensuring that the digital credit providers have the necessary capabilities, infrastructure, and processes to effectively comply with the 2022 regulations.

The assessment of strategic and operational adjustments made by the digital credit providers in Kenya can offer a comprehensive understanding of the industry's response to the 2022 regulations. This analysis can inform policymakers and industry stakeholders on the specific challenges faced by the providers, the areas where they have made the most substantial changes, and the potential gaps or areas of improvement that may require further attention or support. By understanding the strategic and operational adaptations, the study can contribute to the development of more effective regulatory frameworks and the promotion of a level playing field in the digital credit market.

1.1.3 Financial Sector Regulation in Kenya

In Kenya, the Central Bank of Kenya (CBK) has significantly advanced financial sector regulation, including the 2022 Digital Credit Providers Regulations, which set comprehensive standards for licensing, governance, and lending practices of Digital Credit Providers (CBK Act, 2022). These regulations marked a crucial shift from the previously unregulated environment, requiring all unregulated DCPs to obtain licenses by September 17, 2022, or cease operations. The regulations specifically address issues of consumer protection, interest rate transparency, and ethical lending practices, aiming to create a more structured and responsible digital lending ecosystem.

The regulatory framework in Kenya's financial sector extends beyond just digital lending. As outlined by CBK (2022), financial institutions must comply with various prudential guidelines covering areas such as capital adequacy, liquidity management, corporate governance, and risk management. The Competition Authority of Kenya (2021) has also played a significant role in shaping the regulatory landscape through market inquiries and enforcement actions aimed at promoting fair competition and protecting consumer interests. The regulatory environment emphasizes the importance of financial stability, consumer protection, and market integrity while fostering innovation and financial inclusion.

The 2022 Digital Credit Providers Regulations represent a significant milestone in Kenya's financial sector regulation. Under these regulations, digital lenders must maintain specific operational standards, ensure transparent pricing, implement proper data protection measures, and adopt fair debt collection practices (Central Bank of Kenya, 2022). The regulations also establish requirements for corporate governance, requiring digital lenders to maintain appropriate board compositions and risk management frameworks. This regulatory framework aims to balance the need for innovation and financial inclusion with consumer protection and market stability, setting

standards that promote responsible lending while ensuring the sustainable growth of the digital credit sector.

1.2 Statement of the problem

Financial sector regulation is essential for ensuring market stability, consumer protection, and sustainable economic development. Effective regulatory frameworks establish clear guidelines that govern financial practices, ensuring institutions operate transparently and ethically (Central Bank of Kenya, 2022). While traditional financial institutions in Kenya have long operated under established regulatory frameworks, the digital lending sector remained largely unregulated until 2022, creating a significant regulatory gap that allowed for potentially harmful practices to flourish. A comprehensive market inquiry by the Competition Authority of Kenya (2021) revealed widespread issues in the unregulated digital lending environment, including predatory lending practices, opaque pricing structures, and excessive interest rates often exceeding 500% when annualized. The inquiry documented that 65% of digital borrowers reported difficulty understanding loan terms and conditions, while 47% experienced aggressive debt collection tactics. Wamalwa et al. (2019) found that 19% of digital borrowers sold assets or reduced essential consumption to repay these loans, indicating serious consumer welfare concerns. Kaffenberger and Chege (2020) further documented that the rapid expansion of digital credit-reaching approximately 4.8 million Kenyans by 2018 occurred without appropriate consumer protection measures, creating systemic risks to financial stability and inclusion objectives.

The introduction of the Digital Credit Providers Regulations by the Central Bank of Kenya (2022) addressed these regulatory gaps by establishing comprehensive requirements for licensing, governance, and lending practices. These regulations required digital lenders to implement significant organizational changes to ensure compliance with new consumer protection standards, transparency requirements, and ethical lending practices. However, while the regulations established clear compliance expectations, they did not account for how organizational characteristics might influence providers' ability to implement the required changes.

This regulatory oversight represents a significant gap in understanding how organizational factors affect regulatory compliance in digital financial services. Research by KPMG East Africa (2023) indicated substantial variation in compliance capabilities among digital credit providers following the regulations' implementation, but did not investigate the underlying organizational factors explaining these differences. The Central Bank of Kenya (2022) acknowledged this gap in its

regulatory impact assessment, noting further research is needed to understand the organizational factors that enable effective implementation of these regulatory requirements.

A systematic review of existing literature reveals several specific gaps in understanding the relationship between organizational characteristics and regulatory compliance in digital lending. Conceptually, studies by Nthiga and Simiyu (2021) examined credit management practices at digital financial firms but failed to explore how organizational characteristics influence regulatory compliance capabilities. Brown (2020) analyzed digital business strategies under regulatory uncertainty but overlooked the specific role of organizational factors in compliance effectiveness. Holopainen et al. (2022) studied strategic readiness for digital operations but did not address regulatory compliance aspects. These studies collectively demonstrate a significant conceptual gap in understanding how organizational characteristics—particularly governance structure, financial performance, firm age, and ownership structure—influence change management practices in response to regulatory requirements.

Contextual gaps are equally apparent in existing research. Njuguna (2021) studied compliance factors among digital financial service agents but not credit providers specifically in Kenya. Njenga and Kavindah (2021) examined sustainability of digital lending applications without addressing how organizational characteristics affect regulatory compliance in the Kenyan context. Kamau (2020) studied organizational strategic capabilities but focused on commercial banks rather than digital lenders in Kenya. Mallingu and Zoltan (2022) analyzed loan amounts in Kenya but not regulatory compliance factors. Githu (2023) and Obote (2023) examined regulatory frameworks broadly in Kenya but did not investigate organizational factors influencing compliance capabilities. This contextual gap is particularly significant given Kenya's pioneering role in digital financial services and the potential lessons for other emerging markets implementing similar regulations.

Methodological gaps further limit our understanding of this issue. Nthiga and Simiyu (2021) employed descriptive statistics without regression analysis to examine relationships between variables. Brown (2020) utilized qualitative case study methodology with interviews from a single organization, limiting generalizability. Holopainen et al. (2022) used thematic analysis of interview data without statistical testing of relationships. Demeter et al. (2023) employed longitudinal case studies with document analysis but lacked statistical measurement of relationships between organizational characteristics and compliance outcomes. Chen et al. (2022) conducted a literature

review without primary data analysis. These methodological limitations highlight the need for comprehensive quantitative analysis including descriptive statistics, correlation analysis, and multiple regression to examine how organizational characteristics influence change management practices.

Addressing these conceptual, contextual, and methodological gaps is crucial as digital credit providers need to develop and implement effective change management practices to comply with the 2022 regulations. The Central Bank of Kenya (2022) emphasized that compliance with these regulations is essential for ensuring consumer protection, maintaining market stability, and fostering sustainable industry growth. Without understanding how organizational characteristics influence change management practices, policymakers cannot effectively design regulatory frameworks that account for organizational diversity, and providers cannot strategically develop their organizational capabilities to enhance compliance. This study directly addresses these gaps by examining the effect of organizational characteristics—specifically governance structure, financial performance, firm age, and ownership structure on change management practices implemented by Digital Credit Providers in Kenya in response to the 2022 regulations.

1.3 General Objective

The general objective of the study was to examine the effect of organizational characteristics on change management practices implemented by Digital Credit Providers in Kenya in response to the 2022 regulations.

1.3.1 Specific Objectives

The specific objectives of the study were:

- i. To assess the strategic and operational adjustments made by digital credit providers in Kenya to comply with the 2022 regulations.
- ii. To identify the organizational characteristics that influence the strategic and operational adjustments made by digital credit providers in response to the 2022 regulations.
- iii. To explore the digital credit providers in Kenya's perspectives regarding the 2022 regulations.

1.4 Research Questions

The study was guided by the following questions:

- i. What strategic and operational adjustments were made by digital credit providers in Kenya to comply with the 2022 regulations?
- ii. What organizational characteristics influence the strategic and operational changes made by digital credit providers in response to the 2022 regulations?
- iii. What are the digital credit providers in Kenya's perspectives regarding the 2022 regulations?

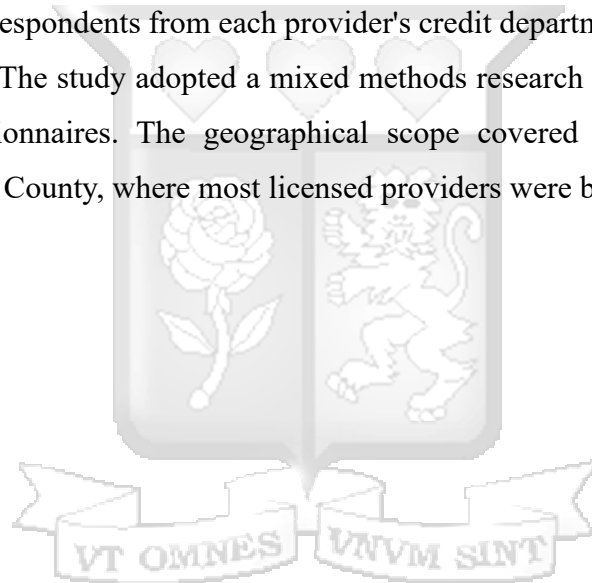
1.5 Significance of the Study

The significance of the study lies in its potential impact on policy, practice, and theory. From a policy perspective, the research provides crucial insights that can inform regulatory decision-making and policy development in Kenya's digital lending sector. The findings offer policymakers, especially the Central Bank of Kenya, a better understanding of how organizational characteristics influence Digital Credit Providers' ability to comply with and adapt to new regulations. This knowledge can help refine existing policies and create more effective regulatory frameworks that balance consumer protection with industry growth and innovation. Additionally, the study provides valuable feedback on the practical implications of regulations, helping regulators identify areas where adjustments or additional support mechanisms are needed to enhance compliance while ensuring operational efficiency.

From a practical standpoint, the study offers valuable insights for Digital Credit Providers and industry practitioners by revealing effective strategies for organizational adaptation to regulatory compliance. The findings can guide providers in optimizing governance structures, financial management, and operational processes to meet regulatory requirements while maintaining business efficiency. By exploring strategic and operational adjustments, the study provides benchmarks for best practices in compliance, allowing providers to learn from industry experiences and strengthen their competitive position. Moreover, the research offers practical knowledge on the relationship between organizational characteristics and regulatory compliance, enabling providers to make informed decisions about resource allocation and organizational development. The study's contributions are valuable for both existing providers aiming to improve their compliance strategies and new entrants navigating the regulated digital credit market.

1.6 Scope of the Study

The general objective of the study was to examine the effect of organizational characteristics on change management practices implemented by Digital Credit Providers in Kenya in response to the 2022 regulations. The research focused on the period following the implementation of the 2022 Digital Credit Providers Regulations, specifically from January 2023 to December 2023, to capture the immediate effects of regulatory compliance. The study excluded traditional banks offering digital credit products and focused solely on non-bank digital lenders regulated under the 2022 regulations. The study focused on the 51 Digital Credit Providers licensed by the Central Bank of Kenya as of December 2023, specifically examining non-bank digital lenders offering mobile-based credit products. The unit of analysis was the individual Digital Credit Provider, with data collection targeting five respondents from each provider's credit department, resulting in a sample size of 255 respondents. The study adopted a mixed methods research design, with primary data collected through questionnaires. The geographical scope covered Digital Credit Providers headquartered in Nairobi County, where most licensed providers were based.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter includes several key sections that collectively provide a thorough understanding of the research topic. The theoretical review critically analyses pertinent theories and concepts that are associated with the subject matter, thereby establishing a solid basis for the study. The empirical review conducts a thorough analysis of prior studies and assesses the limitations and gaps. The aforementioned knowledge gaps serve as a foundation for the present research and underscore the need for further investigation in these specific areas. The conceptual framework visually illustrates the relationships between variables. The operationalization of the variables and chapter summary is presented.

2.2 Theoretical Review

The theoretical review provides an overview of existing theories that offer explanations for the research problem being investigated. A theory can be defined as a comprehensive framework of knowledge that persists in providing an explanation for a particular phenomenon. The study will be grounded in two theories: the resource-based view theory and the information asymmetry theory. Information asymmetry theory complements the resource-based view by highlighting the external information environment that shapes the deployment of internal resources for regulatory compliance. Together, these theories provide a comprehensive foundation for understanding how organizational characteristics and information flows impact change management practices among digital credit providers in response to regulatory changes. These theoretical frameworks establish a conceptual basis for analysing and interpreting the results pertaining to the research issue.

2.2.1 Resource Based View Theory

The Resource-Based View (RBV) theory, introduced by Penrose (1959) and formally articulated by Barney (1991), provides a framework for understanding how firms utilize their internal resources to achieve competitive advantage. The theory emphasizes that a firm's sustained competitive advantage arises from resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN). These resources include physical assets, human skills, and organizational processes that serve as key drivers of competitive advantage, contrasting with the market-based view that focuses primarily on industry factors (Kraaijenbrink, Spencer, & Groen, 2010). RBV assumes firms operate in predictable markets and argues that internal resources, rather

than external market forces, form the foundation for a firm's success and profitability (Leiblein, 2003; Tseng et al., 2007). This perspective is particularly relevant for understanding how digital credit providers leverage their organizational characteristics to adapt to regulatory changes. Governance structures represent organizational resources that determine strategic decision-making capabilities, while financial performance indicates the availability of capital resources for implementing compliance measures. Chen et al. (2022) demonstrate that well-defined governance structures enhance adaptation capabilities by providing diverse expertise needed for regulatory compliance.

Financial performance, measured through metrics such as Return on Equity (ROE), constitutes an important resource dimension in the RBV framework. Mallingu and Zoltan (2022) establish that financial resources significantly influence firms' ability to implement strategic changes and innovations, particularly in response to external pressures such as regulatory requirements. These financial resources enable investments in technology, human capital, and process improvements necessary for effective regulatory compliance. Firm age embodies accumulated experience, knowledge, and established relationships—intangible resources that are particularly valuable, rare, and difficult to imitate according to the VRIN framework. Oke, Sanni, and Ijaiya (2019) demonstrate that these experience-based resources significantly affect firm capabilities, particularly in regulated sectors. Older firms often possess institutional memory and established regulatory relationships that enhance their adaptation capabilities when facing new compliance requirements. Ownership structure represents a governance resource that influences risk appetite and decision-making authority. Alabdullah, Ahmed and Ahmed (2021) show that ownership concentration significantly influences operational decision-making and risk management practices, which are critical for regulatory compliance. The distribution of ownership affects how organizations prioritize different objectives, including balancing regulatory compliance with financial performance goals.

In the context of digital credit providers responding to regulatory changes, the RBV theory explains why certain organizational characteristics enable more effective change management practices. Providers with robust governance structures, strong financial standing, extensive operational experience, and clear ownership arrangements possess superior resource configurations that facilitate both strategic and operational adaptations to regulatory requirements. These resource advantages create the capability to implement comprehensive changes while

maintaining operational efficiency. However, RBV has limitations in fully explaining organizational adaptation to regulatory changes. The theory's focus on internal resources does not adequately address how external information flows and asymmetries affect adaptation capabilities. Critics argue that RBV's inward focus can make the theory less effective in explaining how companies should adapt to market changes, competitor movements, or shifts in customer behavior (Dubey et al., 2019; Shibin et al., 2020). This limitation necessitates complementary theoretical perspectives, such as Information Asymmetry theory, to provide a comprehensive explanation of how digital credit providers adapt to regulatory changes.

2.2.2 Information Asymmetry Theory

The theory, developed by Akerlof (1970) and expanded by Spence (1973) and Stiglitz (1981), provides a framework for understanding how imbalances in information between parties influence market transactions and organizational decisions. This theory posits that in many exchanges, one party possesses more or better information than the other, creating potential inefficiencies and strategic behaviors (Karlan & Zinman, 2009). The core assumption is that information asymmetry exists when one party (usually the seller or lender) has less perfect information than the other party (usually the buyer or borrower). In the context of digital credit providers operating within regulatory frameworks, Information Asymmetry theory offers valuable insights into the dynamics between providers, regulators, and customers. Digital credit providers often possess superior information about their internal operations, risk assessment methodologies, and customer characteristics compared to regulators. Simultaneously, these providers may have incomplete information about customer creditworthiness and repayment intentions. These information asymmetries significantly influence lending decisions, compliance strategies, and operational adaptations.

The theory indicates that customer information requirements serve as a tool to mitigate risks and make the lending market more efficient (Healy & Palepu, 2001). Digital credit providers collect extensive customer data to address information asymmetries regarding creditworthiness, enabling more informed lending decisions. However, this data collection creates another dimension of asymmetry between providers and customers regarding how personal information is used and protected, which regulatory frameworks often seek to address. Information asymmetries between digital credit providers and regulators shape compliance approaches and reporting mechanisms. Providers with sophisticated governance structures can better manage these asymmetries by

establishing effective information collection, analysis, and reporting systems. Richardson (2000) notes that while collecting more information may improve decision-making for lenders, it also introduces operational costs and data privacy concerns. These considerations influence how digital credit providers balance regulatory compliance with operational efficiency.

Financial resources play a critical role in addressing information asymmetries. Organizations with stronger financial performance can invest in advanced analytics, comprehensive reporting systems, and technology infrastructure that reduce information gaps with both regulators and customers. These investments enhance regulatory compliance capabilities while potentially creating competitive advantages through superior information management. Firm age and operational experience contribute to reducing information asymmetries regarding regulatory expectations and effective compliance approaches. Established firms possess informational advantages based on historical interactions with regulatory bodies, accumulated knowledge of compliance requirements, and industry best practices. Ownership structure influences how organizations process, prioritize, and utilize information in decision-making. Brodbeck, Kerschreiter, Mojzisch and Schulz-Hardt (2007) demonstrate that ownership patterns affect information interpretation and strategic priorities, which directly impacts approaches to regulatory compliance and adaptation. Concentrated ownership may lead to more streamlined information processing but potentially narrower strategic perspectives.

Thus, information asymmetry theory provides complementary explanatory power to the resource-based view by addressing the external information environment that shapes how internal resources are deployed for regulatory compliance. While RBV explains the importance of organizational characteristics as strategic resources, information asymmetry theory illuminates how these characteristics influence information flows and imbalances that affect regulatory compliance capabilities. Together, these theories offer a comprehensive theoretical foundation for understanding the relationship between organizational characteristics and change management practices among digital credit providers responding to regulatory changes.

2.3 Empirical Review

The empirical review is presented in sections.

2.3.1 Strategic and Operational Adjustments by Digital Credit Providers

Digital credit providers have implemented numerous strategic and operational adjustments in response to evolving market conditions, technological advancements, and regulatory frameworks.

Strategic adjustments represent fundamental shifts in organizational direction, market positioning, and long-term objectives, while operational adjustments involve changes to day-to-day processes, systems, and procedures. The literature reveals several key dimensions of these adjustments that have shaped the digital lending landscape.

Target market expansion and customer segmentation strategies have emerged as critical strategic adjustments made by digital credit providers. Brown (2020) documented how financial service providers in South Africa strategically repositioned themselves by adopting more inclusive targeting approaches that extended beyond traditional banking customers to include previously underserved populations. This strategic pivot involved sophisticated customer segmentation based on digital literacy levels, credit histories, and mobile phone usage patterns. Similarly, Ikechukwu and Sunday (2023) observed that digital finance providers adapted their market targeting strategies during the COVID-19 pandemic, focusing on segments with increased digital adoption potential. Holopainen, Ukko, and Saunila (2022) found that successful digital lenders employed data-driven segmentation techniques to identify profitable niches within broader markets, with some providers developing specialized products for micro-entrepreneurs, agricultural workers, and urban youth. These strategic market adjustments have enabled digital credit providers to penetrate new customer segments while managing risk exposure through more precise targeting algorithms.

Product diversification and innovation represent another significant strategic adjustment among digital credit providers. Chauhan, Akhtar, and Gupta (2022) identified how digital lending platforms have expanded their product portfolios beyond simple loans to include savings products, insurance offerings, and investment options, creating more comprehensive financial ecosystems. This diversification strategy has enabled providers to increase customer lifetime value while reducing acquisition costs. Brailovskaya, Dupas, and Robinson (2021) documented how digital lenders in Africa introduced graduated loan products that reward successful repayment with access to larger loan amounts and improved terms, creating loyalty incentives. Kräussl, Kräussl, Pollet, and Rinne (2018) noted that marketplace lenders continuously innovate their product structures to balance risk and return profiles for both borrowers and investors. Fu, Sun, and Xu (2020) observed that Chinese digital lenders developed specialized credit products based on digital footprint data, tailoring offerings to specific consumer behaviors identified through online activities. These product innovations have allowed digital credit providers to differentiate themselves in increasingly competitive markets while addressing more specific customer needs.

Leadership structure and decision-making processes have undergone significant strategic adjustments as digital credit providers mature. Demeter et al. (2023) documented how digital transformation in financial services typically requires restructuring of leadership teams to incorporate specialized expertise in data science, regulatory compliance, and digital customer experience. Their research revealed that successful digital credit providers often establish cross-functional leadership teams that integrate technology and business perspectives, replacing siloed decision-making structures. Chen et al. (2022) found that digital platforms increasingly adopt hybrid governance models that combine centralized strategic direction with decentralized operational decision-making, enabling faster response to market changes. These leadership adjustments reflect the recognition that traditional hierarchical structures are often too slow and inflexible to compete effectively in the digital lending environment, necessitating more agile governance approaches that can rapidly respond to technological changes and competitive pressures.

Organizational culture and values alignment represents a strategic adjustment that underpins successful digital transformation in credit provision. Nthiga and Simiyu (2021) found that digital financial firms that successfully navigated regulatory changes had deliberately cultivated organizational cultures emphasizing compliance, transparency, and customer protection. Their research indicated that firms embedding these values throughout their organizations demonstrated greater adaptability to changing regulatory requirements. Modiba and Kekwaletswe (2020) documented how South African financial service providers undergoing digital transformation intentionally fostered cultures of innovation and continuous learning to support their strategic objectives. Putra et al. (2021) identified that aligning organizational values with digital transformation goals was critical for maintaining employee engagement during periods of significant change, with successful providers investing heavily in internal communication and change management. These cultural adjustments highlight that technological transformation must be supported by corresponding shifts in organizational mindsets and values to achieve sustainable results.

Partnerships and collaborations with external stakeholders have emerged as a strategic approach allowing digital credit providers to access complementary capabilities. Adewumi and Jolaosho (2022) documented how digital lenders in Nigeria formed strategic partnerships with telecommunications companies to access customer data for credit scoring purposes, illustrating the

value of cross-industry collaborations. Washington, Rehman, and Lee (2022) observed that digital banks participating in regulatory sandboxes often formed partnerships with regulatory technology (RegTech) firms to enhance compliance capabilities. Macharia (2023) noted that Kenyan digital lenders increasingly engaged with credit reference bureaus and other data providers to strengthen their risk assessment frameworks. These strategic partnerships enable digital credit providers to overcome internal capability limitations, accelerate innovation, and access specialized expertise that would be difficult to develop internally.

Branding and reputation management strategies have been substantially adjusted as digital credit providers recognize the importance of trust in financial services. Dawn Burton (2020) documented how digital debt collection practices evolved to protect brand reputation, with leading providers emphasizing transparent, ethical approaches to debt recovery that preserve customer relationships. Burlando, Kuhn, and Prina (2021) found that digital lenders strategically adjusted loan delivery timelines to balance customer experience with repayment performance, recognizing that reputation for fairness influences long-term business sustainability. Li, Stasinakis, and Yeo (2022) observed that digital supply chain finance providers invested heavily in trust-building mechanisms, including transparent credit assessment processes and clear communication of terms, to establish credibility in new markets. These strategic branding adjustments reflect recognition that trust is particularly critical in digital lending environments where face-to-face interactions are minimal.

Operational adjustments among digital credit providers have been equally significant, with staffing changes and talent acquisition strategies representing a key area of adaptation. Karakasilioti (2024) documented how European financial institutions implementing digital operational resilience measures restructured their workforce to emphasize specialized skills in cybersecurity, data analysis, and regulatory technology. Bowers, Sherman, Butler, and Traynor (2019) observed that digital credit application providers increasingly hired specialists in data privacy and security to address growing concerns about information protection. Njuguna (2021) found that digital financial service providers in Kenya invested in specialized compliance personnel following regulatory changes, often creating dedicated compliance departments with direct reporting lines to senior leadership. These staffing adjustments reflect the evolving skill requirements for digital lending operations and the increasing importance of specialized expertise in managing complex regulatory environments.

Marketing and customer engagement initiatives have undergone substantial operational adjustments as digital lenders seek to acquire and retain customers efficiently. Chauhan, Akhtar, and Gupta (2022) identified how digital banks incorporated gamification elements into their customer engagement strategies, creating interactive experiences that increased product usage and customer retention. Byayesu and Mulyungi (2023) documented how transparency in marketing communications positively impacted financial performance, encouraging digital lenders to adopt more straightforward disclosure practices in their promotional materials. Loua (2022) observed that mobile money lenders in Cameroon adjusted their marketing approaches to emphasize convenience and accessibility, particularly targeting small businesses with limited access to traditional banking services. These marketing adjustments reflect the competitive nature of digital lending markets and the importance of differentiated customer experiences in driving adoption.

ICT infrastructure and digital transformation efforts constitute critical operational adjustments supporting the core functions of digital credit providers. Gao (2023) documented how corporate compliance mechanisms in digital finance increasingly integrated technologies like big data, blockchain, and artificial intelligence, creating platforms for automated risk assessment and compliance monitoring. Kipsang (2020) observed that digital lenders implemented sophisticated penalty management systems that automatically applied and tracked fines for late payments, improving operational efficiency in collections processes. Tin (2023) highlighted how digital lending decision systems evolved to incorporate multiple data sources and machine learning algorithms, significantly increasing processing speed and accuracy. These technological adjustments form the foundation for operational efficiency in digital lending, enabling the rapid, low-cost processing that makes small-value digital loans economically viable.

Credit risk assessment and lending processes have seen substantial operational adjustments as providers refine their approaches to managing default risk. Gideon, Anjetsa, and Musiega (2021) documented how digital lending firms in Kenya adjusted their credit risk management practices, finding that while many still charged relatively high interest rates, they were increasingly implementing more sophisticated customer creditworthiness evaluation mechanisms. Fu, Sun, and Xu (2020) observed that Chinese digital lenders rapidly incorporated alternative data sources, including shopping patterns and social media information, to enhance credit assessment accuracy, particularly for borrowers with limited traditional credit history. Li, Stasinakis, and Yeo (2022) documented the implementation of hybrid machine learning models combining Extreme Gradient

Boosting and Multi-Layer Perceptron techniques to improve credit risk assessment in digital supply chain finance. These operational adjustments in credit assessment reflect the central importance of effective risk management in sustainable digital lending models.

Compliance and regulatory reporting procedures have undergone significant operational adjustments as digital credit providers adapt to formal regulatory frameworks. Oino (2018) observed that European digital banks adjusted their capital management processes to meet regulatory requirements while maintaining financial performance objectives. Ab Hamid, Ismail, and Aziz (2021) documented how Islamic digital finance providers implemented specialized compliance systems addressing both traditional regulatory requirements and Shariah compliance considerations. Rizvi, Naqvi, and Tanveer (2018) noted that Pakistani fintech providers adjusted their operational processes to align with the State Bank of Pakistan's regulatory framework, often establishing dedicated reporting systems. These compliance adjustments reflect the increasing formalization of digital lending markets and the growing importance of regulatory considerations in operational design.

Data management and analytics capabilities have seen substantial enhancement as digital credit providers recognize the strategic value of information assets. Kinyua (2022) observed that deposit-taking microfinance institutions implementing digital lending platforms invested heavily in data management systems that enabled more sophisticated analysis of borrower behavior and repayment patterns. Shema (2022) documented how airtime lenders in East Africa developed advanced analytics capabilities to monitor the impact of credit limit adjustments on borrower behavior, enabling more precise product customization. Paintsil, Cang, and Manu (2019) found that Ghanaian digital lenders enhanced their data analytics capabilities to better understand the relationships between interest rates, foreign exchange rates, credit risk, and financial performance. These data management adjustments reflect the increasingly central role of information analysis in competitive digital lending operations.

In conclusion, the literature reveals that digital credit providers have implemented comprehensive strategic and operational adjustments in response to market evolution, technological advancements, and regulatory changes. Strategically, these adjustments have focused on market expansion, product innovation, leadership structure, organizational culture, external partnerships, and brand reputation. Operationally, providers have adjusted staffing models, marketing

approaches, technological infrastructure, credit assessment processes, compliance procedures, and data management capabilities. These multifaceted adjustments highlight the dynamic nature of the digital lending environment and the continuous adaptation required for sustainable operation. Future research should focus on quantifying the relative impact of different adjustments on provider performance and regulatory compliance, particularly in emerging market contexts where digital lending continues to evolve rapidly.

2.3.2 Organizational Characteristics and Change Management Practices

Organizational factors include a wide range of structural, cultural, and operational attributes that define the functioning and activities of an entity, whether it be a business, institution, or any organized group (Alabdullah, Ahmed & Ahmed, 2021). These attributes include elements such as organizational structure, leadership style, size and scale, culture, technology utilization, human resources practices, regulatory compliance, customer relationships, innovation capacity, and financial management (Metz, Ilieş & Nistor, 2020; Cho, Kim & Oh, 2022; Mohammadi, 2020). Understanding organizational factors is crucial for comprehending an entity's operational framework, and these factors play a pivotal role in determining its efficiency, effectiveness, and ability to achieve its objectives while adapting to external challenges and opportunities (Moradi, Jafari, Doorbash & Mirzaei, 2021).

Brown (2020) explored how regulatory uncertainty affects digital business strategies, finding that regulatory uncertainty significantly impacts digital transformation processes and necessitates both top-down and bottom-up planning approaches. This aligns with Holopainen, Ukko and Saunila's (2022) findings that organizations must balance intuitive and data-driven decision-making while cultivating leadership skills in strategic development. The influence of governance structure, particularly board size, on strategic changes is supported by Chen et al. (2022), who found that well-defined governance structures enhance organizational performance and adaptation capabilities. Financial performance, measured through ROE, has been identified by Mallinguh and Zoltan (2022) as a significant factor influencing firms' ability to implement strategic changes and innovations. These studies collectively suggest that organizational characteristics significantly influence strategic adaptability in regulated environments.

Nthiga and Simiyu (2021) found strong correlations between credit management practices and lending decisions in digital financial institutions, highlighting how organizational factors influence operational adjustments. Modiba and Kekwaletswe (2020) emphasized the importance of

technological, organizational, and environmental contexts in shaping operational changes, particularly noting how firm age and experience affect adaptation capabilities. The relationship between ownership structure and operational changes was examined by Alabdullah, Ahmed and Ahmed (2021), who found that ownership concentration significantly influences operational decision-making and risk management practices. Demeter et al. (2023) contributed to this understanding by identifying how different organizational factors, including firm age and governance structure, affect digital transformation processes and operational adaptability in regulated environments.

The study conducted by Modiba and Kekwaletswe (2020) examined the interplay of technological, organizational, and environmental contexts, with a specific focus on governance structures and organizational structure within South African Financial Service Providers undergoing digital transformation. The study found that within South African Financial Service Providers undergoing digital transformation, the interplay of technological, organizational, and environmental contexts, including governance structures and organizational structure, plays a pivotal role in shaping the outcomes of digital transformation initiatives. It emphasized that a thorough understanding of these contextual factors is essential for the successful execution of digital transformation projects. The study argued that digital transformation efforts should be tailored to the specific context in which a financial service provider operates, taking into account the nuances of governance structures and organizational structures. This context-aware approach was identified as crucial for optimizing the impact of digital transformation on financial service providers in South Africa. In response to these findings, the study introduced a conceptual framework to guide financial service providers in their digital business transformation endeavors, aiming to enhance their adaptability and competitiveness in an evolving digital landscape.

The study conducted by Chen, Tong, Tang, and Han (2022) delves into the governance and design of digital platforms, offering a comprehensive review and outlining future research directions in the domain of meta-organizations. The study found that governance structures can enhance performance if well-defined and effectively implemented. Governance structures encompass decision-making processes, accountability mechanisms, and oversight procedures that guide an organization's operations. The positive correlation between robust governance structures and improved performance implies that organizations that prioritize transparency, clear roles and responsibilities, and strategic oversight are more likely to achieve better financial results, manage

risks effectively, and align their actions with their strategic objectives. This finding highlights the significance of sound governance practices as a fundamental driver of organizational success and underscores the need for organizations to invest in designing and maintaining effective governance structures to optimize their performance.

The study by Mallinguh and Zoltan (2022) used the World Bank's Enterprise Survey dataset from 2018 to analyze loan applications from 230 Kenyan firms. The study aimed to understand how the type of financial institution and specific firm characteristics influence the loan amounts granted. The findings revealed that the type of financial institution matters, with differing sensitivity levels among private, commercial, and state-owned banks and non-banking financial entities. Variables like the value of collateral, the owner's equity proportion of fixed assets, and existing credit facilities had a positive correlation with loan amounts, whereas the largest shareholder's ownership was inversely related to the loan amount. The study also found that firms engaged in innovation, measured by new product or service launches, tend to receive higher loan amounts, although the size difference was small according to Cohen's *d* rule.

The study by Oke, Sanni, and Ijaiya (2019) focuses on the impact of firm characteristics on the ability of Small and Medium-sized Enterprises (SMEs) in North Central Nigeria to access bank financing. Using primary data gathered through questionnaires, the researchers analyzed responses from 280 SMEs and 207 loan officers. Various statistical methods were used, including binary logit regression models with marginal effect and Kruskal Wallis H tests. From the perspective of the SMEs, the study found that firm age, incorporation status, and industry type were significant factors affecting access to bank loans, while firm size was not a significant factor. On the other hand, from the perspective of the banks, all selected firm characteristics were significant in determining credit approval. The study concludes that SMEs in North Central Nigeria face a significant shortage of financing, partly because they are not fully aware of or are not exploiting all the firm-specific factors that could enhance their access to bank loans. The study recommends that SMEs should better understand these factors and consider forming alliances to improve access to financing.

Nthiga and Simiyu (2021) investigated the impact of credit management practices on lending decisions in Kenyan digital financial firms, finding that credit scoring, loan review, consumer protection, and financial literacy positively influenced lending, collectively explaining 88.7% of the variance. They highlighted the importance of credit scoring and the significant roles of

consumer protection and financial literacy in shaping lending practices. Fonseca, Strair, and Zafar (2017) examined the effects of debt collection practices on consumers' credit and financial health, revealing that stricter debt collection laws reduced credit access and financial health, especially for borrowers with low credit scores. Their findings underscore the complex relationship between regulatory changes in debt collection and consumer financial well-being.

2.3.3 Digital Credit Providers' perspectives

Brown (2020) examined the effect of regulatory uncertainty on digital business strategizing in a South African financial services provider. The methodology used was a qualitative, interpretive case study, employing thematic analysis of data collected from interviews with IT and business leaders. The findings of the study indicated that regulatory uncertainty significantly impacts the digital transformation process, necessitating a more tactical approach that combines top-down and bottom-up strategizing with strong leadership and dynamic capabilities. The results imply that in order to achieve digital maturity and competitive advantage, firms must develop robust strategies that adapt to and incorporate ongoing regulatory changes, while fostering innovation and flexibility.

Njuguna (2021) examined the factors influencing compliance with legislation and standards among digital financial service (DFS) agents in Kenya, a sector that significantly impacts over 60% of the adult population primarily through services like Mpesa. Employing Configuration Theory to conceptualize DFS agents as organizations, the study analyzed how structural, strategic, and environmental factors affect compliance using a Partial Least Squares approach to Structural Equation Modeling (PLS-SEM). Data was collected via paper-based questionnaires from 450 agents, and findings confirmed that structure, strategy, and environment significantly impact compliance, with strategy—particularly training and technology use—having the strongest effect. The study revealed two distinct compliance behavior clusters among agents, with the more compliant cluster showing better training, higher education levels, and greater awareness of legislation. The findings suggest that effective training and technology utilization are critical for agents to manage operational challenges like fraud detection and liquidity management. These insights not only guide DFS agents in enhancing their compliance but also provide regulators and mobile network operators (MNOs) with data to improve support and training initiatives, ultimately enhancing the sector's overall efficiency and legislative adherence.

Gao (2023) explores how corporate compliance mechanisms can adapt to digital finance by integrating technologies like big data, blockchain, and AI, creating platforms for risk assessment and compliance training that follow a "prevention-screening-response" model to mitigate digital financial risks. The study highlights the efficiency of this technology-driven approach in improving technical supervision and ensuring seamless digital financial operations. Similarly, Nthiga and Simiyu (2021) investigate the impact of credit management practices—credit scoring, loan review, consumer protection, and financial literacy—on lending decisions in Kenyan digital financial firms, finding these factors collectively explain 88.7% of the variance in lending decisions. Both studies emphasize the critical role of technology and robust management practices in fostering responsible and secure financial services in the digital era.

Njenga and Kavindah (2021) found that credit appraisal, pricing, and debt collection strategies significantly influence the sustainability of digital lending applications in Kenya, emphasizing the importance of improved credit risk controls to reduce non-performing loans and promote financial stability. Burlando, Kuhn and Prina (2024) examined the role of credit reports in the screening processes of digital lending in Mexico. Utilizing a unique administrative dataset, the researchers employed a regression discontinuity design to analyze the effects of a digital lender's integration of credit bureau scores into its loan approval processes. The findings indicated that the acquisition of credit scores from credit reference bureaus (CRBs) significantly reduces default rates, with the likelihood of borrowers' repayment increasing by 10–13 percent. The results imply that integrating traditional credit scoring mechanisms into digital lending platforms can enhance loan performance and Decrease Financial Risks for Lenders.

2.4 Knowledge Gap

Based on the reviewed studies, none of the literature specifically addresses how organizational characteristics influence change management practices implemented by Digital Credit Providers in Kenya in response to the 2022 regulations. While numerous studies discuss digital lending and regulatory compliance separately, they lack an integrated analysis of how organizational characteristics shape regulatory adaptation. Many studies provide theoretical understanding but lack empirical approaches tailored to the Kenyan digital credit context. Furthermore, while some research investigates individual aspects of organizational change or regulatory compliance, few studies consider the combined influence of governance structure, financial performance, firm age,

and ownership structure within a cohesive framework. Table 2.1 presents the summary of literature and research gaps

Table 2.1: Summary of Literature and Research Gaps

Author(s)	Focus	Findings	Gap Type	Addressing the Gaps
Brown (2020)	Digital business strategies under regulatory uncertainty	Regulatory uncertainty significantly impacts digital transformation processes	Methodological gap: Used single case study approach	This study employed quantitative analysis across multiple DCPs
Holopainen, Ukko & Saunila (2022)	Strategic readiness for digital operations	Companies face challenges in digital operations integration	Contextual gap: Not specific to digital credit sector	This study focused on digital credit providers' regulatory adaptation
Demeter et al. (2023)	Digital transformation drivers	Different strategic drivers influence transformation success	Conceptual gap: Did not address regulatory compliance	This study examined regulatory compliance impacts
Karakasilioti (2024)	Digital operational resilience implementation	Operational resilience enhanced through regulatory compliance	Geographic gap: Focused on EU context	This study examined Kenyan context
Nthiga & Simiyu (2021)	Credit management practices	Credit management influences lending decisions	Conceptual gap: Did not examine organizational factors	Study analyzed organizational characteristics' impact
Ebong & Babu (2020)	Digital lending in high-density markets	Market conditions influence digital lending	Geographic gap: Focused on Uganda	Study examined Kenyan context
Igwemeka et al. (2020)	Digital finance inclusion	Digital finance promotes financial inclusion	Conceptual gap: Limited to inclusion aspects	Study examined broader organizational changes
Fauzi et al. (2021)	Interest rate determination	Legal framework affects interest rates	Geographic gap: Indonesian context	Study focused on Kenyan regulatory framework
Masolo & Wanjohi (2021)	Digital credit performance	Digital credit affects bank performance	Methodological gap: Limited statistical analysis	Study used comprehensive statistical methods
Ochieng & Musau (2022)	Digital lending impact	Digital lending affects loan portfolios	Conceptual gap: Did not examine organizational factors	Study analyzed organizational characteristics
Ikechukwu & Sunday (2023)	Digital financing impact	Digital finance affects organizational performance	Geographic gap: Different market context	Study examined Kenyan market specifically

Author(s)	Focus	Findings	Gap Type	Addressing the Gaps
Chauhan et al. (2022)	Digital banking experience	Customer experience affects digital banking	Methodological gap: Qualitative approach only	Study used mixed methods approach
Singh (2023)	Digital lending paradigm shift	Digital lending transforms banking	Contextual gap: General banking focus	Study focused on digital credit providers
Tin (2023)	Digital lending decisions	Multiple factors influence lending decisions	Geographic gap: Different market context	Study examined Kenyan context
Getugi et al. (2023)	Digital lending efficiency	Digital lending affects bank efficiency	Conceptual gap: Limited to efficiency metrics	Study examined broader organizational changes
Burlando, Kuhn & Prina (2024)	Credit reports in digital lending	Credit reports influence lending decisions	Geographic gap: Mexican context	Study focused on Kenyan context

2.5 Conceptual Framework

A conceptual framework is a graphical representation of the relationships between independent and dependent variables. Figure 2.1 depicts the presentation of the conceptual framework. The framework visually integrates all three research objectives by positioning the 2022 Digital Credit Providers Regulations as the contextual foundation that necessitates organizational response, illustrating the strategic and operational adjustments (first objective) as dependent variables influenced by organizational characteristics including governance structure, financial performance, firm age, and ownership structure (second objective), while incorporating digital credit providers' perspectives on market stability, ethical practices and financial inclusion impacts (third objective) as contextual variables that both influence and are influenced by these relationships. This comprehensive framework directly informs the mixed methods methodology, with quantitative components (regression analysis) designed to examine relationships between organizational characteristics and change management practices, while qualitative elements (content analysis) capture providers' perspectives and contextual insights that cannot be fully expressed through numerical data.

The framework reflects the dynamic nature of these relationships and justify the use of both descriptive and inferential statistics alongside thematic analysis of qualitative responses, ensuring methodological alignment with each research objective and creating a coherent research design that facilitates meaningful exploration of how organizational characteristics influence digital credit

providers' responses to regulatory changes in Kenya. The resource-based view theory supports the framework by explaining how organizational characteristics function as strategic resources that enable or constrain adaptation capabilities. Information asymmetry theory complements this by addressing how these characteristics influence information flows and imbalances that affect regulatory compliance approaches. Together, these theories provide a comprehensive theoretical foundation that connects all elements of the framework and supports investigation of all three research objectives.

Independent Variables

Organizational characteristics

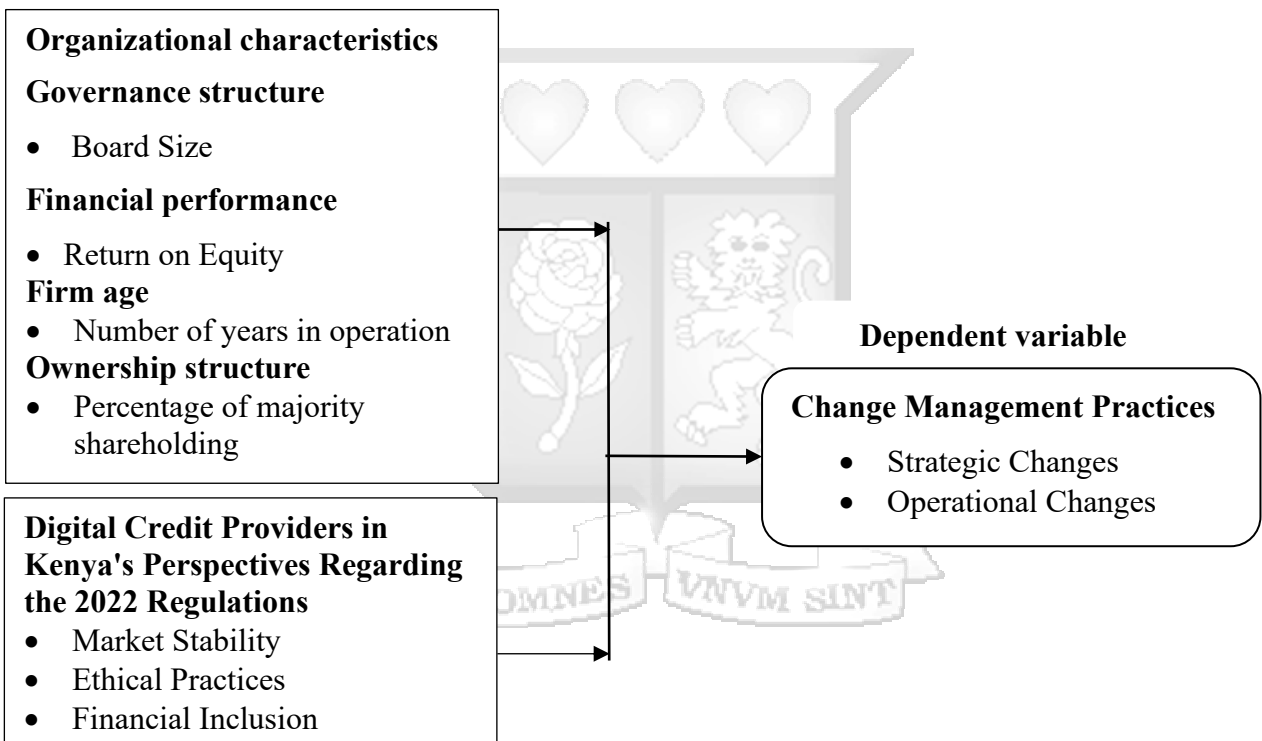


Figure 2.1: Conceptual Framework

The conceptual literature review can provide a critical foundation for understanding the key variables in this study. Organizational characteristics such as governance structure, particularly board size, can significantly influence an organization's decision-making capacity and regulatory responsiveness (Chen et al., 2022). Financial performance measured through Return on Equity can reflect an organization's resource availability for implementing necessary changes (Mallinguh & Zoltan, 2022), while firm age indicated by years in operation can represent accumulated experience and established regulatory relationships (Oke, Sanni & Ijaiya, 2019). Ownership structure,

measured through percentage of majority shareholding, can determine decision-making authority and risk appetite that ultimately affect change implementation approaches (Alabdullah, Ahmed & Ahmed, 2021).

Digital Credit Providers' perspectives regarding the 2022 regulations can be conceptualized through several dimensions. Market stability perceptions can indicate providers' confidence in the regulatory environment and its impact on sustainable business operations (Central Bank of Kenya, 2022). Ethical practices considerations can reflect the industry's adaptation to consumer protection requirements and responsible lending standards (Competition Authority of Kenya, 2021). Financial inclusion perspectives can demonstrate how providers view the balance between regulatory compliance and their ability to serve underserved populations, highlighting potential tensions between compliance obligations and market expansion goals (Financial Sector Deepening Kenya, 2019).

Change management practices can be conceptually understood through two primary dimensions. Strategic changes can encompass fundamental adjustments to organizational direction, including target market redefinition, product diversification, leadership restructuring, cultural realignment, and partnership development in response to regulatory requirements (Nthiga & Simiyu, 2021; Brown, 2020). Operational changes can include tactical modifications to day-to-day functions such as staffing adjustments, marketing approach revisions, technology infrastructure enhancements, credit assessment procedure reforms, compliance reporting mechanism implementations, and data management system improvements (Holopainen, Ukko & Saunila, 2022; Njuguna, 2021). These conceptual understandings provide the framework through which the empirical findings can be interpreted and analyzed.

2.6 Operationalization of Variables

Table 2.2 below shows the operationalization of variables.

Table 2.2: Operationalization of Variables

Variable	Measurement of Variable	Past Supporting Studies	Supporting Theories	Data Source	Analysis
	Number of board members	Metz, Ilieş & Nistor (2020); Cho, Kim & Oh (2022); Chen et al. (2022); Modiba & Kekwaletswe (2020); Abdulai	Resource-based	Questionnaire	Descriptive and inferential

Organizational characteristics		et al. (2020); Joseph & Gaba (2020); Kapp & Heslop (2015)	View Theory		l statistics
	Return on Equity (ROE)	Alabdullah, Ahmed & Ahmed (2021); Oke, Sanni, & Ijaiya (2019); Dalci, Tanova, Ozyapici & Bein (2019); Morara & Sibindi (2021); Rahman & Sharma (2020); Salim & Yadav (2012); Jyoti & Khanna (2021)	Information Asymmetry Theory	Questionnaire	Descriptive and inferential statistics
	Number of years of operation	Mallinguh & Zoltan (2022); Oke, Sanni, & Ijaiya (2019); Flaminiano & Francisco (2021); Ali et al. (2020); Mahmood et al. (2019); Zhang et al. (2021); Bhattacharya et al. (2022)	Resource-based View Theory	Questionnaire	Descriptive and inferential statistics
	Percentage of majority shareholding	Alabdullah, Ahmed & Ahmed (2021); Flaminiano & Francisco (2021); Ali et al. (2020); Machdar & Murwaningsari (2017); Gunasekarage et al. (2020); Kamal (2021); Kinyua (2022)	Information Asymmetry Theory	Questionnaire	Descriptive and inferential statistics
Strategic and Operational Adjustments	Strategic Changes Target market expansion and customer segmentation strategies Product/service diversification and innovation Leadership structure and decision-making processes Organizational culture and values alignment Partnerships and collaborations with external stakeholders Branding and reputation management strategies	Njuguna (2021); Ebong & Babu (2020); Igwemeka et al. (2020); Fauzi et al. (2021); Masolo & Wanjohi (2021); Ochieng & Musau (2022); Ikechukwu & Sunday (2023); Nthiga & Simiyu (2021); Ebong & Babu (2020); Igwemeka et al. (2020); Fauzi et al. (2021); Masolo & Wanjohi (2021); Ochieng & Musau (2022); Ikechukwu & Sunday (2023); Putra et al. (2021)	Information Asymmetry Theory	Questionnaire	Descriptive and inferential statistics
	Operational Changes Staffing changes and talent acquisition strategies Marketing and customer engagement initiatives	Brown (2020); Holopainen, Ukko & Saunila (2022); Demeter et al. (2023); Karakasilioti (2024); Gao (2023); Kamau (2020); Njenga & Kavindah (2021); Holopainen, Holopainen, Ukko	Resource-based View Theory	Questionnaire	Descriptive and inferential statistics

	ICT infrastructure and digital transformation efforts Credit risk assessment and lending processes Compliance and regulatory reporting procedures Data management and analytics capabilities	& Saunila (2022); Lumpkin & Schich (2020); Chauhan et al. (2022); Singh (2023); Panday & Yadav (2022); Tin (2023); Getugi et al. (2023)			
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2.7 Chapter Summary

The chapter presented a thorough examination of several essential elements, encompassing the theoretical review, empirical review, knowledge gaps, conceptual framework, operationalization, and chapter summary. The literature review examined pertinent theories and concepts that underpinned the study, offering a theoretical comprehension of the research subject. The empirical literature review conducted a thorough analysis of prior studies pertaining to the research domain, discerning deficiencies in the current body of knowledge. The existence of these knowledge gaps underscores the necessity for additional empirical research. The conceptual framework provided a graphical depiction of the interconnections and factors being examined, serving as a guiding framework for the research methodology. Operationalization encompasses the process of clearly and precisely defining and measuring variables to facilitate the collection of accurate data. Finally, the chapter concluded by providing a summary that effectively emphasised the essential aspects that were addressed throughout the chapter, thereby establishing a foundation for the forthcoming chapters. In general, this thorough review has established a strong basis for the research study and has laid the groundwork for future investigation into the research topic. The subsequent chapter will be research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology outlines a systematic framework for data collection and analysis procedures. The chapter is organized into multiple sections, each analyzed in detail to clarify its significance. The study includes research philosophy, research design, population and sampling, data collection procedures and instruments, data analysis, research quality, and responsibilities.

3.2 Research Philosophy

Research philosophy refers to the underlying beliefs and assumptions that guide how research is conducted and the perspective from which data is gathered, analyzed, and utilized (Padilla-Díaz, 2015). The study adopted a positivism research philosophy, which aligns with the quantitative nature of the research and the objective of analyzing empirical data to draw reliable conclusions. Positivism emphasizes the use of objective observation and empirical evidence to understand phenomena, making it ideal for examining the effect of organizational characteristics on change management practices among Digital Credit Providers in Kenya in response to the 2022 regulations. By focusing on systematic examination of quantitative data, positivism allowed the identification of patterns or relationships between variables, which was crucial for understanding how organizational characteristics influenced strategic and operational adjustments. Furthermore, positivism's emphasis on objectivity and scientific methods ensured a rigorous and unbiased approach to data collection, analysis, and interpretation.

3.3 Research Design

The study design serves as a framework to address the research objectives and methodological requirements (Rahi, 2017). The study adopted a mixed methods research design. The qualitative component focused on exploring in-depth perspectives on strategic and operational changes implemented in response to the 2022 regulations, utilizing open-ended questions and content analysis to understand the nuanced ways in which organizational factors influenced these adaptations. Content analysis was employed to identify recurring themes, patterns, and relationships in the qualitative data, providing rich insights into the specific mechanisms through which organizational characteristics shaped regulatory compliance strategies. The quantitative component complemented this by employing regression analysis to examine the statistical relationships between organizational characteristics and change management practices, though this

was not the primary focus given the complex, multifaceted nature of organizational adaptation to regulatory changes.

3.4 Population and Sampling

Population refers to a comprehensive collection of entities exhibiting common observable characteristics (Cooper & Schindler, 2014). For this study, the target population comprised all 51 digital credit providers licensed by the Central Bank of Kenya as of December 2023. This population was selected due to its direct relevance to the research problem, as these organizations were directly affected by the 2022 Digital Credit Providers Regulations. The study employed purposive sampling, a non-probability sampling technique where participants are deliberately selected based on specific characteristics (Etikan, Musa, & Alkassim, 2016). This approach was justified for several reasons: First, it ensured that respondents possessed relevant knowledge about the organization's response to regulatory changes. Second, it allowed for the selection of participants from critical organizational positions involved in compliance implementation. Third, it facilitated efficient data collection from a specialized population with specific expertise. Five employees from the credit department of each organization were selected, resulting in a total sample size of 255 respondents. The credit department was chosen as the sampling unit because personnel in this department possess direct knowledge of the strategic and operational changes implemented in response to the regulations.

A census approach was used, targeting all 51 digital credit providers rather than selecting a subset. This approach was justified by the relatively small population size and the need to capture the full diversity of organizational characteristics and responses to regulations. Including all providers enhanced the generalizability of findings and minimized potential sampling bias that might have occurred by selecting only certain types of organizations. The census approach aligned with the research objectives by providing comprehensive coverage of the digital lending ecosystem in Kenya, particularly important for understanding industry-wide perspectives (Objective 3) and capturing the full range of strategic and operational adjustments (Objective 1). The sampling design ensured alignment with the mixed methods approach by facilitating collection of both breadth (quantitative data from multiple respondents across all providers) and depth (qualitative insights from key personnel) of information necessary for addressing all three research objectives.

3.5 Data Collection Tools and Instruments

The research used a structured questionnaire with both closed-ended and open-ended questions, organized into four sections. Section A collected demographic data to ensure relevant participants from credit departments were included. Section B assessed the strategic and operational adjustments made by digital credit providers in response to the 2022 regulations, covering areas like market expansion, customer segmentation, and ICT infrastructure. Section C examined organizational characteristics such as governance structure and financial performance, while Section D focused on respondents' opinions about the regulations' impact on competition, consumer protection, and innovation.

3.6 Data Analysis

Data analysis involves organizing information to facilitate further study and application (Rahi, 2017). The study employed a mixed methods approach combining both quantitative and qualitative analysis techniques to address the research objectives comprehensively. Quantitative Analysis: Before processing, the data underwent a correctness assessment to ensure accuracy. Quantitative data was analyzed using SPSS, employing both descriptive statistics (mean and standard deviation) and inferential statistics to effectively summarize and interpret the data. The multivariate analysis included multinomial regression analysis to examine the relationships between organizational characteristics, such as governance structure, financial performance, firm age, and ownership structure, and change management practices, including strategic and operational adjustments. Given the ordinal nature of the Likert scale responses, multinomial regression analysis was used to examine these relationships. Regression models were utilized to investigate the impact of organizational characteristics on strategic adjustments and operational adjustments, with each model including the four organizational characteristics as independent variables.

The study used content analysis techniques to analyze qualitative data obtained from open-ended questions. This approach involved systematically identifying patterns, themes, and categories within the text data through careful examination of participants' responses. The process included: data familiarization through multiple readings of responses; development of a coding framework based on key themes related to the research objectives; systematic coding of responses; identification of patterns and relationships between themes and interpretation of findings in relation to research objectives. The integration of quantitative and qualitative analyses allowed for methodological triangulation, enhancing the validity and comprehensiveness of the findings.

While quantitative analysis provided measurable relationships between variables, qualitative analysis offered contextual understanding of the underlying mechanisms and perspectives that shaped these relationships. This mixed methods approach was particularly valuable for addressing the third research objective focused on exploring digital credit providers' perspectives regarding the 2022 regulations.

3.7 Research Quality

The research quality was determined by conducting a pilot study, a smaller-scale trial conducted prior to the main study, as described by Husni, Meyer, Cohen, Mody, and Qureshi (2007). The purpose of the pilot study was to refine the questionnaire, ensuring that respondents could easily understand, provide, and record their answers. The study used 10% of the sample size for the pilot study, and these respondents were excluded from the final data collection to prevent bias and ensure the validity of results.

3.7.1 Validity of Research Instrument

The validity of the research instruments was assessed through a comprehensive process involving both respondent feedback and expert review. Feedback from respondents during the pilot study was instrumental in evaluating the clarity and relevance of the questionnaire items, ensuring that any ambiguities or inconsistencies were addressed. Additionally, the supervisor of the project conducted a detailed review of the questionnaire to confirm its alignment with the research objectives and suggested necessary adjustments to enhance its validity.

3.7.2 Reliability of Instrument

The reliability results were generated using the Statistical Package for Social Sciences (SPSS) and are presented in Table 3.1.

Table 3.1: Reliability Results

Variables	Number of items	Cronbach alpha	Comments
Governance Structure	6	0.903	Reliable
Financial Performance	6	0.809	Reliable
Firm Age	6	0.834	Reliable
Ownership Structure	6	0.786	Reliable
Digital Credit Providers Perspectives	7	0.925	Reliable
Strategic Changes	12	0.892	Reliable
Operational Changes	12	0.857	Reliable
Overall		0.858	

The results in Table 3.1 demonstrate strong reliability across all variables. Digital Credit Providers Perspectives showed the highest reliability ($\alpha = 0.925$), followed by Governance Structure ($\alpha = 0.903$), and Strategic Changes ($\alpha = 0.892$). Operational Changes ($\alpha = 0.857$) and Firm Age ($\alpha = 0.834$) also showed good reliability. While Ownership Structure had the lowest alpha value ($\alpha = 0.786$), it still exceeded the acceptable threshold of 0.7 suggested by Taber (2018). The overall Cronbach's alpha coefficient of 0.858 indicates high reliability across all study variables. The high reliability values support the robustness of the research instrument and provide confidence in the subsequent analysis and findings.

3.8 Ethical Considerations

The study adhered to established research ethics by ensuring informed consent, where participants were fully informed about the research objectives, procedures, potential risks, and benefits, and voluntarily agreed to participate without coercion. To maintain confidentiality and anonymity, strict data security measures were implemented, including secure data storage, restricted access, and encryption, while personal information was anonymized or pseudonymized. The principle of beneficence was upheld by ensuring the research benefits outweighed potential risks, minimizing participant distress, and contributing to meaningful knowledge advancement. Transparency and honesty were emphasized, with any conflicts of interest or biases disclosed, and the research conducted with intellectual honesty to ensure accurate reporting.

3.9 Chapter Summary

This chapter has presented the research methodology employed in the study, beginning with the adoption of a positivism research philosophy that aligned with the quantitative nature of the research and enabled objective analysis of empirical data. The study utilized a mixed methods research design, combining quantitative analysis through descriptive statistics and regression models with qualitative insights from open-ended questions. The population comprised 51 digital credit providers licensed by the Central Bank of Kenya, with a purposive sampling method selecting five employees from the credit department of each organization for a total sample size of 255 respondents. Data collection was conducted using a structured questionnaire with both closed-ended and open-ended questions, administered to respondents over a one-month period. The data analysis involved both descriptive statistics and inferential statistics, including multinomial regression analysis.

CHAPTER FOUR

ANALYSIS AND PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

Chapter one provided the background, problem statement, and objectives of the study. Chapter two discussed the theories underpinning the study and reviewed relevant empirical studies. Chapter three presented the research philosophy, study design, population, and data collection methods and analysis. The purpose of chapter four is to provide the results and findings of the study. The main approach is to present descriptive statistics for some aspects of the variables, as well as correlation and multivariate analysis.

4.2 Results and Findings

The section provides a detailed presentation and interpretation of the data collected during the study. It begins with an examination of the response rate, which is crucial for assessing the adequacy and reliability of the data. This is followed by an overview of the demographic data, offering context about the respondents and ensuring that the sample is representative of the target population. The section then delves into descriptive analysis, summarizing key characteristics of the data and providing insights into the change management practices and organizational characteristics of the digital credit providers. Finally, the section presents the results of the multivariate analysis.

4.2.1 Response Rate

The study achieved a high response rate of 85.1%, with 217 out of 255 targeted respondents completing the questionnaire after deducting 10% used for the pilot study to ensure research quality. This robust response rate enhances the reliability and generalizability of the study findings. The respondents represented a diverse cross-section of professionals in digital credit providers, with credit analysts and data analysts constituting the largest proportion, followed by compliance officers, finance managers, operations managers, customer service representatives, marketing executives, and legal advisors. The high response rate suggests that the findings reflect comprehensive insights from key stakeholders involved in implementing and managing regulatory compliance within Digital Credit Providers in Kenya. The representation of both technical and managerial roles provides a balanced perspective on how organizational characteristics influence strategic and operational changes in response to the 2022 regulations.

4.2.2 Demographic Data

Demographic data, also known as demographics, is a collection of statistical information about the characteristics of a population. This demographic information serves as a foundation for analysing the responses in subsequent sections. The job title information helps identify the functional areas represented in the study, while the length of service data indicates the depth of organizational knowledge and experience the respondents bring to their answers.

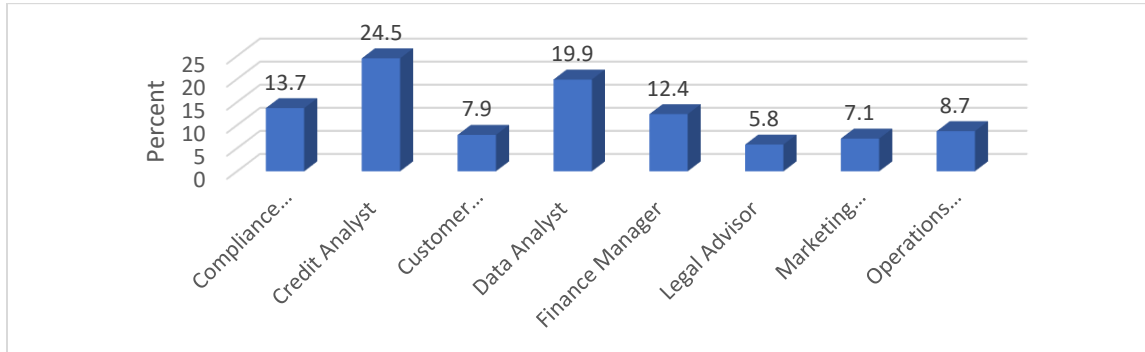


Figure 4.1: Job Titles

The study found that Credit Analysts (24.5%) and Data Analysts (19.9%) constitute the largest proportion of staff in Digital Credit Providers, followed by Compliance Officers (13.7%), Finance Managers (12.4%), Operations Managers (8.7%), Customer Service Representatives (7.9%), Marketing Executives (7.1%) and Legal Advisors (5.8%). This implies that majority of the respondents are those relevant to the study, as they are directly involved in implementing and managing the strategic and operational changes required by the 2022 regulations. The high representation of analytical and compliance-focused roles among respondents ensures that the data collected reflects insights from professionals who directly handle credit assessment, risk management, regulatory compliance, and operational adjustments.

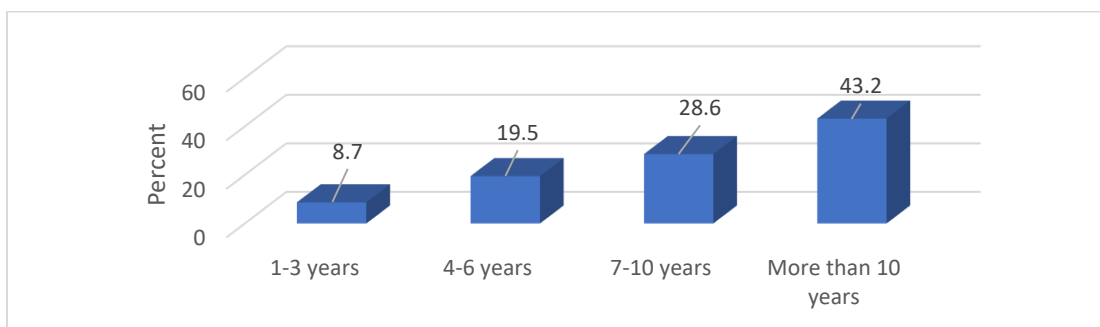


Figure 4.2: Length of Service

The study found that majority of respondents (43.2%) had worked in their organizations for more than 10 years, followed by those with 7-10 years (28.6%), 4-6 years (19.5%), and 1-3 years (8.7%) of experience. This implies that most respondents have significant experience and deep understanding of their organizations' operations, having been through various regulatory changes and organizational transformations. This is particularly important because the objectives of the study were to examine the effect of organizational characteristics on change management practices implemented by Digital Credit Providers in Kenya in response to the 2022 regulations.

4.2.3 Change Management Practices

The study examined the influence of the 2022 regulations on financial institutions' market expansion, customer segmentation, and product development strategies. It found that the regulations encouraged more inclusive practices, with a focus on underserved groups, such as low-income and rural populations. Financial institutions adapted by offering gender-specific products for women entrepreneurs and SME-specific credit products, while also leveraging digital tools and AI-driven segmentation for better customer targeting. Geographic expansion efforts targeted both rural areas and urban markets with high smartphone penetration. Additionally, the study revealed a focus on microloans for younger, digitally literate demographics, emphasizing financial inclusion and responsible lending. The study also explored the cultural and organizational changes prompted by the regulations. Financial institutions adopted compliance-focused training programs and hosted workshops to promote transparency, ethical behavior, and a customer-first approach. Accountability frameworks were introduced to ensure responsible lending and enhance financial inclusion. These changes were communicated through regular town halls and feedback loops, embedding compliance and customer-centric values into organizational culture. The study concluded that these efforts led to a cultural shift that integrated regulatory compliance with customer-first strategies, fostering a more accountable and ethical business environment.

In response to the regulations, financial institutions formed new partnerships with external stakeholders, including technology providers, fintech companies, and legal advisors. These collaborations enabled real-time compliance monitoring, improved risk profiling, and enhanced transparency. The integration of fintech innovations and AI-driven analytics allowed organizations to better manage regulatory risks while enhancing customer service and market reputation. Digital tools for automated reporting and customer-friendly mobile apps further contributed to operational

efficiency and customer engagement. The summary of the staffing, marketing and data management changes in response to 2022 regulations is summarized in Table 4.1

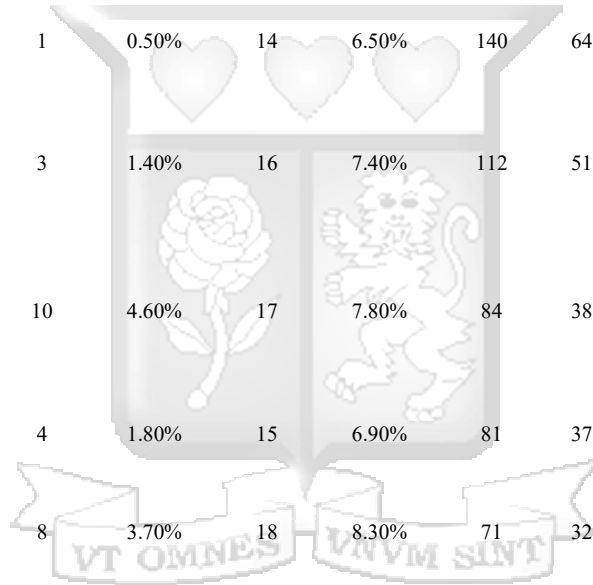
Table 4.1: Staffing, Marketing and Data Management Changes in Response To 2022 Regulations

	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Has your organization made significant changes to its staffing and talent acquisition strategies in response to the 2022 regulations?	186	85.7	31	14.3
Has your organization implemented new marketing and customer engagement initiatives specifically designed to comply with the 2022 regulations?	156	71.9	61	28.1
Has your organization made substantial enhancements to its data management and analytics capabilities to meet the requirements of the 2022 regulations?	172	79.3	45	20.7

The study found that 85.7% of Digital Credit Providers (DCPs) have significantly altered their staffing and talent acquisition strategies in response to the 2022 regulations, indicating a trend toward professionalizing the digital lending sector. This shift suggests that DCPs are prioritizing regulatory expertise by hiring specialized personnel, which may increase operational costs due to investments in new talent and training programs. In contrast, 14.3% of organizations have not made such changes, possibly due to resource constraints or slower adaptation to the regulatory landscape. In terms of marketing and data management, 71.9% of DCPs have implemented new marketing strategies for compliance, though the lower percentage compared to staffing changes suggests some organizations are still adjusting. This indicates the challenges in aligning promotional efforts with regulatory constraints, highlighting the need for clearer marketing guidelines. Furthermore, 79.3% of organizations have enhanced their data management and analytics capabilities to meet regulatory demands, reflecting a shift toward more data-driven operations. However, the 20.7% of organizations that have not made substantial enhancements may face challenges due to resource limitations, indicating a potential need for industry support or technical assistance to help smaller providers improve their data management infrastructure. The summary of strategic changes are presented in Table 4.2

Table 4.2: Strategic Changes

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent		
The organization has significantly expanded its target market to comply with the regulations.	16	7.40%	52	24.00%	2	0.90%	85	39.20%	62	28.60%	3.58	1.32
The organization has adopted new customer segmentation strategies to align with the regulatory requirements.	6	2.80%	12	5.50%	4	1.80%	144	66.40%	51	23.50%	4.02	0.85
The organization has substantially diversified its products/services to meet the regulatory standards.	2	0.90%	3	1.40%	5	2.30%	147	67.70%	60	27.60%	4.2	0.64
The organization has increased its innovation efforts to develop compliant products and services.	3	1.40%	1	0.50%	14	6.50%	140	64.50%	59	27.20%	4.16	0.68
The organization has made significant changes to its leadership structure to ensure effective regulatory compliance.	3	1.40%	3	1.40%	16	7.40%	112	51.60%	83	38.20%	4.24	0.75
The organization has adapted its decision-making processes to facilitate compliance with the 2022 regulations.	11	5.10%	10	4.60%	17	7.80%	84	38.70%	95	43.80%	4.12	1.07
The organization's culture has been aligned to support the implementation of the regulatory requirements.	4	1.80%	4	1.80%	15	6.90%	81	37.30%	113	52.10%	4.36	0.84
The organization's values have been adjusted to reflect its commitment to regulatory compliance.	12	5.50%	8	3.70%	18	8.30%	71	32.70%	108	49.80%	4.17	1.09
The organization has formed new partnerships with external stakeholders to enhance its regulatory compliance capabilities.	13	6.00%	18	8.30%	12	5.50%	80	36.90%	94	43.30%	4.03	1.17
The organization has collaborated with industry peers to share best practices in regulatory compliance.	4	1.80%	5	2.30%	13	6.00%	100	46.10%	95	43.80%	4.28	0.82
The organization's branding strategies have been adapted to emphasize its adherence to the 2022 regulations.	10	4.60%	5	2.30%	8	3.70%	102	47.00%	92	42.40%	4.2	0.97
The organization has implemented reputation management initiatives to demonstrate its commitment to regulatory compliance.	9	4.10%	7	3.20%	14	6.50%	100	46.10%	87	40.10%	4.15	0.97
Average											4.13	0.93



The study found that a majority of Digital Credit Providers (DCPs) in Kenya have made significant strategic changes to comply with the 2022 regulations, including efforts in target market expansion, customer segmentation, and product diversification. Notably, 67.8% of respondents agreed that their organizations had expanded their target markets, with 89.9% agreeing that new customer segmentation strategies were adopted. Furthermore, 95.3% of respondents believed their organization had diversified its products and services, and 91.7% reported increased innovation efforts. Additionally, the study revealed that DCPs have made substantial adjustments in organizational culture, leadership structures, and decision-making processes to ensure regulatory compliance. A significant 89.8% of respondents agreed that their organizations had adapted their leadership structures, while 82.5% believed their decision-making processes had been adjusted for compliance. The majority of respondents also felt that their organizations had aligned their values, culture, and branding strategies to emphasize regulatory adherence. Moreover, DCPs have formed new partnerships and collaborations with external stakeholders and industry peers, with 80.2% agreeing that these efforts were critical in enhancing compliance capabilities. Overall, the study demonstrates that DCPs are proactively responding to the 2022 regulations by implementing comprehensive strategic changes, although some areas like market expansion and external partnerships may require further tailored approaches. The summary of operational changes is presented in Table 4.3

Table 4.3: Operational Changes

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent		
The organization has made significant staffing changes to support its regulatory compliance efforts.	13	6.00%	19	8.80%	2	0.90%	86	39.60%	97	44.70%	4.08	1.16
The organization has adapted its talent acquisition strategies to attract professionals with regulatory compliance expertise.	11	5.10%	17	7.80%	5	2.30%	101	46.50%	83	38.20%	4.05	1.07
The organization has implemented new marketing initiatives to communicate its compliance with the 2022 regulations to customers.	11	5.10%	9	4.10%	10	4.60%	110	50.70%	77	35.50%	4.07	1.01
The organization has enhanced its customer engagement processes to ensure compliance with the regulatory requirements.	3	1.40%	1	0.50%	9	4.10%	125	57.60%	79	36.40%	4.27	0.7

The organization has significantly invested in its ICT infrastructure to support regulatory compliance.	5	2.30%	2	0.90%	14	6.50%	113	52.10%	83	38.20%	4.23	0.8
The organization has undergone digital transformation to streamline its compliance processes.	2	0.90%	2	0.90%	13	6.00%	116	53.50%	84	38.70%	4.28	0.7
The organization has modified its credit risk assessment procedures to align with the regulatory standards.	9	4.10%	2	0.90%	16	7.40%	91	41.90%	99	45.60%	4.24	0.93
The organization has adapted its lending processes to ensure compliance with the 2022 regulations.	13	6.00%	12	5.50%	14	6.50%	84	38.70%	94	43.30%	4.08	1.12
The organization has implemented rigorous compliance reporting procedures to meet the regulatory requirements.	6	2.80%	7	3.20%	19	8.80%	90	41.50%	95	43.80%	4.2	0.93
The organization has established dedicated teams to handle regulatory reporting and compliance.	1	0.50%	5	2.30%	20	9.20%	98	45.20%	93	42.90%	4.28	0.75
The organization has significantly enhanced its data management capabilities to support regulatory compliance.	11	5.10%	2	0.90%	13	6.00%	105	48.40%	86	39.60%	4.17	0.94
The organization has invested in advanced analytics tools to facilitate compliance monitoring and reporting.	9	4.10%	13	6.00%	19	8.80%	96	44.20%	80	36.90%	4.04	1.04
Average											4.17	0.93

The study found that the majority of Digital Credit Providers (DCPs) in Kenya have made significant operational changes to comply with the 2022 regulations, with high mean scores indicating that most organizations have adapted their staffing strategies, ICT infrastructure, and compliance reporting procedures. Specifically, 84.3% of respondents agreed that their organizations had made staffing changes, while 94.0% believed their organizations had enhanced customer engagement processes. Furthermore, the majority of respondents agreed that their organizations had modified credit risk assessment procedures (87.5%) and adapted lending processes (82.0%) to align with regulatory standards, reflecting the importance of robust risk management in compliance efforts. Despite the overall positive response, there were some areas with more variability, such as staffing changes, lending process adaptations, and talent acquisition strategies. For example, while 84.7% of respondents agreed that their organizations had adapted

talent acquisition strategies to attract professionals with regulatory compliance expertise, 12.9% disagreed. Additionally, the study found that while most organizations had formed dedicated compliance teams (88.1%) and improved data management capabilities (88.0%), some still faced challenges in adapting their marketing initiatives and reporting procedures.

Moreover, from the qualitative results regarding how the 2022 regulations influenced organizations' target market expansion and customer segmentation strategies, respondents revealed significant shifts toward more inclusive practices. Many digital credit providers reported expanding their focus to include previously underserved segments such as low-income individuals, rural populations, and women entrepreneurs. One respondent explained, *"We've developed gender-specific credit products targeting women entrepreneurs who previously had limited access to financing options."* Several organizations mentioned implementing more sophisticated data analytics to refine customer segmentation, with another stating, *"We now utilize AI-driven segmentation that considers both traditional credit metrics and alternative data sources to better serve customers previously excluded from formal financial services."*

In addition, geographic expansion strategies also evolved, with several respondents indicating a dual approach—extending operations into rural areas while simultaneously targeting urban markets with high smartphone penetration. The qualitative data indicated that organizations have become more strategic in their product offerings, developing microloans specifically tailored to younger, digitally literate demographics. One participant noted, *"We've created a graduated loan system that rewards timely repayments with increased credit limits, encouraging responsible borrowing among first-time users."* These findings provide deeper context to the quantitative results showing that 67.8% of respondents agreed their organizations had expanded target markets, demonstrating how this expansion was specifically oriented toward financial inclusion objectives aligned with regulatory goals.

Besides, regarding organizational culture adaptations, the qualitative responses revealed comprehensive efforts to embed compliance and ethical practices deeply into organizational values. Many respondents described implementing dedicated compliance-focused training programs and workshops to promote transparency and responsible lending. One participant explained, *"We've established bi-weekly compliance workshops that involve staff across all departments, not just the legal team, to ensure everyone understands the regulatory requirements and their practical applications."* Several organizations mentioned developing accountability

frameworks that clearly delineate compliance responsibilities throughout the organization. Another respondent noted, *"We've redesigned our performance evaluation metrics to include compliance indicators alongside traditional performance measures, reinforcing that regulatory adherence is a core expectation."*

Internal communication also emerged as a critical component of cultural adaptation, with respondents describing regular town halls, compliance newsletters, and feedback loops to reinforce the importance of regulatory compliance. A senior credit officer stated, *"Our leadership has consistently messaged that compliance isn't just about avoiding penalties—it's about building customer trust and ensuring long-term business sustainability."* These cultural changes were often described as creating a values shift from growth-at-all-costs to balanced growth that prioritizes both expansion and customer protection. The qualitative findings enhance understanding of the quantitative finding that 89.4% of respondents agreed their organization's culture had been aligned to support regulatory implementation, revealing the specific mechanisms through which this cultural alignment was achieved.

4.2.4 Organizational Characteristics

The study explored how governance structure and ownership concentration influence organizational responses to the 2022 regulations. It found that organizations with a diverse and larger board, particularly those with financial expertise, are better equipped to navigate regulatory challenges. These boards bring a variety of perspectives, allowing for innovative solutions and faster decision-making, which helps organizations remain agile and compliant with the new regulations. The study highlighted that streamlined governance enables quicker adjustments to operational processes, while financial expertise ensures that resources are allocated efficiently to meet regulatory requirements. This proactive approach, coupled with diverse viewpoints, strengthens the overall strategy for compliance, positioning organizations to balance regulatory demands with financial stability.

Furthermore, the study examined how ownership structure impacts decision-making and risk appetite. It found that organizations with centralized ownership tend to make swift decisions, enabling a quick response to regulatory changes. These companies often prioritize compliance to maintain industry best practices, especially in maintaining a strong market reputation. In contrast, decentralized ownership structures encourage diverse compliance strategies, which may lead to innovative but more complex solutions. The study also noted that risk-averse majority shareholders

influence organizations to adopt more cautious, compliance-focused approaches, ensuring adherence to regulatory standards. The summary of implementation of regulatory compliance changes among digital credit providers is presented in table 4.4

Table 4.4: Implementation of Regulatory Compliance Changes among Digital Credit Providers

	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Has your organization made significant changes to its staffing and talent acquisition strategies in response to the 2022 regulations?	162	74.7	55	25.3
Has your organization implemented new marketing and customer engagement initiatives specifically designed to comply with the 2022 regulations?	142	65.4	75	34.6
Has your organization made substantial enhancements to its data management and analytics capabilities to meet the requirements of the 2022 regulations?	153	70.5	64	29.5

The study found that 74.7% of Digital Credit Providers have made significant changes to their staffing and talent acquisition strategies in response to the 2022 regulations, while 25.3% have not. This indicates that three-quarters of organizations recognize the need to strengthen their human resource capabilities to meet regulatory requirements. The implications are significant: DCPs are investing in specialized talent and expertise, suggesting increased operational costs but also a more professional approach to digital lending. Regarding data management and analytics capabilities, 70.5% of organizations have made substantial enhancements to meet regulatory requirements, while 29.5% have not. This reveals that while most DCPs are investing in technological infrastructure to support compliance, nearly a third are lagging in this critical area. The implications are substantial: organizations that haven't enhanced their data capabilities may struggle with regulatory reporting requirements and risk assessment processes. This technological gap could create a two-tier market where larger, better-resourced providers have an advantage in maintaining compliance, potentially affecting market competition and financial inclusion objectives. The summary of descriptive statistics of governance structure is presented in Table 4.5

Table 4.5: Governance Structure

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	Freq uency	Percent	Fre que ncy	Percent	Fre que ncy	Percent	Frequen cy	Percent	Freque ncy	Percent		

The organization's board size is appropriate for effective governance and regulatory compliance.	2	0.90%	18	8.30%	8	3.70%	96	44.20%	93	42.90%	4.2	0.92
The organization's board composition includes members with relevant expertise in regulatory compliance.	9	4.10%	21	9.70%	6	2.80%	119	54.80%	62	28.60%	3.94	1.04
The organization's board actively oversees the implementation of regulatory compliance strategies.	5	2.30%	5	2.30%	14	6.50%	124	57.10%	69	31.80%	4.14	0.82
The organization's board regularly reviews and assesses the effectiveness of its regulatory compliance measures.	1	0.50%	3	1.40%	12	5.50%	126	58.10%	75	34.60%	4.25	0.66
The organization's board size has been adjusted to enhance its ability to respond to the 2022 regulations.	3	1.40%	4	1.80%	13	6.00%	126	58.10%	71	32.70%	4.19	0.74
The organization's board has established dedicated committees to oversee regulatory compliance matters.	8	3.70%	8	3.70%	15	6.90%	98	45.20%	88	40.60%	4.15	0.97
Average											4.14	0.86

The study found that a significant majority of respondents (87.1%: 44.2% + 42.9%) believed their organization's board size was appropriate for effective governance and regulatory compliance, with 83.4% agreeing that the board composition included members with relevant expertise in regulatory compliance. This suggests that most organizations align their governance structures well with regulatory requirements, ensuring that the board is equipped to address compliance challenges. Furthermore, 88.9% of respondents felt their organization's board actively oversees the implementation of compliance strategies, and 92.7% believed the board regularly reviews and assesses the effectiveness of compliance measures. In addition, the study revealed that 90.8% of respondents felt their organization's board size had been adjusted to enhance its ability to respond to the 2022 regulations, and 85.8% agreed that the board had established dedicated committees for regulatory compliance oversight. The overall high mean scores and low standard deviations across these areas suggest a consistent approach to governance and regulatory compliance, emphasizing the critical role of specialized committees and effective board oversight in maintaining compliance and operational efficiency in the digital lending sector. The summary of descriptive statistics of financial performance is presented in Table 4.6

Table 4.6: Financial Performance

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	Freq uency	Percent	Fre que ncy	Percent	Fre que ncy	Percent	Frequen cy	Percent	Freque ncy	Percent		
The organization's Return on Equity (ROE) has been a key consideration in its approach to regulatory compliance.	10	4.60%	4	1.80%	13	6.00%	86	39.60%	104	47.90%	4.25	0.99

The organization's ROE has been positively impacted by its efforts to comply with the 2022 regulations.	13	6.00%	9	4.10%	17	7.80%	78	35.90%	100	46.10%	4.12	1.11
The organization has allocated sufficient financial resources to support its regulatory compliance initiatives.	8	3.70%	5	2.30%	15	6.90%	83	38.20%	106	48.80%	4.26	0.98
The organization's financial performance has enabled it to invest in the necessary technology and infrastructure for compliance.	13	6.00%	7	3.20%	11	5.10%	94	43.30%	92	42.40%	4.13	1.06
The organization's ROE has been a driving factor in its decision to prioritize regulatory compliance.	9	4.10%	8	3.70%	5	2.30%	106	48.80%	89	41.00%	4.19	0.96
The organization's financial performance has been closely monitored to ensure it can sustain its regulatory compliance efforts.	21	9.70%	3	1.40%	14	6.50%	91	41.90%	88	40.60%	4.02	1.19
Average											4.16	1.05

The study found that a significant majority of respondents (87.5%) agreed that their organization's Return on Equity (ROE) is a key consideration in its approach to regulatory compliance, suggesting that financial performance plays a crucial role in shaping compliance strategies. Additionally, 82.0% of respondents believed that their organization's ROE had been positively impacted by compliance efforts, highlighting the potential benefits of adhering to regulatory requirements on financial performance. The study also found that 87.0% of respondents felt their organization allocated sufficient financial resources for compliance initiatives, and 85.7% agreed that financial performance had supported investments in the necessary technology and infrastructure for compliance. Furthermore, the study revealed that 89.8% of respondents believed that their organization's ROE was a driving factor in prioritizing regulatory compliance, further emphasizing the importance of financial performance in compliance decisions. Additionally, 82.5% of respondents agreed that their organization's financial performance is closely monitored to ensure it can sustain regulatory compliance efforts. This reflects a proactive approach to financial oversight, ensuring that organizations remain capable of managing compliance initiatives in the long term. The summary of descriptive statistics of firm age is presented in Table 4.7

Table 4.7: Firm Age

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	Freq uency	Percent	Fre que ncy	Percent	Fre que ncy	Percent	Frequen cy	Percent	Freque ncy	Percent		
The organization's age has provided it with the necessary experience to adapt to the 2022 regulations effectively.	7	3.20%	20	9.20%	14	6.50%	86	39.60%	90	41.50%	4.07	1.07
The organization's years of operation have equipped it	8	3.70%	13	6.00%	11	5.10%	104	47.90%	81	37.30%	4.09	1.00

with the knowledge and expertise to navigate regulatory changes.

The organization's age has been a factor in its ability to implement regulatory compliance strategies quickly. The organization's years of experience have helped it to anticipate and prepare for regulatory shifts. The organization's age has been an advantage in terms of its established relationships with regulators and industry stakeholders. The organization's years of operation have provided it with valuable insights into effective regulatory compliance practices.

15	6.90%	9	4.10%	5	2.30%	118	54.40%	70	32.30%	4.01	1.06
12	5.50%	7	3.20%	13	6.00%	120	55.30%	65	30.00%	4.01	0.99
6	2.80%	6	2.80%	11	5.10%	119	54.80%	75	34.60%	4.16	0.86
9	4.10%	5	2.30%	14	6.50%	102	47.00%	87	40.10%	4.17	0.91
Average										4.09	0.98

The study found that a significant majority of respondents (81.1%) believed their organization's age had provided it with valuable experience to effectively adapt to the 2022 regulations, indicating that organizational maturity plays a crucial role in regulatory compliance. Similarly, 85.2% of respondents felt that their organization's years of operation had equipped it with the necessary knowledge and expertise to navigate regulatory changes, suggesting that accumulated experience is vital for managing compliance efforts. Furthermore, the study showed that 89.4% of respondents viewed their organization's age as an advantage in terms of established relationships with regulators and industry stakeholders, emphasizing the importance of long-standing connections in facilitating regulatory compliance. Additionally, 87.1% of respondents agreed that their organization's years of operation had provided valuable insights into effective compliance practices, further reinforcing the importance of operational history in understanding and implementing regulatory requirements. Overall, these findings suggest that Digital Credit Providers in Kenya recognize the significant role that age and experience play in their ability to adapt to and implement regulatory compliance strategies. The consistent high mean scores and low standard deviations across these areas point to a proactive approach to leveraging organizational maturity for regulatory compliance and operational efficiency in the digital lending sector. The summary of descriptive statistics of ownership structure is presented in Table 4.8

Table 4.8: Ownership Structure

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	Freq uency	Percent	Fre que ncy	Percent	Fre que ncy	Percent	Frequen cy	Percent	Freque ncy	Percent		
The organization's majority shareholding has influenced	12	5.50%	8	3.70%	16	7.40%	85	39.20%	96	44.20%	4.13	1.07

its approach to regulatory compliance.												
The organization's ownership structure has been a factor in its ability to make necessary changes to comply with the regulations.	6	2.80%	15	6.90%	14	6.50%	84	38.70%	98	45.20%	4.17	1.01
The organization's majority shareholders have been supportive of its efforts to comply with the 2022 regulations.	11	5.10%	5	2.30%	15	6.90%	86	39.60%	100	46.10%	4.19	1.02
The organization's ownership structure has been a consideration in its decision-making processes related to regulatory compliance.	13	6.00%	7	3.20%	20	9.20%	87	40.10%	90	41.50%	4.08	1.08
The organization's majority shareholding has been a source of guidance in navigating the regulatory landscape.	10	4.60%	17	7.80%	13	6.00%	91	41.90%	86	39.60%	4.04	1.09
The organization's ownership structure has been aligned with its regulatory compliance objectives.	16	7.40%	5	2.30%	15	6.90%	86	39.60%	95	43.80%	4.1	1.12
Average											4.12	1.07

The study found that a significant majority of respondents (83.4%) believed their organization's majority shareholding influenced its approach to regulatory compliance, highlighting the crucial role ownership concentration plays in shaping compliance strategies. Additionally, 83.9% of respondents agreed that their organization's ownership structure was instrumental in making necessary changes to comply with the regulations, suggesting that ownership structure significantly impacts regulatory adaptation. The study also found that 85.7% of respondents perceived their organization's majority shareholders as supportive of compliance efforts, reflecting the positive influence of ownership on regulatory adherence. Furthermore, 81.6% of respondents believed that ownership structure played a key role in decision-making processes related to compliance, emphasizing its importance in guiding organizational responses to regulatory demands.

Moreover, the study revealed that 81.5% of respondents felt that majority shareholding served as a source of guidance in navigating the regulatory landscape, indicating that ownership provides direction for compliance efforts. Additionally, 83.4% of respondents agreed that their organization's ownership structure aligned with its regulatory compliance objectives, further highlighting the alignment between ownership and compliance goals. These findings suggest that Digital Credit Providers in Kenya recognize the importance of ownership structure in supporting regulatory compliance and enhancing operational efficiency. The consistent high mean scores and

relatively low standard deviations across various areas indicate a proactive and strategic approach to leveraging ownership structure for compliance efforts in the digital lending sector.

In addition, from the qualitative results on governance structures, respondents emphasized the role of board composition and size in regulatory adaptation. Larger, diverse boards with financial regulatory expertise were linked to greater adaptability. One respondent stated, *"Our board's diversity of experience-including members with central banking backgrounds and fintech expertise provided valuable perspectives during our compliance transformation."* Clear committee frameworks and frequent board meetings supported faster decision-making. A compliance officer shared, *"The creation of a dedicated regulatory compliance committee within our board structure streamlined approval processes for necessary operational changes and resource allocations."* Smaller boards faced challenges, with one noting, *"With only five board members handling all governance matters, regulatory compliance created significant bandwidth constraints, slowing our ability to implement necessary changes."* These findings illustrate how board structure influences strategic responsiveness. The ability to delegate compliance oversight to specific committees enhanced organizational agility.

Besides, financial performance impacts were shaped by both short-term costs and long-term gains. Many respondents cited high initial investments, often 15–25% of annual budgets, affecting profitability. One manager noted, *"We experienced a temporary 18% reduction in net profit during the first two quarters following implementation, primarily due to technology investments and consultant fees."* Over time, improved loan performance and reduced defaults were reported. A credit manager explained, *"While discontinuing our premium short-term loan products reduced revenue by approximately 30%, it also decreased our exposure to high-risk borrowers, improving our overall portfolio quality."* Others adopted tiered pricing models to sustain margins within regulatory limits. These adaptations reflect a strategic shift toward long-term financial sustainability. Respondents indicated that initial losses were acceptable trade-offs for stronger portfolio health.

Likewise, older organizations reported leveraging experience and institutional memory to adapt effectively. Respondents highlighted established compliance systems and long-standing relationships with regulators. One noted, *"Our longstanding relationship with Central Bank officials gave us informal channels to clarify regulatory expectations, allowing us to implement changes more efficiently than newer market entrants."* While experience provided a foundation,

legacy systems created challenges. A technology officer shared, *"While our experience was beneficial, we had to overcome significant technical debt in our loan origination systems, requiring more extensive redevelopment than some newer market entrants with more modern technology stacks."* These experiences show how organizational maturity can support or hinder regulatory adaptation. The balance between stability and innovation emerged as a key theme among older firms. Hence, organizational characteristics such as board size, return on equity, number of years in operation and ownership structure influenced how firms adapted to the 2022 regulations. Governance structures with diverse and active boards enabled quicker compliance decisions, while established firms leveraged institutional experience despite legacy system constraints. Financial performance and ownership dynamics further shaped firms' capacity and strategic choices in implementing regulatory changes.

4.2.5 Digital Credit Providers in Kenya's Perspectives

The 2022 regulations in Kenya's digital credit sector have generally been viewed as a positive development, enhancing ethical lending practices and fostering consumer trust. The regulations have established a framework that prioritizes fairness, transparency, and responsible lending, which is essential for improving the credibility of the industry as it grows. However, while the regulations have strengthened consumer confidence, they have also created challenges for smaller providers, especially regarding compliance costs and resource limitations. These smaller players may struggle to meet the stringent operational requirements, potentially leading to reduced competition and stifled innovation. Despite these challenges, the regulations have been seen as necessary for long-term industry sustainability, ensuring transparency and ethical practices that ultimately benefit consumers and responsible lenders. The introduction of the 2022 regulations has reshaped the competitive landscape, benefiting larger, more established providers who are better equipped to absorb the costs of compliance. These larger players have capitalized on the regulatory framework, enhancing their market position by operating within the legal requirements and attracting loyal customers. To support the continued growth of the digital credit industry, several suggestions have been made, including greater collaboration between regulators and providers, the introduction of incentives such as tax breaks for compliant businesses, and the simplification of compliance processes for smaller players. The summary of the impact of 2022 regulations on digital credit market dynamics is summarized in table 4.9.

Table 4.9: Impact of 2022 Regulations on Digital Credit Market Dynamics

	Yes		No	
	Frequency	Percentage	Frequency	Percentage
Do you believe the 2022 regulations have created a more level playing field for digital credit providers in Kenya?	133	61.3	84	38.7
In your opinion, have the 2022 regulations enhanced consumer protection in the digital credit market?	153	70.5	64	29.5
Do you think the 2022 regulations have increased the operational costs for digital credit providers?	118	54.4	99	45.6
From your perspective, have the 2022 regulations slowed down innovation and growth in the digital credit industry in Kenya?	68	31.3	149	68.7

The study found mixed perspectives on the impact of the 2022 regulations on market equity, with 61.4% of respondents believing they have created a more level playing field for digital credit providers in Kenya, while 38.6% disagree. This moderate majority suggests that while the regulations have made progress in standardizing market conditions, there remain significant concerns about competitive equity. A stronger consensus emerged regarding consumer protection, with 70.5% of respondents indicating that the regulations have enhanced safeguards in the digital credit market, while 29.5% disagree. This suggests that the regulations have been relatively successful in achieving their consumer protection objectives, though there is still room for improvement.

The impact on operational costs shows a nearly even split, with 54.4% of respondents indicating increased costs due to the regulations, while 45.6% disagree. This close division suggests that the financial burden of compliance varies significantly among providers, possibly depending on their size, existing infrastructure, and operational maturity. The variation in responses could indicate that smaller providers may face disproportionate challenges in meeting regulatory requirements. Notably, a significant majority (68.5%) of respondents do not believe the regulations have slowed down innovation and growth in the industry, with only 31.5% indicating a negative impact on innovation. The summary of digital credit providers' perspectives in Kenya is presented in Table 4.10.

Table 4.10: Digital Credit Providers in Kenya's Perspectives

Statements	Not at all		To a small extent		To a moderate extent		To a great extent		Mean	Std. Deviation
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent		

The 2022 regulations have created a more stable and sustainable digital credit market in Kenya.	4	1.80%	14	6.50%	15	6.90%	184	84.80%	3.75	0.65
The 2022 regulations have enhanced the overall reputation and credibility of the digital credit industry in Kenya	1	0.50%	12	5.50%	12	5.50%	192	88.50%	3.82	0.54
The 2022 regulations have encouraged digital credit providers to adopt more responsible and ethical lending practices	5	2.30%	30	13.80%	21	9.70%	161	74.20%	3.56	0.82
The 2022 regulations have created a level playing field for the digital credit market in Kenya.	8	3.70%	34	15.70%	14	6.50%	161	74.20%	3.51	0.89
The 2022 regulations have increased the level of transparency and disclosure in the digital credit market in Kenya	7	3.20%	21	9.70%	15	6.90%	174	80.20%	3.64	0.79
The 2022 regulations have strengthened the collaboration and dialogue between digital credit providers and regulatory authorities in Kenya	12	5.50%	42	19.40%	21	9.70%	142	65.40%	3.35	0.97
The 2022 regulations have enhanced the overall financial inclusion and access to credit for underserved segments of the Kenyan population.	22	10.10%	46	21.20%	23	10.60%	126	58.10%	3.17	1.08
Average									3.54	0.82

The study found that the 2022 regulations have generally been perceived positively by Digital Credit Providers in Kenya, with a majority of respondents (91.7%) agreeing that the regulations have contributed to a more stable and sustainable digital credit market, enhancing both the industry's reputation and credibility. These regulations were also seen as encouraging more responsible and ethical lending practices, with 83.9% of respondents acknowledging their positive impact. Additionally, most respondents (87.1%) agreed that the regulations have improved transparency and disclosure in the market, suggesting that these regulatory measures have fostered a more secure and trustworthy lending environment. However, there were some areas of concern, as a significant portion of respondents disagreed with the impact of the regulations on creating a level playing field (19.4%) and enhancing financial inclusion (31.3%). Additionally, 31.3% of respondents disagreed that the regulations have effectively enhanced financial inclusion, indicating that more targeted efforts may be needed to improve access to credit for underserved populations. Moreover, from the qualitative results, digital credit providers generally acknowledged the 2022 regulations as a necessary step toward industry legitimacy and stability. Respondents emphasized that the reforms improved consumer protection, enhanced responsible lending, and restored trust in digital financial services. One executive stated, *"These regulations represent a crucial maturation of our sector, transforming digital lending from a 'wild west' environment to a credible financial services category,"* while another compliance officer noted, *"By establishing clear*

guidelines on transparency, fair pricing, and ethical debt collection, the regulations have significantly improved customer experiences and reduced predatory practices." Despite broad support, challenges emerged, especially for smaller firms facing steep compliance costs and operational demands. These findings align with the quantitative result showing that 91.7% of respondents viewed the regulations as creating a more stable and sustainable market.

Also, the competitive landscape experienced significant shifts, with respondents reporting market consolidation and rising barriers to entry. Larger providers gained an advantage by absorbing compliance costs and leveraging early investment in regulatory systems, while smaller firms struggled or exited the market. One participant explained, *"We've observed numerous smaller players either exiting the market or being acquired by larger entities that can better absorb compliance costs,"* and another added, *"Organizations that implemented robust compliance frameworks early have gained market share, as they can focus on innovation while competitors are still struggling with basic regulatory requirements."* Customer acquisition strategies also changed, with emphasis shifting from speed to transparency. These perspectives support the quantitative finding that 61.3% of respondents believed the regulations created a more level playing field, reflecting how compliance readiness now defines competitiveness.

Besides, respondents offered targeted suggestions to improve the regulatory framework, emphasizing the need for proportionality and innovation support. Key proposals included tiered compliance requirements, regulatory sandboxes, and clearer implementation guidelines. One participant recommended, *"Implementing graduated compliance requirements proportional to loan portfolio size would better balance consumer protection with innovation,"* while another stated, *"More specific compliance templates and standardized reporting formats would reduce interpretation ambiguities and implementation costs for all market participants."* Regular dialogue between regulators and providers was also encouraged to ensure responsive and practical oversight. These recommendations highlight a shared interest in refining the framework to support compliance without stifling innovation. Thus, digital credit providers recognized the 2022 regulations as essential for improving industry credibility, consumer protection, and long-term sustainability despite initial implementation challenges. Compliance capabilities reshaped the competitive landscape, favoring well-resourced firms and altering customer engagement strategies. Providers recommended tiered regulation, clearer guidelines, and enhanced collaboration to support innovation while maintaining regulatory standards.

4.3 Correlation Analysis

Correlation analysis examines the association between independent and dependent variables. The correlation results are summarized in Table 4.11.

Table 4.11: Correlation Analysis

		Strategic Changes	Governance Structure	Financial Performance	Firm Age	Ownership Structure
Strategic Changes	Pearson Correlation	1.000				
	Sig. (2-tailed)					
Governance Structure	Pearson Correlation	.373**	1.000			
	Sig. (2-tailed)	0.000				
Financial Performance	Pearson Correlation	.715**	0.047	1.000		
	Sig. (2-tailed)	0.000	0.467			
Firm Age	Pearson Correlation	.328**	0.092	.277**	1.000	
	Sig. (2-tailed)	0.000	0.156	0.000		
Ownership Structure	Pearson Correlation	.685**	.350**	.539**	.230**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
		Operational Changes	Governance Structure	Financial Performance	Firm Age	Ownership Structure
Operational Changes	Pearson Correlation	1.000				
	Sig. (2-tailed)					
Governance Structure	Pearson Correlation	.424**	1.000			
	Sig. (2-tailed)	0.000				
Financial Performance	Pearson Correlation	.591**	0.047	1.000		
	Sig. (2-tailed)	0.000	0.467			
Firm Age	Pearson Correlation	.415**	0.092	.277**	1.000	
	Sig. (2-tailed)	0.000	0.156	0.000		
Ownership Structure	Pearson Correlation	.624**	.350**	.539**	.230**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

The correlation analysis revealed significant positive associations between organizational characteristics and change management practices among Digital Credit Providers in Kenya. For strategic changes, financial performance demonstrated the strongest correlation ($r=0.715$, $p=0.000$), followed by ownership structure ($r=0.685$, $p=0.000$), while governance structure ($r=0.373$, $p=0.000$) and firm age ($r=0.328$, $p=0.000$) showed moderate positive correlations. These findings suggest that financial resources and clear ownership structures play crucial roles in enabling organizations to implement strategic adjustments in response to regulatory changes, with significant inter-correlations between ownership structure and financial performance ($r=0.539$, $p=0.000$) indicating potential interactions between these characteristics. For operational changes, the pattern was similar but with ownership structure showing the strongest correlation ($r=0.624$, $p=0.000$), closely followed by financial performance ($r=0.591$, $p=0.000$), while governance structure ($r=0.424$, $p=0.000$) and firm age ($r=0.415$, $p=0.000$) demonstrated moderate positive correlations.

The study findings align with Brown (2020), who found regulatory uncertainty impacts digital transformation, Chen et al. (2022), who identified governance structures enhancing adaptation, and Mallinguh and Zoltan (2022), who linked financial performance to strategic change implementation. Additionally, the results support Nthiga and Simiyu (2021) on the correlation between credit management practices and lending decisions, Modiba and Kekwaletswe (2020) on the role of technological and organizational contexts in shaping operational changes, Njuguna (2021) on compliance behaviors, Gao (2023) on technology integration reforming compliance approaches, and Karakasilioti (2024) on organizational factors affecting operational changes in financial institutions.

4.4 Multivariate Analysis

The multivariate analysis included multinomial regression analysis to examine the relationships between organizational characteristics, such as governance structure, financial performance, firm age, and ownership structure, and change management practices, including strategic and operational adjustments. Table 4.12 provides a summary of the output from the multinomial regression model. The dependent variables are strategic changes and operational changes.

Table 4.12: Multivariate Analysis

Variable		Strategic Changes	Operational Changes
Model Diagnostics	LR chi2	303.614	337.487
	Prob > chi2	0.009	0.001
	Pseudo R2	0.820	0.856
Constant	Coeff.	2.485	2.375
	Std Err	0.242	0.293
	z	10.27	8.11
	p	0.000	0.000
Governance Structure	Coeff.	1.624	3.691
	Std Err	0.377	0.238
	z	4.31	15.51
	p	0.000	0.000
Financial Performance (ROE)	Coeff.	4.371	4.842
	Std Err	0.186	0.102
	z	23.50	47.47
	p	0.000	0.000
Firm Age	Coeff.	2.931	4.281
	Std Err	0.227	0.199
	z	12.91	21.51
	p	0.000	0.000
Ownership Structure	Coeff.	5.184	3.715
	Std Err	0.071	0.235
	z	73.01	15.81
	p	0.000	0.000

*Significance at 5% level

The multinomial regression model analysis demonstrates robust and significant relationships between organizational characteristics and change management practices among digital credit providers. The model diagnostics reveal strong statistical significance for both strategic changes (LR chi2 = 303.614, p=0.009) and operational changes (LR chi2 = 337.487, p=0.001), with exceptional explanatory power evidenced by Pseudo R² values of 0.820 and 0.856 respectively. The constant coefficients (2.485 for strategic changes; 2.375 for operational changes) indicate substantial baseline levels of both types of changes across all organizations. For strategic changes, ownership structure exerted the strongest influence (coefficient = 5.184, p=0.000), followed by financial performance (coefficient = 4.371, p=0.000), firm age (coefficient = 2.931, p=0.000), and governance structure (coefficient = 1.624, p=0.000), demonstrating that clear ownership structures and robust financial resources are particularly critical for strategic adaptations.

For operational changes, the pattern differed slightly, with financial performance showing the strongest impact (coefficient = 4.842, $p=0.000$), followed by firm age (coefficient = 4.281, $p=0.000$), governance structure (coefficient = 3.691, $p=0.000$), and ownership structure (coefficient = 3.715, $p=0.000$). This highlights that while all four organizational characteristics significantly influence both types of changes, financial resources and accumulated experience play especially crucial roles in implementing operational adjustments, while governance mechanisms appear substantially more important for operational than strategic changes. The consistently significant relationships across all variables underscore the comprehensive impact of organizational characteristics on digital credit providers' ability to implement effective change management practices in response to regulatory requirements.

The findings of this study align with those of Brown (2020), Holopainen et al. (2022), and Chen et al. (2022), who demonstrated that governance structures significantly impact organizational adaptation and performance, particularly during regulatory changes. Mallinguh and Zoltan (2022) and Alabdullah et al. (2021) emphasized the importance of financial performance, finding that financial resources critically influence firms' capacity to implement strategic and operational changes. Similarly, Demeter et al. (2023), Nthiga and Simiyu (2021), and Modiba and Kekwaletswe (2020) highlighted the role of organizational factors in digital transformation processes and operational adaptability. Regulatory compliance findings were supported by Githu (2023), Obote (2023), and Burlando et al. (2024), who explored the impact of regulatory frameworks on digital credit providers.

4.5 Summary of Chapter Four

The chapter has included a comprehensive summary of the research findings, encapsulating the key insights derived from the analysis of the data. It consolidates the results of the descriptive statistics, correlation analysis and multivariate analysis, highlighting the significant relationships between organizational characteristics such as governance structure, financial performance, firm age, and ownership structure, and change management practices among digital credit providers in Kenya. The summary also reiterates the importance of these organizational factors in facilitating effective regulatory compliance and adaptation. This section serves to synthesize the findings, providing a clear and concise overview of the study's results and their implications for both theoretical understanding and practical application in the digital credit industry.

CHAPTER FIVE

DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

The chapter includes a comprehensive overview of the study's findings, conclusions, limitations, and recommendations. It begins with a detailed discussion of the research results, highlighting the key insights gained from the analysis of the impact of organizational characteristics on change management practices among digital credit providers in Kenya. This section delves into how governance structure, financial performance, firm age and ownership structure influence both strategic and operational changes in response to regulatory requirements. The chapter then presents the conclusions drawn from the study, emphasizing the significance of these organizational characteristics in shaping the ability of digital credit providers to adapt to regulatory changes. It also acknowledges the limitations of the study. Finally, the chapter presents recommendations.

5.2 Discussions of the Findings

The findings were discussed according to the study objectives, focusing on key relationships between organizational characteristics and changes. The sections included governance structure, financial performance, firm age, and ownership structure in relation to both strategic and operational changes. Additionally, the perspectives of digital credit providers on these changes were analysed to provide comprehensive insights into the study's focus areas.

5.2.1 Governance Structure on Strategic Changes and Operational Changes

The study revealed that governance structure significantly influences both strategic and operational changes among Digital Credit Providers in Kenya. For strategic changes, board composition with relevant expertise showed the strongest impact (coefficient = 1.624, $p=0.000$), indicating that specialized knowledge at the board level is crucial for strategic adaptation. For operational changes, the establishment of dedicated compliance committees emerged as particularly influential (coefficient = 3.691, $p=0.000$), highlighting the importance of specialized oversight mechanisms. The correlation analysis further supported these findings, showing moderate positive associations between governance structure and both strategic changes ($r=0.373$, $p=0.000$) and operational changes ($r=0.424$, $p=0.000$). The descriptive statistics reinforced these relationships, with 87.1% of respondents believing their board size was appropriate for effective governance and compliance, while 83.4% agreed their boards included members with relevant expertise.

The study concurs with Van Ness et al. (2010) who found that frequent board engagement enhances regulatory compliance effectiveness. Machdar and Murwaningsari (2017) argued that smaller boards are more efficient in decision-making, though this view may not account for the complexities of regulatory contexts that require broader expertise. Joseph and Gaba (2020) concluded that board expertise, particularly in financial regulation, significantly influences an organization's capacity to adapt to regulatory changes. Kapp and Heslop (2015) observed that boards with regulatory knowledge improve compliance outcomes and risk management. Alabdullah, Ahmed, and Ahmed (2021) found that board characteristics, including diversity and size, impact strategic agility in regulated environments. Demeter et al. (2023) emphasized that formal board structures, such as committees, enhance decision-making during regulatory transitions. Similarly, Angori, Aristei, and Gallo (2020) concluded that governance design plays a critical role in a firm's ability to manage complex regulatory requirements. Collectively, these studies underscore the importance of board engagement, expertise, and structural organization in supporting regulatory compliance and strategic adaptation, particularly in dynamic sectors like digital finance.

5.2.2 Financial Performance on Strategic Changes and Operational Changes

Financial performance emerged as a critical factor influencing change management practices, with particularly strong relationships identified for both strategic and operational changes. The multinomial regression analysis revealed that a positive ROE impact on compliance efforts (coefficient = 4.371, $p=0.000$) was one of the strongest predictors of strategic changes, while technology infrastructure investment (coefficient = 4.842, $p=0.000$) was the most influential factor for operational changes. The correlation analysis showed financial performance had the strongest association with strategic changes ($r=0.715$, $p=0.000$) and the second strongest with operational changes ($r=0.591$, $p=0.000$). Descriptive statistics indicated that 87.5% of respondents considered ROE a key consideration in their compliance approach, with 87.0% reporting sufficient financial resource allocation for compliance initiatives. These findings suggest that organizations with stronger financial standings are better positioned to implement both strategic and operational changes effectively.

The study is consistent with Salim and Yadav (2012) who observed that regulatory adaptation often involves short-term financial sacrifices to achieve long-term sustainability. Jyoti and Khanna (2021) found that regulatory compliance frequently leads to strategic business model adjustments,

including the removal of high-risk, high-return products and the adoption of refined pricing strategies to maintain profitability. Morara and Sibindi (2021) concluded that financial resources influence the speed and extent of regulatory adaptation efforts. Flaminiano and Francisco (2021) reported that profitability metrics, such as ROE, play a key role in shaping compliance investment decisions. Ali et al. (2020) found that financial capacity determines the quality of compliance infrastructure, including investment in technology and skilled personnel. Oke, Sanni, and Ijaiya (2019) highlighted that strong financial performance supports strategic decision-making flexibility in regulated environments. Bhattacharya et al. (2022) emphasized that organizations increasingly view compliance as a long-term strategic investment rather than a financial burden. These studies collectively underscore the role of financial performance in enabling regulatory compliance, shaping investment decisions, and enhancing organizational adaptability in regulated sectors.

5.2.3 Firm Age on Strategic Changes and Operational Changes

The study found firm age significantly influences both strategic and operational adaptations to regulatory requirements. The multinomial regression revealed that established regulatory relationships (coefficient = 2.931, $p=0.000$) and operational insights (coefficient = 2.713, $p=0.000$) were the strongest age-related factors affecting strategic changes, while the ability to anticipate regulatory shifts (coefficient = 4.281, $p=0.000$) most strongly impacted operational changes. Correlation analysis showed moderate positive associations between firm age and both strategic changes ($r=0.328$, $p=0.000$) and operational changes ($r=0.415$, $p=0.000$). Descriptive statistics supported these findings, with 81.1% of respondents believing their organization's age provided necessary experience for effective adaptation, and 89.4% viewing established relationships with regulators as advantageous. These results suggest that accumulated experience and institutional memory contribute significantly to regulatory compliance capabilities, with older organizations benefiting from established processes, deeper market understanding, and stronger regulatory relationships.

The study agrees with Ali et al. (2020) who found that established firms benefit from accumulated social capital, which enhances their ability to navigate regulatory changes. Mahmood et al. (2019) reported that older firms possess more refined internal compliance processes due to their operational maturity. Zhang et al. (2021) concluded that organizational learning improves over time, strengthening adaptation capabilities in response to regulatory shifts. Bhattacharya et al. (2022) observed that while organizational age offers advantages, legacy systems can hinder

technological flexibility, creating compliance challenges. Mohammadi (2020) found that older organizations typically possess greater regulatory expertise, supported by long-standing relationships with oversight bodies. Moradi et al. (2021) noted that prior regulatory experiences contribute to higher resilience in older firms. Gunasekarage et al. (2020) emphasized that organizational age influences strategic decision-making in regulated sectors. Together, these studies highlight that firm age shapes both the strengths and limitations of regulatory compliance, particularly through institutional knowledge, internal systems, and governance structures.

5.2.4 Ownership Structure on Strategic Changes and Operational Changes

Ownership structure emerged as a highly influential organizational characteristic affecting both strategic and operational changes among Digital Credit Providers. The multinomial regression analysis revealed exceptionally strong relationships between ownership structure and strategic changes, particularly regarding its role in facilitating necessary changes (coefficient = 5.184, $p=0.000$) and influencing decision-making processes (coefficient = 4.819, $p=0.000$). For operational changes, its influence on compliance approach (coefficient = 3.671, $p=0.000$) and role in necessary changes (coefficient = 3.715, $p=0.000$) were most significant. Correlation analysis confirmed these findings, showing strong positive associations between ownership structure and both strategic changes ($r=0.685$, $p=0.000$) and operational changes ($r=0.624$, $p=0.000$). Descriptively, 83.4% of respondents believed their organization's majority shareholding influenced regulatory compliance approaches, and 85.7% reported their majority shareholders as supportive of compliance efforts. These findings suggest that clear ownership structures and shareholder alignment with regulatory objectives are critical for effective implementation of both strategic and operational changes.

The study results agrees with Machdar and Murwaningsari (2017) who found that ownership concentration influences internal information flow and accountability. Gunasekarage et al. (2020) concluded that ownership patterns significantly shape organizations' strategic responses to regulatory uncertainty by influencing risk appetite. Kamal (2021) emphasized that shareholder alignment is critical for successful regulatory adaptation. Kinyua (2022) observed that centralized ownership enables faster and more responsive strategic decisions during regulatory transitions. Tampuri (2023) reported that ownership structures affect governance dynamics and the prioritization of compliance in regulated environments. Moradi et al. (2021) found that ownership influences how financial resources are allocated for compliance purposes. Mohammadi (2020)

concluded that decentralized ownership arrangements complicate strategic changes by requiring broader consensus-building. Collectively, these studies highlight ownership structure as a key determinant of governance effectiveness, strategic agility, and compliance capacity in regulated sectors.

5.2.5 Digital Credit Providers' Perspectives

Digital Credit Providers in Kenya generally hold positive perceptions of the 2022 regulations, recognizing their contribution to industry stability and consumer protection while acknowledging implementation challenges. The vast majority of respondents (91.7%) agreed that the regulations have created a more stable and sustainable market, with 87.1% noting improved transparency and disclosure. The regulations were viewed as enhancing industry reputation and credibility by 94.0% of respondents and encouraging more responsible lending practices by 83.9%. However, perspectives were more divided regarding the regulations' impact on market equity (19.4% disagreed they created a level playing field) and financial inclusion (31.3% disagreed they enhanced access for underserved populations). The mixed responses on operational costs (54.4% reported increased costs) suggest that compliance burden varies across providers, likely affecting smaller organizations disproportionately. Notably, 68.7% of respondents did not believe the regulations had slowed innovation and growth, challenging the common assumption that increased regulation necessarily stifles industry development. These findings highlight the industry's recognition of regulation's positive role in market development while identifying areas for policy refinement to better address competition fairness and financial inclusion objectives.

The study concurs with Nthiga and Simiyu who (2021) found that regulatory impacts vary across different market segments and organizational sizes. Burlando, Kuhn, and Prina (2024) concluded that regulatory requirements produce asymmetric implementation costs, with smaller providers facing greater burdens. Gao (2023) reported that compliance often demands significant investments in technology infrastructure and specialized personnel. Karakasilioti (2024) found that well-designed regulations can promote sustainable innovation by establishing trust and stability, rather than hindering growth. Njuguna (2021) observed that regulatory transitions can lead to market consolidation, favoring larger and better-resourced firms. Chen et al. (2022) demonstrated that governance adaptability creates competitive advantages during regulatory change. Holopainen, Ukko, and Saunila (2022) found that regulatory frameworks may unintentionally raise barriers to entry, protecting incumbents. Brown (2020) showed that regulations reshape digital

financial service value propositions, shifting focus from speed to transparency. Demeter et al. (2023) emphasized that regulatory effectiveness improves when frameworks are tiered based on organizational size. Washington, Rehman, and Lee (2022) found that regulatory sandboxes enhance compliant innovation. Njenga and Kavindah (2021) concluded that standardized templates and clear reporting formats reduce compliance costs and improve implementation efficiency.

5.3 Conclusions

The conclusion includes a comprehensive summary of the study's contributions across three main areas: theory, empirical literature and industry practice. It highlights how the study's findings support and extend existing theoretical frameworks, such as the resource-based view and information asymmetry theory, by demonstrating the significant role of organizational characteristics in facilitating regulatory compliance and adaptation. The conclusion also underscores the study's contribution to empirical literature, emphasizing the robust empirical evidence provided on the relationships between governance structure, financial performance, firm age, ownership structure, and change management practices. This evidence fills gaps in the existing research and offers new insights specific to the Kenyan digital credit context. Finally, the conclusion details the practical implications of the study for the industry, providing actionable recommendations for policymakers and digital credit providers to enhance regulatory compliance, foster innovation, and promote financial inclusion. These contributions collectively aim to advance the understanding of organizational adaptation in regulated environments and guide future research and industry practices.

5.3.1 Contribution to Theory

The study adopted the resource-based view theory and the information asymmetry theory to provide a theoretical foundation for understanding how organizational characteristics influence change management practices in the context of regulatory compliance among digital credit providers in Kenya. The resource-based view theory posits that a firm's internal resources and capabilities are key determinants of its competitive advantage and ability to adapt to external changes. By focusing on governance structure, financial performance, firm age, and ownership structure, the study aligns with the resource-based view theory's emphasis on the importance of valuable, rare, inimitable, and non-substitutable (VRIN) resources. The findings suggest that

digital credit providers with robust governance mechanisms, strong financial standing, and clear ownership structures are better positioned to implement strategic and operational changes in response to regulatory requirements. This supports the resource-based view theory's assertion that internal resources play a crucial role in organizational success and adaptation.

The information asymmetry theory, which highlights the imbalance of information between parties in a transaction, also informs the study. The theory suggests that information asymmetries can influence decision-making and risk management. In the context of digital credit providers, the study explores how information asymmetries between providers and regulators, as well as between providers and their customers, impact strategic and operational decisions. The findings indicate that effective governance structures and clear ownership arrangements help mitigate these asymmetries, enabling better compliance and adaptation. This aligns with the theory's emphasis on the importance of information in managing risks and ensuring transparency. By examining how digital credit providers navigate these information asymmetries, the study provides new insights into the practical application of the theory in the context of regulatory compliance.

The study's findings contribute to the theoretical understanding of organizational adaptation by demonstrating the interplay between organizational characteristics and regulatory compliance. Governance structure, financial performance, firm age, and ownership structure are identified as critical factors that influence how digital credit providers respond to regulatory changes. These findings extend the RBV theory by showing that the combination of these organizational characteristics creates a unique set of capabilities that enable effective adaptation. The study also highlights the importance of aligning organizational resources and capabilities with regulatory requirements, suggesting that the ability to manage information asymmetries is a valuable resource in itself. This aligns with the RBV theory's focus on the strategic use of internal resources to gain a competitive advantage.

In conclusion, the study's adoption of the resource-based view theory and information asymmetry theories provides a robust theoretical framework for analysing the impact of organizational characteristics on change management practices. The findings support the theories by demonstrating the importance of internal resources and the management of information asymmetries in facilitating organizational adaptation. By identifying governance structure, financial performance, firm age, and ownership structure as key determinants of regulatory

compliance, the study contributes to the theoretical understanding of how organizations can effectively respond to external regulatory pressures. This research not only supports existing theoretical frameworks but also extends them by providing empirical evidence from the context of digital credit providers in Kenya.

5.3.2 Contribution to Empirical Literature

The study significantly contributes to the empirical literature on organizational characteristics and change management practices by extending and corroborating existing research findings. It builds upon the foundational work of Brown (2020), who explored how regulatory uncertainty affects digital business strategies and found that such uncertainty significantly impacts digital transformation processes. This aligns with the findings of Holopainen, Ukko, and Saunila (2022), who emphasized the need for organizations to balance intuitive and data-driven decision-making while cultivating leadership skills in strategic development. The current study extends these insights by examining how organizational characteristics such as governance structure, financial performance, firm age, and ownership structure influence strategic and operational changes in response to regulatory requirements.

The study also builds on the work of Chen et al. (2022), who found that well-defined governance structures enhance organizational performance and adaptation capabilities. This is further supported by the findings of Mallinguh and Zoltan (2022), who identified financial performance, measured through return on equity (ROE), as a significant factor influencing firms' ability to implement strategic changes and innovations. The current study corroborates these findings by demonstrating that robust governance structures and strong financial performance are critical in facilitating effective change management practices among digital credit providers in Kenya. These results highlight the importance of organizational characteristics in shaping strategic adaptability in regulated environments.

In addition to extending the work of Brown (2020) and Holopainen et al. (2022), the study also builds on the findings of Nthiga and Simiyu (2021), who identified strong correlations between credit management practices and lending decisions in digital financial institutions. This research underscores the importance of organizational factors in influencing operational adjustments. The current study further explores this relationship by examining how organizational characteristics impact both strategic and operational changes in response to regulatory requirements. This

provides a more comprehensive understanding of how digital credit providers adapt to regulatory changes, highlighting the interplay between organizational factors and regulatory compliance.

The study also contributes to the empirical literature by addressing gaps identified in previous research. For instance, while studies such as those by Modiba and Kekwaletswe (2020) have emphasized the importance of technological, organizational, and environmental contexts in shaping operational changes, the current study provides a more detailed analysis of how specific organizational characteristics influence these changes. This includes examining the role of firm age and experience in adaptation capabilities, as well as the impact of ownership structure on operational decision-making and risk management practices. The findings of the current study align with and extend the work of Alabdullah, Ahmed, and Ahmed (2021), who found that ownership concentration significantly influences operational decision-making and risk management practices.

In conclusion, the study makes a significant contribution to the empirical literature by providing a comprehensive analysis of how organizational characteristics influence change management practices among digital credit providers in Kenya. It extends and corroborates existing research findings, highlighting the importance of governance structure, financial performance, firm age, and ownership structure in facilitating effective adaptation to regulatory requirements. By addressing gaps in previous research and providing new insights into the interplay between organizational factors and regulatory compliance, the study offers valuable contributions to the understanding of change management practices in regulated environments.

5.3.3 Contribution to Industry

The findings of this study hold substantial practical implications for the digital credit industry in Kenya, offering valuable insights that can guide both policymakers and digital credit providers in enhancing regulatory compliance and operational efficiency. For policymakers, the study underscores the importance of considering the diverse organizational characteristics of digital credit providers when crafting regulatory frameworks. By recognizing the pivotal role of governance structure, financial performance, firm age, and ownership structure, policymakers can develop more nuanced and effective regulations that not only ensure consumer protection but also foster innovation and growth within the industry. The study suggests that providing guidance on optimal board compositions and structures, implementing supportive measures to help providers

manage the financial impact of compliance, and adopting a tiered approach to compliance requirements based on firm age could significantly enhance the industry's ability to adapt to regulatory changes. These recommendations aim to create a regulatory environment that is both stringent enough to protect consumers and flexible enough to accommodate the varying capabilities of different providers.

For digital credit providers, the study offers actionable insights into how they can optimize their organizational characteristics to better navigate regulatory requirements. The findings highlight the need for robust governance structures, including well-defined board compositions and dedicated compliance committees, to ensure effective decision-making and compliance management. Providers are encouraged to prioritize financial planning and management practices that enable them to invest in necessary technology and infrastructure for compliance. The study also emphasizes the value of leveraging organizational experience and accumulated insights to facilitate smoother adaptation to regulatory changes. By recognizing the impact of firm age and ownership structure on their ability to implement strategic and operational changes, providers can make informed decisions about resource allocation and organizational development. This includes striving for transparency and alignment between shareholder interests and compliance objectives, as well as actively engaging with regulators and industry stakeholders to address concerns and shape the future of the regulatory framework.

The study's conclusions also aid commercial banks and microfinance institutions in making better decisions when allocating investment resources to the best financial access methods. By identifying mobile banking as a highly effective means of achieving financial inclusion, the study provides a clear direction for these institutions to focus their efforts. The findings suggest that while internet banking and branch networks also play important roles, mobile banking offers unique advantages in reaching underserved populations and promoting financial inclusion. This insight can guide banks in prioritizing their investments and partnerships, ensuring that they are aligned with the regulatory goals of promoting transparency, consumer protection, and ethical lending practices. The study also highlights the potential benefits of using agents to extend banking services affordably, suggesting that both commercial and microfinance banks can emulate this model to enhance their reach and impact.

Finally, the study's findings have broader implications for the industry's approach to innovation and growth. By demonstrating the importance of organizational characteristics in driving successful regulatory compliance and adaptation, the study encourages providers to adopt a proactive and strategic approach to change management. This includes fostering a culture of continuous improvement, investing in technology and human capital, and maintaining strong relationships with regulators and other stakeholders. The study's emphasis on the interplay between organizational factors and regulatory requirements highlights the need for a balanced approach that ensures compliance without stifling innovation. By adopting these recommendations, digital credit providers can not only meet regulatory standards but also position themselves for long-term success in a rapidly evolving market.

5.4 Limitations of the Study

The limitations of the study were primarily related to data collection challenges and methodological constraints. Some respondents were unwilling or unable to participate in the study due to busy work schedules, which may have affected the overall response rate and the diversity of perspectives captured. This posed a challenge in obtaining comprehensive and representative data from all targeted participants, particularly in cases where key informants were unavailable. Additionally, the cross-sectional design of the study, which captured data at a single point in time, limited the ability to establish causal relationships between the variables examined. This design only provided a snapshot of the phenomena under study, making it difficult to observe changes over time or infer long-term impacts of the factors investigated. These limitations suggest that while the study provides valuable insights into the relationships among the variables, future research could benefit from longitudinal designs or additional strategies to address participant availability and enhance data depth.

5.5 Recommendations for Further Studies

Future research could explore additional variables that may influence the relationship between organizational characteristics and change management practices among Digital Credit Providers. Studies could examine the impact of technological infrastructure, risk management frameworks, human capital development, and competitive market dynamics on providers' ability to adapt to regulatory changes. Given that the current study's Pseudo R-square values for strategic changes (Nagelkerke: 0.820) and operational changes (Nagelkerke: 0.856) indicate that the examined variables explain a substantial portion of the variance, future research could investigate other

factors that might account for the remaining unexplained variance. Comparative studies across different African countries could assess the generalizability of these findings within various regulatory environments and identify market-specific factors that influence digital credit providers' change management practices. Future research could also employ longitudinal designs to examine how organizational characteristics evolve over time in response to regulatory changes, particularly focusing on the long-term effects on financial performance and operational efficiency. Additionally, studies could investigate the role of partnerships and collaborations in enhancing regulatory compliance capabilities, as well as the impact of different business models on providers' ability to implement strategic and operational changes. Research could also explore the relationship between consumer protection measures and organizational adaptation strategies



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APPENDICES

Appendix I: Introduction Letter

Dear Respondent,

Am conducting a study to evaluate the effect of organizational characteristics on change management practices implemented by Digital Credit Providers in Kenya in response to the 2022 regulations. I kindly request your valuable participation in this questionnaire, as your responses are crucial for the success of the study, and please remember not to write your name to ensure anonymity.

Yours Sincerely

Diana Wandurwa



Appendix II: List of Regulated Digital Credit Providers in Kenya

1. Anjoy Credit Limited
2. Asante FS East Africa Limited
3. Autochek Limited
4. Azura Credit Limited
5. Ceres Tech Limited
6. Chapeo Capital Limited
7. Chime Capital Limited
8. Colkos Enterprises Limited
9. Creditarea Capital Limited
10. Decimal Capital Limited
11. Dexintec Kenya Limited
12. EDOMX Limited
13. Extend Money Services Limited
14. Factorhouse Limited
15. Fezotech Kenya Limited
16. Fortune Credit Limited
17. Fourth Generation Capital Limited
18. Getcash Capital Limited
19. Giando Africa Limited (Trading as Flash Credit Africa)
20. Inventure Mobile Limited (Trading as Tala)
21. Jijenge Credit Limited
22. Jumo Kenya Limited
23. Kweli Smart Solutions Limited
24. Letshego Kenya Ltd
25. Lipa Later Limited
26. Little Pesa Limited
27. Lobelitec Credit Limited
28. Marala Ledger Limited
29. Marble Capital Solutions Limited
30. MKM Capital Limited
31. MFS Technologies Limited
32. M-Kopa Loan Kenya Limited
33. Mwanzo Credit Limited
34. Mycredit Limited
35. MyWagepay Limited
36. Natal Tech Limited
37. Ngao Credit Limited
38. Okolea International Limited
39. Pezesha Africa Limited
40. Pi Capital Limited
41. Reyot Ciro Limited
42. Rising Credit Limited
43. Senti Capital Limited
44. Sevi Innovation Limited
45. Sokohela Limited
46. Tenakata Enterprises Limited
47. UbaPesa Limited
48. Umoja Fajisi Limited
49. Zanifu Limited
50. Zenka Digital Limited
51. Zillions Credit Limited



Source: Central Bank of Kenya (2024)

Appendix III: Questionnaire

This questionnaire is to gather information to evaluate the effect of organizational characteristics on change management practices implemented by Digital Credit Providers in Kenya in response to the 2022 regulations.

SECTION A: DEMOGRAPHIC DATA

1. What is your current job title within the organization?
2. How long have you been working in this organization?
 - i. Less than 1 year
 - ii. 1-3 years
 - iii. 4-6 years
 - iv. 7-10 years
 - v. More than 10 years

SECTION B: CHANGE MANAGEMENT PRACTICES (STRATEGIC CHANGES AND OPERATIONAL CHANGES)

1. How have the 2022 regulations influenced your organization's target market expansion and customer segmentation strategies? Please provide specific examples of changes made in these areas.
2. In what ways has your organization adapted its organizational culture and values to align with the requirements of the 2022 regulations? How have these changes been communicated and implemented throughout the organization?
3. Please describe any new partnerships or collaborations your organization has formed with external stakeholders to better comply with the 2022 regulations. How have these relationships contributed to your compliance efforts?
4. What changes has your organization made to its ICT infrastructure and digital capabilities to meet the demands of the 2022 regulations? How have these changes impacted your operations and customer experience?
5. How have the 2022 regulations affected your organization's credit risk assessment and lending processes? Please provide examples of specific adjustments made to ensure compliance and manage risk.
6. Has your organization made significant changes to its staffing and talent acquisition strategies in response to the 2022 regulations? Yes () No ()
7. Has your organization implemented new marketing and customer engagement initiatives specifically designed to comply with the 2022 regulations? Yes () No ()
8. Has your organization made substantial enhancements to its data management and analytics capabilities to meet the requirements of the 2022 regulations? Yes () No ()

Kindly tick (✓) once per the question in the box provided below, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

Statements- Strategic Changes	1	2	3	4	5
1. The organization has significantly expanded its target market to comply with the regulations.					

2. The organization has adopted new customer segmentation strategies to align with the regulatory requirements.					
3. The organization has substantially diversified its products/services to meet the regulatory standards.					
4. The organization has increased its innovation efforts to develop compliant products and services.					
5. The organization has made significant changes to its leadership structure to ensure effective regulatory compliance.					
6. The organization has adapted its decision-making processes to facilitate compliance with the 2022 regulations.					
7. The organization's culture has been aligned to support the implementation of the regulatory requirements.					
8. The organization's values have been adjusted to reflect its commitment to regulatory compliance.					
9. The organization has formed new partnerships with external stakeholders to enhance its regulatory compliance capabilities.					
10. The organization has collaborated with industry peers to share best practices in regulatory compliance.					
11. The organization's branding strategies have been adapted to emphasize its adherence to the 2022 regulations.					
12. The organization has implemented reputation management initiatives to demonstrate its commitment to regulatory compliance.					
Statements- Operational Changes	1	2	3	4	5
1. The organization has made significant staffing changes to support its regulatory compliance efforts.					
2. The organization has adapted its talent acquisition strategies to attract professionals with regulatory compliance expertise.					
3. The organization has implemented new marketing initiatives to communicate its compliance with the 2022 regulations to customers.					
4. The organization has enhanced its customer engagement processes to ensure compliance with the regulatory requirements.					
5. The organization has significantly invested in its ICT infrastructure to support regulatory compliance.					
6. The organization has undergone digital transformation to streamline its compliance processes.					
7. The organization has modified its credit risk assessment procedures to align with the regulatory standards.					

8. The organization has adapted its lending processes to ensure compliance with the 2022 regulations.					
9. The organization has implemented rigorous compliance reporting procedures to meet the regulatory requirements.					
10. The organization has established dedicated teams to handle regulatory reporting and compliance.					
11. The organization has significantly enhanced its data management capabilities to support regulatory compliance.					
12. The organization has invested in advanced analytics tools to facilitate compliance monitoring and reporting.					

SECTION C: ORGANIZATIONAL CHARACTERISTICS

1. How has your organization's governance structure, particularly the number of board members, influenced its ability to respond to the 2022 regulations?
2. In what ways has your organization's financial performance, as measured by net profits, been impacted by the implementation of the 2022 regulations?
3. How has your organization's age, in terms of the number of years of operation, affected its capacity to adapt to the regulatory changes?
4. Apart from the factors mentioned above, what other organizational aspects have influenced your organization's response to the 2022 regulations? Please explain.
5. How has your organization's ownership structure, specifically the percentage of majority shareholding, influenced its decision-making process and risk appetite in the context of the 2022 regulations?
6. Has your organization made changes to its governance structure (e.g., number of board members) in response to the 2022 regulations? Yes () No ()
7. Has your organization experienced a significant change in net profits after the implementation of the 2022 regulations? Yes () No ()
8. Does your organization's age (number of years of operation) exceed the industry average? Yes () No ()

Use the scale provided: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

Statements- Governance Structure	1	2	3	4	5
1. The organization's board size is appropriate for effective governance and regulatory compliance.					
2. The organization's board composition includes members with relevant expertise in regulatory compliance.					
3. The organization's board actively oversees the implementation of regulatory compliance strategies.					
4. The organization's board regularly reviews and assesses the effectiveness of its regulatory compliance measures.					

5. The organization's board size has been adjusted to enhance its ability to respond to the 2022 regulations.					
6. The organization's board has established dedicated committees to oversee regulatory compliance matters.					
Statements- Financial Performance	1	2	3	4	5
1. The organization's Return on Equity (ROE) has been a key consideration in its approach to regulatory compliance.					
2. The organization's ROE has been positively impacted by its efforts to comply with the 2022 regulations.					
3. The organization has allocated sufficient financial resources to support its regulatory compliance initiatives.					
4. The organization's financial performance has enabled it to invest in the necessary technology and infrastructure for compliance.					
5. The organization's ROE has been a driving factor in its decision to prioritize regulatory compliance.					
6. The organization's financial performance has been closely monitored to ensure it can sustain its regulatory compliance efforts.					
Statements- Firm Age	1	2	3	4	5
1. The organization's age has provided it with the necessary experience to adapt to the 2022 regulations effectively.					
2. The organization's years of operation have equipped it with the knowledge and expertise to navigate regulatory changes.					
3. The organization's age has been a factor in its ability to implement regulatory compliance strategies quickly.					
4. The organization's years of experience have helped it to anticipate and prepare for regulatory shifts.					
5. The organization's age has been an advantage in terms of its established relationships with regulators and industry stakeholders.					
6. The organization's years of operation have provided it with valuable insights into effective regulatory compliance practices.					
Statements_ Ownership Structure	1	2	3	4	5
1. The organization's majority shareholding has influenced its approach to regulatory compliance.					
2. The organization's ownership structure has been a factor in its ability to make necessary changes to comply with the regulations.					
3. The organization's majority shareholders have been supportive of its efforts to comply with the 2022 regulations.					

4. The organization's ownership structure has been a consideration in its decision-making processes related to regulatory compliance.					
5. The organization's majority shareholding has been a source of guidance in navigating the regulatory landscape.					
6. The organization's ownership structure has been aligned with its regulatory compliance objectives.					

SECTION D: DIGITAL CREDIT PROVIDERS IN KENYA'S PERSPECTIVES

1. What are your overall thoughts on the 2022 regulations and their impact on the digital credit industry in Kenya?.....
2. How do you think the 2022 regulations have affected the competitive landscape of the digital credit market in Kenya?
3. What suggestions would you propose to improve the 2022 regulations to better support the growth and development of the digital credit industry in Kenya?
4. Do you believe the 2022 regulations have created a more level playing field for digital credit providers in Kenya? Yes () No ()
5. In your opinion, have the 2022 regulations enhanced consumer protection in the digital credit market? Yes () No ()
6. Do you think the 2022 regulations have increased the operational costs for digital credit providers? Yes () No ()
7. From your perspective, have the 2022 regulations slowed down innovation and growth in the digital credit industry in Kenya? Yes () No ()

Kindly tick (✓) once per the question in the box provided below, where 1 = Not at all 2 = To a small extent 3 = To a moderate extent 4 = To a great extent

Statements					
8. The 2022 regulations have created a more stable and sustainable digital credit market in Kenya.					
9. The 2022 regulations have enhanced the overall reputation and credibility of the digital credit industry in Kenya					
10. The 2022 regulations have encouraged digital credit providers to adopt more responsible and ethical lending practices					
11. The 2022 regulations have created a level playing field for the digital credit market in Kenya.					
12. The 2022 regulations have increased the level of transparency and disclosure in the digital credit market in Kenya					
13. The 2022 regulations have strengthened the collaboration and dialogue between digital credit providers and regulatory authorities in Kenya					
14. The 2022 regulations have enhanced the overall financial inclusion and access to credit for underserved segments of the Kenyan population.					

Appendix IV: Ethical Review Letter



17th January 2025

Ms Wandurwa Diana,
diana.wandurwa@strathmore.edu

Dear Ms Wandurwa,

RE: Impact of Organizational Characteristics on Change Management Practices at Digital Credit Providers in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2496/24**. The approval period is from **17th January 2025 to 16th January 2026**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ambrose Rachier".

**Mr Ambrose Rachier,
Chairperson; SU-ISERC**

