

Effect of Innovation on Performance of Deposit Taking Saccos in Kenya

¹Jackline Akoth Odero, ²Dr Robert Egessa, ³Dr Ben Oseno

^{1,2,3}School of Business and Economics, Masinde Muliro University of Science and Technology, Kenya

Abstract: In a business environment that's highly competitive firms should have the ability to cater for technological changes, customers demand and also global competition. Thus innovation becomes vital for firms operating continuously in a dynamic and uncertain environment. It is imperative for leaders to promote innovation. Ideally when a firm engages in innovation it improves performance. The study intended to ascertain the effect of innovation on performance of Deposit Taking SACCO's in Kenya. The study was guided by positivism research philosophy and used descriptive correlational research design. Primary data was collected using close ended questionnaires and an interview schedule targeting 126 senior managers and 42 CEO's of Deposit Taking SACCO's in Kenya. Census technique was employed. The study population comprised of all 42 Deposit Taking SACCO's operating in Nairobi County, Kenya. Purposive sampling was employed to select the CEO's and senior managers of Deposit Taking SACCO's. Further simple random technique was employed in selecting 12 CEO's who were to be interviewed. For analysis the study adopted descriptive statistics, inferential statistics as well as content analysis. The study confirmed that innovation had a positive and significant effect on the performance of Deposit Taking SACCO's in Kenya. The study therefore recommends that Innovation should be embraced by DTS and specifically product, market and technological innovation as they enhance performance.

Keywords: Deposit Taking SACCO's, Innovation, Performance.

1. INTRODUCTION

Finkelstein and Hambrick (1996) Katz and Kahn (1978) and Peterson, Smith, Martorana and Owens (2003) emphasize that leadership is a critical factor in ensuring that an organization achieves a high level of performance. Thus leaders should engage in strategic leadership practices such as fostering innovation, ethical practices, strategic direction setting amongst others in order to enhance organizational performance. Carter and Greer (2013) established that organizational failure in the attainment of profitability was due to limited experiences and exposure to strategic leadership. Serfontein (2010) posited that a strategic leader's primary goal entailed being enlightened on the business conditions, environment including other aspects that could help in identifying future challenges, innovation and communication.

Balan and Lindsay (2010) posited that businesses, whether large or small, should embrace innovation culture in today's increasingly dynamic and competitive environment. Its critical for strategic leaders to foster innovation in organizations. Leadership plays a crucial role in firms' innovation, because leaders can introduce novel ideas into an organization, establish specific goals and encourage innovation initiatives from subordinates (Noruzy, Dalfard, Azhdari, Nazari-Shirkouhi & Rezazadeh, 2013). According to Schoemaker, Krupp and Howland (2013) effective strategic leadership may help organizations to adapt to the new environments, in order for them to improve their performance by being engaged in innovative activities.

According to Ramadani and Gerguri (2011) innovation involves creating new products, new services, new technology, new organizations or enhancing existing products or existing services, existing technology and also the existing organization. Organizations that accept and engage in innovation, responds to contemporary changes and builds up new capabilities to achieve higher performance will thrive more (Moghli, Al Abdullah & Al muala, 2012). Organizations that have embraced innovation enjoy several benefits for instance increase in profits, increase in market share, increase in the company's savings and reduction of operating costs, generate growth for business enterprises, creates customer value, enhances implementation of strategies, improved performance (Oirere, 2015; Hassan, Shaukat, Nawaz & Naz, 2013; Polder, Leeuwen, Mohnen & Raymond, 2010; Stanleigh, 2015; Varis & Littunen, 2010).

1.1 Overview of SACCOs

According to Kamonjo (2014) SACCOs are member-owned financial cooperatives whose basic objective is mobilization of savings and providing loans to members on competitive terms in order to enhance their socio-economic well-being. Kenya's cooperative movement is the most vibrant in Africa and ranked seventh globally (Ademba 2010; Muriuki & Ragui 2013). In Kenya SACCOs are crucial since they provide financial services to the low income households. In several rural areas they lead in providing finance (FSD, 2010). The SACCO sub-sector is comprised of both Deposit Taking and also Non-Deposit Taking SACCOs. In Kenya there are two statutes which govern the regulation and supervision of the SACCOs and they include Cooperative Societies Act (Cap 490) and the Sacco Societies Act (Cap 490B).

1.2 Research Problem

The Sacco sector has faced a myriad of setbacks globally as indicated by WOCCU (2012) that include income generation, mission drifts, compliance with the Act, competition, inadequate capital amongst many others. SACCOs are facing survival challenges due to decline in membership in spite of their geographical diversity in comparison to other financial providers (Kiragu, 2015). This trend of losing customers has been attributed to stiff competition from banks which have actively engaged in financial innovations thus offering better services for instance consumer loans through mobile as well as internet platforms, transaction accounts and easy access (SASRA, 2014). Additionally, Wasike (2012) reiterated that a stagnation in growth of the SACCO's wealth made the absorption of operational losses difficult thus threatening their sustainability. This consequently led to absorption of losses by use of members' savings and also share capital. This study is therefore prompted by the mentioned problems and seeks to determine how leaders practice of fostering innovation may alleviate the issues and ensure overall performance of Saccos.

Research conducted in Hanoi-Vietnam and Pakistan by Tuan, Nhan, Giang and Ngoc (2016) and Hassan, Shaukat, Nawaz and Naz (2013) established that process, marketing, organizational and product innovation influenced firm performance whilst other studies have established that market and product innovation were not significant (Atalay, Anafarta & Sarvan 2013; Rosli & Sidek, 2013). Therefore the findings are inconclusive requiring further investigation on whether innovation has an influence on performance of Deposit Taking Sacco's in Kenya.

1.3 Objective of the study

The objective was to analyze the effect of innovation on performance of Deposit Taking SACCOs in Kenya.

1.4 Hypotheses of the study

H₀: Innovation has no significant influence on performance of Deposit Taking SACCOs in Kenya.

2. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Transformational Leadership Theory

This theory holds that transformational leadership is an active leadership where followers are inspired by leaders towards collective vision, giving and also receiving feedback and being encouraged to pursue their personal as well as professional goals (Frooman, Mendelson & Murphy, 2012). Bass (1985) stated that transformational leadership theory had four components namely the inspirational motivation, intellectual stimulation, individualized consideration and idealized influence. Intellectual stimulation refers to followers cognitive development which occurs when the leader arouses followers thoughts and focuses on problem solving and reasoning action (Johnson, 2006). Similarly Abasilim (2014) explained that it was the leader's ability to arouse followers thoughts and imagination and stimulating them to be more creative, more innovative and to think critically while solving problems.

2.2 Conceptual Review

2.2.1 Innovation

According to Camison and Monfort-Mir (2012) innovation entails "renewing and enlarging products range, services and associated markets; establishing new production, supply and also distribution methods; introducing changes in management, working of the organization and also the workforce working conditions". Trmal, Bustamam and Mohamed (2015) averred that a leader must be able to promote creativity, innovation, stimulate employees to challenge their

individual value systems and improve each of their individual performance in order to increase overall organizational performance. Leaders of successful and high-growth companies understand that growth is driven by innovation.

Development of new products is critical for a firm's survival. Product innovation thus refers to introduction of new products and also modification of existing products. SACCOS are engaging in the introduction of new products as a way of attracting more members and also to increase the level of customer satisfaction. Marketing innovation involves development of new marketing techniques and methods. A distinct attribute of marketing innovation that makes it differ from other innovation types is its ability to implement new marketing methods that have never been used before (OECD, 2005). Increasing market share, sales and opening new markets is the main aim of marketing innovation (Polder *et al.*, 2010). Technological innovation refers to the procedure of producing technological advances (Goh, 2002). According to Zawislak, Tello-Gamarra, Barbieux and Reichert (2012) firms should equip themselves with competencies and resources that allow for better technological capability development in relation to their competitors. On technology, deposit taking Saccos offer a variety of deposit, investment as well as credit products through different distribution that include improved ATMs, telephone, internet and new branches.

2.2.2 Performance of Deposit Taking Sacco's

It is the most sought outcome and common denominator across organizations (Ongeti, 2014). Arslan and Staub (2013) argued that for organizations to meet the needs of highly competitive markets, they must continually improve their performance. The parameters of performance were be customer satisfaction, membership base, asset base and deposit base.

2.3 Innovation and Performance

Studies have been done in an effort to establish the relationship between innovation and performance. Majority of the studies concluded that innovation had an influence on performance of firms. Research conducted in Hanoi- Vitenam and Pakistan by Tuan, Nhan, Giang and Ngoc (2016) and Hassan, Shaukat, Nawaz and Naz (2013) established that process, marketing, organizational and product innovation influenced firm performance in terms of production, market, financial and innovative performance. It would not be tenable to assume that the results of these studies would be the same in Kenya due contextual differences in terms of cultural, economic and even legal differences. Moreover there's a constructs gap as the current study was limited to product, market and technological innovation.

Using a sample of 200 respondents from six SME's in Nigeria Olughor (2015) examined the link between innovation and firm performance in small and medium enterprises. The constructs of innovation used in the study were technological, market and administrative. The study adopted survey research design method and convenience sampling technique. The study established that innovation influenced business performance while performance was measured with a sub scale of production, market and financial performance. Convenience sampling may be biased in terms of selection of respondents.

In Kenya, Bulitia, Obonyo and Ojera (2014) conducted a study on the moderating effect of Technology Innovation on the Human Resource Management Practices and Firm Performance. They established that technological innovation promoted firm performance. The study employed a census survey of manufacturing firms in Kenya both medium and large scale that were involved in producing and marketing of soaps, detergents, edible oils, beverages and sugar. The findings being limited to manufacturing firms cannot be generalized to other organizations due to sectoral differences in terms of structures and even regulations governing them.

Mosongo, Gichana, Ithai and Nguta (2013) affirmed that SACCOS had adopted different types of financial innovation such as process innovation, product innovation and institutional innovation leading to financial performance. Institutional innovation had greatest impact on financial performance, followed by product innovation and last was process innovation. The study concluded that there was a positive relationship between financial innovation and financial performance among SACCOS in Nairobi County. This study focused on process, product and institutional innovation unlike the current study which focused on product, market and technological innovation. Further the study focused on all SACCOS in Nairobi unlike the current study which only focused on DTS thus providing a contextual gap since the DTS and non DTS operate differently.

Studies done by Wangila (2018) in Nairobi City County and Soi (2016) in Telecommunication firms found that innovation influenced performance. However the order of significance differed as when arranged from the most significant the former had technological, process, product, organizational and marketing being the least whilst the latter had process, product, market and technological being the least. Thus the order of significance may have differed due to contextual differences.

Using descriptive research method, Osuga (2016) conducted a study on strategic innovation and performance in SME's in Nairobi and established that product, market and process innovation influenced performance. Similarly Mensah and Acquah (2015) carried out a study linking innovation and performance and confirmed that innovation measured in terms of market, process and organizational innovation influenced performance while product innovation had a positive but insignificant relation to performance. The study employed survey research design and simple random technique to select SME owners in Sekondi Takoradi metropolis. However a study conducted in the automotive supplier industry in Turkey failed to find any evidence of significant and positive association between marketing innovation and firm performance (Atalay, Anafarta, & Sarvan, 2013).

Kisingu (2017) affirmed that organizational innovation influenced competitive advantage as the correlation was very strong ($r = 0.917, p < 0.01$). The study focused on administrative, process and product innovation. The study being limited to public and private universities, the results cannot be generalized across in other firms. Thus current study focused on product, market and technological innovation and shall be conducted in DTS.

Thus studies conducted on innovation and performance have confirmed that product, market and technological innovation positively and significantly influences performance (Ar & Baki 2011; Olughur, 2015; Osuga, 2016; Soi, 2016; Tuan, Nhan, Giang & Ngoc, 2016; Wangila, 2018) whilst other studies have established that market and product innovation were not significant (Atalay, Anafarta & Sarvan 2013; Rosli & Sidek, 2013; Mensah & Acquah, 2015). The studies were done in different contexts which may have contributed to the varied results. Thus it may be assumed that due to contextual factors the innovation- performance link may exhibit different effects (McDermott & Prajogo, 2012).

3. METHODOLOGY

This study was guided by positivism research philosophy. Positivism philosophy is based on measureable observations that may be directed to statistical analysis in order to generate findings and to test hypotheses (Cooper & Schindler, 2014; Schiffman & Kanuk, 2012). A descriptive correlational approach was chosen for this study since it can study a wide range of variables including their interrelations therefore showing the extent of relations amongst the variables (Creswell, 2014). The study focused on all the 42 deposit taking SACCOs in Nairobi County (SASRA, 2018). The study therefore targeted a population of 168 respondents. This study employed census technique when selecting the Deposit Taking SACCOs for the study. A census comprises the entire population in a study and it is convenient where the total population is small. Israel (2009) stipulates that census is appropriate where the population is less than 200. Purposive sampling was employed whereby the CEO's and senior managers of Deposit Taking SACCO's were chosen because they were well conversant with the relevant information concerning the study variables and they also engaged in the formulation and implementation of strategies. Further simple random technique was employed in selecting 12 CEO's out of the 42 which constituted 30% of the population as recommended (Sekaran, 2009; Kumar 2011). Primary data was collected using close ended questionnaires and an interview guide which were developed from the objectives of the study and were administered on the respondents. Questionnaires were administered on 126 senior managers while a sample of 12 CEO's who were randomly selected were interviewed. A pilot study was conducted in 4 deposit taking SACCOs in Kakamega County. Validity was tested using both content and construct validity tests. As for reliability, cronbach alpha was used. According to Sekeran and Bougie (2013) coefficient of 0.7 is rule of thumb that's commonly accepted which indicates the acceptable reliability. Both descriptive and inferential statistics were adopted for data analysis. The data collected was presented in form of tables and figures. Descriptive analysis entailed frequencies, percentages, mean and standard deviation. Regarding inferential statistics, Pearson's product moment correlation and regression analysis were conducted. The simple linear regression equation for innovation was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

β_0 = Constant,

β_1 = Coefficients of determination,

X_1 = Innovation,

ϵ = Error term.

Content analysis was used to analyze data obtained from the interview guide.

4. RESULTS AND DISCUSSION

4.1 Response Rate

A total of one twenty six (126) questionnaires were distributed out of which 102 were returned giving a response rate of 81%. This response rate is adequate as proposed by Kothari (2011) who alluded that responses between 60% - 70% were adequate while responses above 70% were considered as being excellent.

4.2 Pilot Results

4.2.1 Reliability Test

For this study all the constructs were reliable as the Cronbach's Alpha value was above 0.7. Table 4.1 shows the reliability of the constructs.

Table 4.1: Results for Test of Reliability

Variables	No. of items	Cronbach alpha	Comment
Innovation	7	.943	Accepted
Performance	6	.883	Accepted

Source: Research Data (2019)

4.2.2 Validity

For content validity the researcher used experts to examine and review the instrument. The questionnaire was given to lecturers and professionals in the area of Strategic Management. Construct validity was established by the review of theories which informed the major study themes to affirm existence of the constructs.

4.3 Demographic Characteristics of Respondents

This section analyzes the demographic characteristics of the respondents. The section presents the descriptions of the respondents in terms of gender, title, length of service in the Sacco and level of academic education. The results are presented in Table 4.2.

Table 4.2: Demographic characteristics of Respondents

Characteristics	N=126	Frequency	(%)
Gender	Male	56	54.9
	Female	46	45.1
Position held in the organization	FOSA manager/Human resource manager	37	36.3
	Finance manager	35	34.3
	Operations/ICT manager	30	29.4
Length of service in the Sacco	Less than 1 year	5	4.9
	1-5 years	34	33.3
	More than 5 years	63	61.8
Education level	Certificate	3	2.9
	Diploma	19	18.6
	Bachelors degree	46	45.1
	Masters degree	33	32.4
	PhD	1	1

Source: Research Data (2019)

The respondents were asked to indicate their gender. Results in table 4.3 revealed that majority of the respondents (54.9 %) were male while 45.1% of the respondents were female. The gender composition could have an impact on firms' performance as suggested by Pfeife and Wagner (2012) who associated productivity with sex of the employees. The

gender composition in the Saccos met the minimum constitutional threshold of 1/3. The study concluded that there was male dominance in the management of the deposit taking Saccos in Kenya. Similarly Mathuva (2016) found that male dominated management of Sacco's.

The respondents were further asked to indicate the position they held in the organization. Majority of them were FOSA manager/Human resource manager 36.3% followed by finance manager 34.3% and lastly Operations/ICT manager 29.4%. The respondents had considerable knowledge on strategic leadership practices and particularly, innovation activities in the DTS this ensured reliability of the information they provided.

Majority of the respondents (61.8%) had worked in the organization for more than 5 years and therefore were well informed on the innovation practices used in their SACCOs. Only 4.9% had worked for less than one year while 33.3% had worked between 1 to 5 years.

Regarding the level of academic qualification majority (45.1%) of the respondents had attained bachelors' degree while 32.4% had attained master's degree. Only 1% had attained doctorate level. The results imply that majority of the respondents have attained sufficient education level to be able to handle managerial positions. Faith (2014) noted that academic qualification has a positive relationship with employee performance. The study concluded that the respondents had the potential to enhance innovation within Saccos'. This means that the participants in this study were well informed as a result of their educational background.

4.4 Descriptive Analysis of Study variables

Descriptive analysis was done for the study variables which included innovation and performance of deposit taking Saccos.

4.4.1 Descriptive Analysis results for Innovation

Table 4.3: Responses to statements on innovation

STATEMENT	N	1 f (%)	2 f (%)	3 f (%)	4 f (%)	5 f (%)	Mean(standard deviation)
Employees encouraged to provide innovative ideas	102	0(0%)	6(5.9%)	18(17.6%)	38(37.3%)	40(39.2%)	3.99(.789)
our Sacco has introduced new products and services	102	0(0%)	7(6.9%)	11(10.8%)	60(5.8%)	24(23.5%)	3.85 (.998)
Our Sacco has created value for its customers through quality products and services	102	1(1%)	6(5.9%)	23(22.9%)	31(30.4%)	41(40.2%)	4.02(.979)
Our Sacco has entered new markets	102	0(0%)	19(28.6%)	28(27.5%)	31(30.4%)	24(23.5%)	3.58(1.04)
Our Sacco has developed scheduled promotional timetables for marketing	102	0(0%)	9(8.8%)	33(32.4%)	35(34.3%)	25(24.5%)	3.74(.930)
Our Sacco has embraced use of new information technology	102	0(0%)	9(8.8%)	13(12.7%)	49(48.0%)	31(30.4%)	4.00(.889)
Our Sacco has improved its technologies to enable market leadership	102	0(0%)	9(8.8%)	13(12.7%)	49(48.0%)	31(30.4%)	3.77(.921)
Valid N (listwise)	102						

Note : 1=Strongly Disagree, 2=Disagree, 3=Fairly Agree, 4=Agree, 5=Strongly Agree, S.D.=Standard Deviation, S.E=Standard Error

Source: Research Data (2019)

Table 4.3 shows that majority strongly agreed that employees encouraged to provide innovative ideas 40(39.2%). Majority agreed that our Sacco has introduced new products and services 60(5.8%). On the statement that our Sacco has entered new markets majority agreed 31(30.4%) and a few respondents disagreed 19(28.6%). Majority agreed 35(34.3%) and fairly agreed 33(32.4%) that our Sacco has developed scheduled promotional timetables for marketing. Majority agreed 49(48.0%) that our Sacco has embraced use of new information technology.

4.4.2 Performance of DTS in Kenya

The dependent variable in this study was the performance of deposit taking Saccos in Kenya. Using a five-point likert scale, the study sought to know respondents' level of agreement on various statements relating to the performance of Saccos. The responses were rated on a five point likert scale.

Table 4.4: Responses to statements on performance of Deposit Taking Saccos

STATEMENT	N	1 f (%)	2 f (%)	3 f (%)	4 f (%)	5 f (%)	Mean (standard deviation)
There has been an increase in level of customer satisfaction	102	0(0%)	0(0%)	25(24.5%)	61(59.8%)	16(15.7%)	3.91(.630)
Customer loyalty has improved over time	102	0(0%)	8(7.8%)	35(34.3%)	42(41.2%)	17(16.7%)	3.66(.848)
The Sacco responds to customer feedback/complaints promptly	102	0(0%)	0(0%)	18(17.6%)	44(43.1%)	40(39.2%)	4.21(.726)
There has been an increase in membership base	102	0(0%)	16(15.7%)	8(7.8%)	55(53.9%)	23(22.5%)	3.83(.955)
There has been a growth in asset base	102	0(0%)	8(7.8%)	16(15.7%)	28(27.5%)	50(49.0%)	4.17(.968)
There has been a growth in member's deposit base	102	0(0%)	8(7.8%)	8(7.8%)	45(44.1%)	41(40.2%)	4.16(.879)
Valid N (listwise)	102						

Note : 1=Strongly Disagree, 2=Disagree, 3=Fairly Agree, 4=Agree, 5=Strongly Agree, S.D.=Standard Deviation, S.E=Standard Error

Source: Research Data (2019)

Majority of the respondents were of the view that there has been an increase in level of customer satisfaction and that there has been an increase in membership base as 61(59.8%) and 55(53.9%) agreed to the statements. Further majority strongly agreed 50(49.0%) and agreed 45(44.1%) that there has been a growth in asset base and there has been a growth in member's deposit base. This study confirms the assertion by Fraering and Minor (2013) that customers who were satisfied were willing to make use of the same products despite change in price and thus maintain their loyalty to a Company. Mbaabu (2016) pointed out that membership growth in Saccos was attributed to their aggressive efforts in recruiting new members.

4.5 Inferential Statistics Results

4.5.2 Pearson's product moment correlation analysis

Table 4.5: Correlations

		Innovation performance	
Innovation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	102	
performance	Pearson Correlation	.534**	1
	Sig. (2-tailed)	.000	
	N	102	102

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

Source: Research Data (2019)

Pearson’s product moment correlation analysis was used to assess the relationship between innovation and performance of Deposit taking Sacco’s. Table 4.5 shows that innovation is positively and significantly correlated to performance which is significant at 99 % confidence level ($r=0.534$; $p<0.01$). These findings on innovation are in agreement with those of Wangila (2018) and Soi (2016).

4.5.3 Hypothesis Testing

Simple linear regression was used to test hypothesis. The study formulated the following hypotheses;

H₀: Innovation has no significant influence on performance of Deposit Taking SACCOS in Kenya.

The results of hypotheses testing are stated in table 4.6a.b.and c as presented below.

Table 4.6a: Model summary for Innovation

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Durbin-Watson
1	.534 ^a	.286	.278	.56156	1.540

Source: Research Data (2019)

The value of R² is 0.286 as in table 4.6a above. This indicates that innovation explains 28.6% of the variance in performance of Deposit Taking SACCO’s in Kenya. The remaining 71.4% could be attributed to other factors not covered in the study.

Table 4.6b: ANOVA^a for Innovation

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.601	1	12.601	39.959	.000 ^b
	Residual	31.535	100	.315		
	Total	44.136	101			

Source: Research Data (2019)

The ANOVA table 4.6b shows that the regression model can be used to explain the effect of Innovation on performance as $P=0.000$ which is significant at 99% confidence level.

Table 4.6c: Coefficients^a for Innovation

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error			
1	(Constant)	2.058	.311		6.606	.000
	Innovation	.503	.080	.534	6.321	.000

Dependent variable: performance

Predictors (constant): Innovation

Source: Research Data (2019)

Having regards to the regression findings in table 4.6c above, substituting the equation;

$Y=\beta_0+\beta_2X_2+\varepsilon$ becomes

$Y= 2.058+0.503 X_2.$

Assuming that all other independent variables are 0.000 performance will be 2.058. A unit increase in innovation leads to 0.503 increase in performance and it is statistically significant. Thus the null hypothesis that Innovation has no significant influence on performance of Deposit Taking SACCOS in Kenya was rejected $P(0.000) < 0.01$. The results indicated that innovation positively influenced performance of Deposit taking Sacco's and the influence was statistically significant ($B = 0.503, t = 6.321, sig = 0.000$). These findings are in agreement with earlier findings of Tuan, Nhan, Giang and Ngoc (2016) and Hassan, Shaukat, Nawaz and Naz (2013) who conducted their research in Hanoi-Vietnam and Pakistan and established that process, marketing, organizational and product innovation influenced firm performance. Mosongo, Gichana, Ithai and Nguta (2013) affirmed that there was a positive relationship between financial innovation and financial performance among SACCOS in Nairobi County. Similarly, Studies done by Wangila (2018) in Nairobi City County and Soi (2016) in Telecommunication firms found that innovation influenced performance. Kisingu (2017) affirmed that organizational innovation influenced competitive advantage in Kenyan public and private universities as the correlation was very strong ($r = 0.917, p < 0.01$). In contrast other studies have established that market and product innovation were not significant (Atalay, Anafarta & Sarvan 2013; Rosli & Sidek, 2013; Mensah & Acquah, 2015). Therefore, the results of this current study suggests that fostering innovation plays a critical role in Saccos. For Deposit taking Sacco's to achieve greater performance leaders should foster innovation amongst the staff as it may lead to better organizational performance.

4.6 Content Analysis Results

The respondents were asked about the innovative activities the SACCO embarked on and they pointed out that the Sacco had developed new products in terms of different loan products, engaged in mobile banking, improved technology and that the Sacco engaged in strategic marketing and advertising. These findings resonate well with the quantitative data findings that indicated that product, market and technological innovation influenced performance. According to Schoemaker, Krupp and Howland (2013) effective strategic leadership may help organizations to adapt to the new environments, in order for them to improve their performance by being engaged in innovative activities. In regards to measures undertaken to improve innovation, the respondents indicated that they encouraged creativity, they recognized those who are creative and gave awards, they provided finances, created a flexible environment, emphasized on research and development, they exposed staff to emerging trends through workshops, providing necessary resources that may facilitate innovation.

5. CONCLUSION

The findings on innovation mirrored those of existing literature by indicating a positive relationship between innovation and performance of Deposit Taking SACCOS in Kenya. The study confirmed that product, market and technological innovation collectively accelerated performance of Deposit Taking SACCOS in Kenya as the relationship was statistically significant given that the p value was less than 0.05. Therefore the study concludes that innovation has an influence on performance of Deposit Taking SACCOS in Kenya. The increase in performance as innovation increases concurs with the transformational leadership theory that intellectual stimulation through fostering innovation amongst staff improves performance. The study contributes to knowledge as it pinpoints promotion of innovation as being an imperative strategic leadership practice in Deposit Taking Saccos's as it enhances performance.

6. RECOMMENDATION

Innovation should be embraced by DTS and specifically product, market and technological innovation as they enhance performance. SACCO'S should develop new products continuously so as to meet customers' demand. DTS leaders should encourage staff to come up with ideas on new products and also new marketing strategies. Additionally, they should invest in as well as embrace modern technology in the SACCO business.

7. AREAS FOR FURTHER RESEARCH

The study focused on innovation as a strategic leadership practice. Studies may be done on other innovation parameters not covered by the study such as process and organizational innovation. Further studies can be undertaken in other DTS based in other counties as this study was done in Nairobi County. Others studies may be conducted in non-deposit taking Sacco's and also other organizations in the financial sector such as banks, insurance companies and micro financial institutions. Lastly, the study was done in Kenya, a similar study may be undertaken in other countries in Asia, Africa, Europe and America for comparison purposes.

REFERENCES

- [1] Abasilim, U. D. (2014). Transformational Leadership Style and Its Relationship with Organizational Performance in Nigerian Work Context. *IOSR Journal of Business and Management*, 16(9), 01-05
- [2] Ademba, C. (2010). Challenges facing SACCO regulations in Africa. Paper presented at the 11th SACCA Congress, Swaziland. Retrieved May 9, 2018 from African Confederation of Cooperative Savings & Credit Associations Website, <http://www.accosca.org>
- [3] Ar, I. M. & Baki, B. (2011). "Antecedents and Performance Impacts of Product versus Process Innovation: Empirical Evidence from SMEs Located In Turkish Science and Technology Parks," *European Journal of Innovation Management*, 14 (2), 172-206.
- [4] Arslan, A. & Staub, S. (2013). Theory X and Theory Y Type Leadership Behavior and its Impact on Organizational Performance: Small Business Owners in the Şishane Lighting and Chandelier District. *Procedia-Social and Behavioral Sciences*, 75, 102- 111.
- [5] Atalay, M., Anafarta, N. & Sarvan, F. (2013). The relationship between innovation and firm performance: An empirical evidence from Turkish automotive supplier industry. *Procedia: Social and Behavioral Sciences*, 75, 226:235.
- [6] Balan, P. & Lindsay, N. (2010). *Innovation Capability, Entrepreneurial Orientation and Performance in Australian Hotels*. Australia: Pty Ltd.
- [7] Bulitia, G. M., Obonyo, P. K. & Ojera, P. B. (2014). Moderating effect of technology innovation on the human resource management practices and firm performance: A study of manufacturing firms in Kenya. *Research Journal of Human Resource*, 2(3), 1 – 21
- [8] Camisón, C. & Monfort-Mir, V. M. (2012). Measuring innovation in tourism from the Schumpeterian and the dynamic-capabilities perspectives. *Tourism management* 33(4): 776- 789.
- [9] Carter, S. M. & Greer, C. R. (2013). Strategic leadership: Values, styles and organizational performance. *Journal of Leadership & Organizational Studies*, 20, 379-393.
- [10] Cooper, D. R. & Schindler, P. S. (2014). *Business Research Methods*. New York: McGraw Hill.
- [11] Creswell, J. W. (2014). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Los Angeles: SAGE Publication.
- [12] Faith, J.A. (2014). Perceived Relationship between Employee Academic Qualifications and Job Performance in Mukuru Slums Development Projects, Nairobi County. Retrieved from: <http://erepository.uonbi.ac.ke/>
- [13] Finkelstein, S., & Hambrick, D. C. (1996). *Strategic leadership: Top executives and their effects on organizations*. St. Paul, MN: West.
- [14] Frooman, J., Mendelson, M. B. & Murphy, J. K. (2012). Transformational and passive avoidant leadership as determinants of absenteeism. *Leadership & Organizational Development Journal*, 33(5), 447 – 463.
- [15] FSD (2010). Automation of SACCOS: Assessment of potential solutions. Financial Sector Deepening. Kenya.
- [16] Hassan M. U., Shaukat, S., Nawaz, M. S. & Naz, S. (2013). Effects of Innovation Types on Firm Performance: an Empirical Study on Pakistan's Manufacturing Sector. *Pakistan Journal of Commerce and Social Sciences* 7 (2), 243-262.
- [17] Johnson, R. R. (2006). Management influences on officer traffic enforcement productivity. *International Journal of Police Science and Management*, 8(3), 205-217.
- [18] Kamonjo, K. L. (2014). *Corporate governance practice and its effect on financial performance in SACCOs (A case study of urban SACCOs in Kirinyaga County-Kenya)*. Nairobi: Kenyatta University.
- [19] Katz, D. & Kahn, R. L. (1978). *The social psychology of organizations* (2nd Ed.). New York: Wiley.
- [20] King, T-HD & Wen, M-M (2011). 'Shareholder governance, bondholder governance and managerial risk-taking', *Journal of Banking and Finance*, 35(3), 512–531.

- [21] Kiragu, D. N. (2015). *Influence of financial innovations on financial performance of savings and credit co-operative societies in Nyeri County, Kenya*. Nairobi: University of Nairobi.
- [22] Kising'u, T. M. (2017). Role of strategic leadership for sustainable competitive advantage in Kenyan public and private universities. Unpublished phd thesis (Business Administration). Jomo Kenyatta university of Agriculture and Technology, Kenya.
- [23] Kothari, C. R., (2011). *Research Methodology; Methods and Techniques*. New Delhi: New Age International Publishers.
- [24] Kumar, V. (2014). *Essentials of marketing research*. New York, NY: Wiley.
- [25] Mathuva, D. M. (2016). Determinants of disclosure level by Deposit Taking Savings and Credit co-operative societies in Kenya. Unpublished phd Thesis (Business Administration). Jomo Kenyatta university of Agriculture and Technology.
- [26] McDermott, Christopher M. & Daniel Prajogo (2012). "Service innovation and performance in SMEs," *International Journal of Operations and Production Management*, 32(2), 216-37.
- [27] Mensah, F. B. & Acquah, I. S. K. (2015). The Effect of Innovation Types on the Performance of Small and Medium Sized Enterprises in the Sekondi: Takoradi Metropolis. *Archives of Business Research*, 3(3) 77-98.
- [28] Moghli, A., Al Abdullah, G. & Al Muala, A. (2012). Impact of innovation on realizing competitive advantage in banking sector in Jordan. *American Academic & Scholarly Research Journal*, 4 (5), 1-9.
- [29] Mosongo, E., Gichana, I., Ithai, J. & Nguta M. (2013). Financial innovation and financial performance: A case of SACCOs in Nairobi County. *International Journal of Research in Management*, 3(5), 93-100.
- [30] Msuya, R., & Maleko, G. (2015). Non-compliance and Challenges of Implementing IFRS in Saving and Credit Cooperative Societies (SACCOS) in Shinyanga Region – Tanzania. *Journal of Business Administration and Education*, 7(1), 17-33.
- [31] Muriuki & Ragui (2013). Impact of sacco societies Regulatory authority (SASRA) on legislation of corporate governance in cooperatives in Kenya. *Public policy and administration research*. 3(6), 65-70.
- [32] Noruzy, A., Dalfard, V. M., Azhdari, B., Nazari-Shirkouhi, S., Rezazadeh, A. (2013). Relations between transformational leadership, Organizational learning, knowledge management, organizational innovation and organizational performance: An empirical investigation of manufacturing firms. *International Journal of Advanced Manufacturing Technology*, 64, 1073-1085.
- [33] OECD. (2005). Oslo manual: Guidelines for Collecting and Interpreting Innovation Data (3rd ed.). Paris: Organisation for Economic Co-operation and Development in joint publication with Eurostat
- [34] Oirere, N. A. (2015). *Effect of innovation on financial performance of Small and Medium Manufacturing Enterprises in Nairobi County*. Unpublished MBA research project. University of Nairobi.
- [35] Olughor, J. R. (2015). Effect of Innovation on the Performance of SMEs Organizations in Nigeria. *Management*, 5(3): 90-95.
- [36] Ongeti, W. J. (2014). Organizational Resources, Corporate Governance and Performance of Kenyan State Owned Corporations. *University of Nairobi, Unpublished Ph.D. Thesis*.
- [37] Osga, P. O. (2016). *The effects of strategic innovation on the performance of SMES in Nairobi County*. Unpublished MBA project. United States International University –Africa
- [38] Peterson, R. S., Smith, D. B., Martorana, P. V., & Owens, P. D. (2003). The impact of chief executive officer personality on top management team dynamics: One mechanism by which leadership affects organizational performance. *Journal of Applied Psychology*, 88(5), 795-808.
- [39] Pfeifer, C., & Wagner, J. (2012). Age and gender composition of the workforce, productivity and profits: Evidence from a new type of data for German enterprises.

- [40] Polder, M., Leeuwen, G. V., Mohnen, P. & Raymond, W. (2010). Product, process and organizational innovation: drivers, complementarity and productivity effects. *CIRANO-Scientific Publications 2010s-28*.
- [41] Ramadani V. & Gerguri S. (2011). Innovation: Principles and Strategies", *Advances in Management*. 4.(7), 7-12.
- [42] Rosli, M. M. & Sidek, S. (2013). The impact of Innovation on the Performance of Small and Medium Manufacturing Enterprises: Evidence from Malaysia. *Journal of Innovation Management in Small and Medium Enterprise*, 1(1), 1-16
- [43] SASRA. (2015). The SACCO Supervision Annual Report. Retrieved from www.sasra.go.ke
- [44] SASRA (2018). List of Sacco societies licenced to undertake deposit-taking Sacco business in Kenya for the financial year ending December 2018 <https://www.sasra.go.ke/index.php/resources/.../15-licensed-saccos?download...saccos> accessed on 12th June 2018
- [45] Schiffman, L. G. & Kanuk, L. L. (2012). *Consumer Behaviour*. London: Prentice Hall.
- [46] Schoemaker, P.J., Krupp, T., & Howland, S. (2013). Strategic Leadership: The essential skills. *Havard Business Review*, 91(1), 131-134.
- [47] Sekaran, U. (2009). *Research methods for Business*. A skill building approach. (4th ed.). London: Longman.
- [48] Sekaran, U. & Bougie, R. (2013). *Research Methods for Business: A Skill Building Approach* (6th ed.). New York: John Wiley and Sons Inc.
- [49] Serfontein, J. J. (2010). The impact of strategic leadership on the operational strategy and performance of business organizations in South Africa (Doctoral dissertation), Stellenbosch: University of Stellenbosch, South Africa.
- [50] Soi,C.C.(2016). *Effect of Innovation Strategies on the performance of firms in the Telecommunication industry in Kenya* .Unpublished MBA research project. United States International University-Africa.
- [51] Stanleigh, M. (2015). 7 Key Trends in Innovation. Retrieved from: www.bia.ca/articles/7KeyTrendsInInnovation.htm. August, 2018.
- [52] Trmal, S. A., Bustamam U. S., & Mohamed, Z. A. (2015). The Effect of transformational leadership in achieving high performance workforce that exceeds organizational expectation: A study from a global and Islamic perspective. *Global Business and Management Research: An International Journal*, 7(2), 88- 94.
- [53] Tuan,N. , Nhan,N. , Giang,P. & Ngoc,N. (2016). The Effects of Innovation on Firm Performance of Supporting Industries in Hanoi – Vietnam. *Journal of Industrial Engineering and Management JIEM*, 9(2): 413-431
- [54] Varis, M. & H. Littunen (2010), Types of Innovation, Sources of Information and Performance in Entrepreneurial SMEs. *European Journal of Innovation Management* 13, 128-154
- [55] Wangila,F.(2018). *Influence of innovation practices on the public sector perfomance in Nairobi City County Government-Kenya*. Unpublished phd thesis (Business Innovation and Technology Management). Jomo Kenyatta university of Agriculture and Technology, Kenya.
- [56] Wasike, J. T. (2012). *Corporate governance practices and performance at Elimu Sacco in Kenya*. Unpublised MBA Project, School of Business, University of Nairobi.
- [57] WOCCU. (2012). *Program brief Kenya: Complying with new credit Union (SACCO) regulations*. Retrieved from World Council of Credit Unions website: <http://www.woccu.org> (accessed on 14/02/2018)
- [58] Zawislak, P. A., Cherubini Alves, A., Tello-Gamarra, J., Barbieux, D., & Reichert, F. M. (2012). Innovation capability: from technology development to transaction capability. *Journal of technology management & innovation*, 7(2), 14-27.