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MARKET EXPANSION STRATEGIES ON PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA

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Abstract: *The aim of this study was to assess the relationship between market expansion strategy and performance of deposit taking savings and credit co-operative societies in Kenya.* ***.*** *To achieve this goal, the study drew on the resource-based view theory. The study utilized a descriptive research design and a methodology that involved collecting primary data from a target population of 175 respondents. A multi-stage sampling technique was employed to select a sample for the study, including stratified random sampling and simple random sampling. The data collected from a sample of 54 respondents out of 64 sampled were analyzed using descriptive statistics and multiple linear regression. The results led to the conclusion that there is a statistically insignificant negative relationship between market expansion strategy and performance. To enhance Deposit-Taking SACCOs' performance in Kenya despite the observed negligible negative correlation between market expansion and performance, a comprehensive strategy is recommended. This involves diversifying approaches by improving services, innovating products, and focusing on customer experiences. Additionally, conducting detailed market segmentation, implementing robust risk management, leveraging data-driven decisions, forming strategic partnerships, investing in staff training, and ensuring continuous evaluation with stakeholder engagement are key pillars for successful performance enhancement, aligning expansion efforts with organizational objectives.*

Keywords: *SACCOS, Market Expansion Strategy, Resource-Based View Theory*

1. Introduction

Savings and Credit Cooperative Societies (SACCOs) or credit unions play a pivotal role in financial inclusion, stimulating local economic progress, and nurturing community development. Their provision of essential financial services and emphasis on cultivating financial responsibility not only greatly impacts the socio-economic welfare of their members but also wields a profound influence on the broader communities they serve (Mwilu & Njuguna, 2020). It is thus essential to continuously maintain or improve their performance in this ever-changing business environment. Globally, nations advancement relies on the sustainable performance of the enterprises and their continued creativity. It is therefore important for enterprises to enhance their performance (Maury, 2022). Presently, enterprises are struggling to acquire methods or plans that can enable them increase their market share, profit or even maintain their current market position. Approximately 55 percent of the new business entrants do not survive beyond their first five years (Islami, et al., 2020). They operate in an environment that is highly competitive, therefore to enhance their profitability and market share they need to develop unique market expansion strategies (Kahonga & Kariuki, 2020).

It is opined that market expansion strategies enables enterprises to stay competitive, seize new opportunities, and solidify their position in this ever-evolving business landscape. Effective strategies enable entities like SACCOs to capitalize on emerging trends, explore untapped markets, and leverage their strengths for sustainable growth and improved performance. However, adopting incorrect market expansion strategies can lead to more corporate problems (Abolarinwa, et al., 2020). Market expansion in the context of SACCOs or credit unions denotes a strategic approach these organizations take to widen their influence, membership base, and service provision within existing or new areas. This involves a deliberate set of steps and initiatives geared towards reaching new geographical regions, offering financial products/services to previously underserved demographics, or bolstering their market presence in current territories. Therefore, understanding the types of market expansion strategies crucial for enhancing firm performance becomes essential (Abolarinwa, et al., 2020).

Most enterprises, including SACCOs, require unique market expansion strategies to excel in their industry. Achieving sustainable performance necessitates SACCOs identifying their key strengths and opportunities while addressing potential threats and weaknesses (Mwilu & Njuguna, 2020). Currently, they are able to offer services to over 400 million members across 118 nations globally, consequently boosting the current 14 percent penetration rate. Continent-wise, Asia is leading in membership growth, followed by America and then Africa. Regarding specific countries, Brazil, the Philippines, and Ireland are leading in membership growth (WOCCU, 2021). The Asian SACCOs or credit unions have devised strategies to reach 49 million members in 23 countries, training senior management to focus on structural alignment for market expansion in the current competitive environment. On the other hand, Kenya has excelled in the performance of SACCOs in Africa, earning recognition and an award for its leading role; it secured the 11th position in the global ranking (WOCCU, 2018). These SACCOs play a crucial role in providing financial services to economically excluded individuals. Over 10 percent of Kenyans are SACCO members, while approximately 60 percent depend on their services, either directly or indirectly (Njoka, 2021). To enhance their total assets and surpluses, Deposit Taking SACCOs have expanded membership beyond their initial common bonds, which were established based on occupations, industries, geographical areas, or professions (FinAccess, 2019). This move has broadened their market scope. Additionally, they have undergone rebranding efforts to focus on a wider market. Rebranding has proven beneficial in accelerating market expansion and improving overall performance (Ndege & Kegoro, 2019).

2. Problem Statement

Organizations face challenges in expanding into new markets while maintaining performance due to limited resources, competition, and market fluctuations. This issue becomes more pronounced during economic uncertainty (Islami, et al., 2020). To overcome these challenges, organizations need to adopt strategic, data-driven approaches, leveraging technology and partnerships for efficient market expansion. Continuous monitoring and evaluation are essential to ensure alignment with organizational goals and sustain performance and growth (Mwilu & Njuguna, 2020).

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In Kenya, the declining usage of Deposit Taking SACCOs' products from 13 percent in 2019 to 9 percent in 2022, along with a 44 percent increase in dormant members, poses a significant challenge in supplying financial services to the unbanked population (Njoroge, et al., 2022). This decline in SACCO performance threatens the accessibility of affordable financial services for over 10 percent of Kenyans who are SACCO members and the 60 percent relying directly or indirectly on their services, potentially impacting their standard of living. Moreover, the absence of a deposit protection facility and a lender of last resort exposes members' savings of 432 billion to risks in case of license revocation, which has occurred at an alarming rate of 33 percent (SASRA, 2022) and further diminishes confidence in SACCOs. This situation may undermine the financial security of their members. If left unaddressed, these issues could have lasting adverse effects on the economy, members' financial well-being, and the attainment of sustainable development goals linked to industry, innovation, and infrastructure. Continued license revocations of Deposit Taking SACCOs could negatively impact GDP, reducing innovations and increasing unemployment (Njoroge, et al., 2021).

Existing global studies present conflicting results concerning the link between market expansion strategies and performance in different sectors and countries. For instance, Sande (2019) in their study on the relationship between market expansion strategies in the public universities in Kenya found that the variables had a positive and significant relationship. This was also supported by Ojwaka and Deya (2018) but the study was carried out in commercial printing firms in Nairobi. Abolarinwa, et al. (2020) reported market expansion strategies have a negative and significant impact on performance even though the study was carried in the listed manufacturing firms in Nigeria. This disparity highlights the need to conduct a study that specifically focuses on the nexus between market expansion strategies and performance in Deposit Taking SACCOs in Kenya. Conducting such research will provide an insight into effective market expansion strategies that can enhance the sustainable performance of SACCOs, ensuring the continued provision of affordable financial services to its members and the unbanked population.

3. Literature Review

The resource-based view hypothesis is credited to Barney in 1991. It suggests that in order to get a competitive edge, a company must develop internal strengths using its available internal resources. The theory makes the assumption that there are two sorts of resources: heterogeneous and immobile tangible assets and intangible assets. Resources must differ greatly from one organization to another in order to be heterogonous, whereas they cannot freely migrate across organizations if they are immobile (Wirtz & Daiser, 2018). Resources of an enterprise ought to be useful, uncommon, organized to capture value, difficult to duplicate or replace, and able to demonstrate ongoing competitive advantage. An institution should use the resources to help it develop and put into practice strategies that can improve effectiveness and efficiency. Corporate growth strategy involves focusing on enhancing business performance and is considered to be a resource within the corporation (Frambach et al., 2016).

Market expansion strategy is having a sufficient understanding of an enterprise target goal to be a going concern (Wirtz & Daiser, 2018). It is clear that the market expansion depends heavily on strategic resources availability within an enterprise. In regards to the Deposit Taking SACCOs in Kenya, appropriate market expansion strategy will rely on the strategic approach taken in provision of services and non-substitutable and unique products which are rare and difficult to imitate (Kahonga & Kariuki, 2020). By the enterprises creating value in their resources, it sets a competitive advantage hence attaining an enterprise goal. The objective of maximizing firms' goals of enhancing its performance has been stressed by the theory. According to the notion, organizations have both material and intangible resources (Frambach et al., 2016). Market expansion, strategies such as rebranding, open membership bond and branch opening are a few examples of these resources. Owning resources gives businesses a chance to gain an advantage in the marketplace (Nasution & Rafiki, 2018).

According to Vargas et al., (2017), an organization's ability to maintain a competitive edge is a result of the intentional mixing of internally created resources and linked capabilities. The competences are a collection of tactical steps that enable strategically positioned officers, like management, to review their asset base and design strategies that enhance organizational performance. Competencies are intricate and ingrained in organizational procedures; they are therefore difficult to mimic and must be irreplaceable. Market expansion strategies are fundamental skills that all firms should develop (Watson et al., 2018). The advantage in improving performance goes to businesses with effective corporate growth strategies.

In the realm of market expansion literature, discussions have emerged regarding the relationship between market expansion strategy and performance. The empirical evidence concerning the influence of market expansion strategy on performance is inconclusive. These studies have employed diverse metrics to assess market expansion strategies. An assessment on the market expansion strategy nexus with public university in Kenya performance was carried out by Sande (2019). New demographic segments, new institutional users and opening of branches were used as measures of the predictor variable. The resource-based perspective theory and the Ansoff growth-vector matrix theory served as the study's foundations. The study's participants were chosen using judgmental sampling. Primary data was gathered from the employees of the marketing, planning and strategy, administration, and finance departments using a self-administered questionnaire. Semi-structured questions were used. The study was analyzed using multiple linear regression and descriptive statistics. Tables displaying the frequency distribution of the studied data were used. The results showed that the market growth approach has a significant favorable impact on how well public institutions perform. However, the researcher doesn't reveal the source of the intended audience. On the other hand, no suggestions were made in the study.

Ojwaka and Deya (2018) conducted a test on the impact of market expansion and effectiveness of commercial printing organizations in Nairobi. The parameters for the predictor variable were new geographical area entering and adjusting the product packaging while sales growth and profit growth were measures of response variable. Resource-based theory, Porter's theory of competitive advantage and the open systems theory grounded the research with a design that is descriptive. The 249 businesses in Nairobi that are engaged in commercial printing made up the target population. The sample size consisted of the 75 managers from the 25 commercial printing companies. To analyse the primary data collected from respondents via a questionnaire, descriptive and inferential statistics were utilized. The market expansion strategy has a positive significant influence on the performance of commercial printing enterprises in Nairobi, according to the regression data. However, the survey did not state how the sample size was determined; as a result, the respondents might not be an accurate representation of Nairobi's commercial printing enterprises.

A study on market expansion strategy effect on performance of selected SACCOs in Nairobi City County was carried out by Mwilu and Njuguna (2020). Market share, customer base and market niche were used as measures of the independent variable while profitability and growth were the constructs for the dependent variable. The study was grounded on the resource based-view theory, corporate branding theory and dynamic capabilities theory. A descriptive research approach was taken where the target population consisted of 41 licensed SACCOs in the County with 123 respondents. The respondents included the operations manager, finance and administration manager and human resource manager. A self-administered questionnaire was used to gather primary data, which was then analyzed using both descriptive and inferential statistics. The regression results showed that the performance of the chosen SACCOs in Nairobi City County is positively significant influenced by the market expansion strategy. However, the study did not support the selection of the scope.

4. Methods

The study employed a descriptive research design, utilizing a multi-stage sampling approach that involved stratification based on the 5 clusters of Deposit Taking SACCOs (Government, Private, Farmer, Teacher, and Community based). Sample respondents for the study were selected from each stratum using a simple random sampling technique. The calculation of the sample size was determined using the Yamane (1967) formula, with a confidence level of 95 percent and a margin of error of 0.05. Consequently, the sample size for this study comprised 64 chief executive officers out of which 54 sampled individuals completed the questionnaire, resulting in 84.4 percent response rate. Data collection primarily involved the use of emailed questionnaires to gather quantitative data. The relationship between market expansion strategy and performance was assessed using a simple linear regression model. The strength of the relationship was assessed using the Adjusted R-Square, and the significance of individual independent variables was tested at a 5% significance level for the P-values.

Results and Discussion

In this section, we present the findings and engage in discussions regarding the descriptive results, and the hypothesis test.

5. Market Expansion Strategy Descriptive Statistics

The study aim was to examine the effect of market expansion strategy on performance. Respondents were asked to respond to questions related to specific measures of market expansion. Notably, the savings and credit cooperative society membership which is not restricted to any specialty, obtained the highest rating with an average score of 4.37 and a standard deviation of 0.760 signaling strong agreement among respondents. A detailed breakdown reveals that 46.3 percent of respondents strongly concurred, 50 percent concurred, 1.9 percent differed, and 1.9 percent strongly differed. This suggests a positive perception of the SACCO's inclusive membership policy across various specialties.

Likewise, the evaluation of the SACCO's website ownership received an average score of 4.09 with a standard deviation of 1.01, indicating a generally positive perception among respondents regarding the SACCO's online presence. The average score suggests an overall favorable view of the SACCO's website. However, the standard deviation of 1.01 signifies some variability in respondents' opinions, indicating differing levels of agreement. A detailed breakdown reveals that 38.9 percent of respondents strongly concurred, 46.43 percent concurred, 1.9 percent were neutral, 11.1 percent differed, and 1.9 percent strongly differed.

Conversely, the SACCO's adoption of online access to services as a means of embracing technology received an average score of 3.98, accompanied by a standard deviation of 0.879, suggesting a moderately positive perception among respondents. The average score indicates that, on average, respondents perceive the SACCO's move towards online services access as a positive step in embracing technology, though not overwhelmingly so. The standard deviation of 0.879 implies a degree of consistency in respondents' opinions, with 27.8 percent strongly agreeing, 50 percent agreeing, 16.7 percent expressing neutrality, 3.7 percent disagreeing, and 1.9 percent strongly disagreeing. This nuanced distribution highlights a varied but generally positive sentiment regarding the SACCO's integration of technology for service accessibility.

The SACCO's have changed their logo and slogan, reflected in an average score of 3.96 with a standard deviation of 1.01, suggests a moderately positive but somewhat variable perception among respondents regarding these rebranding efforts. The standard deviation of 1.01 indicates a degree of variability in individual responses. A breakdown of the responses reveals that 33.3 percent strongly concurred, 44.4 percent concurred, 7.4 percent expressed neutrality, and 14.8 percent differed. This distribution emphasizes a general favorability toward the SACCOs' rebranding initiatives, but it also highlights a notable portion of respondents holding differing views, contributing to the observed standard deviation.

However, the SACCO's decision to change its name to better align with all markets received an average score of 3.78 with a standard deviation of 1.19. The standard deviation of 1.19 suggests a notable level of variability in individual responses, indicating diverse opinions among respondents. Breaking down the responses, it is noted that 33.3 percent strongly concurred, 38.9 percent concurred, and 27.8 percent differed. This distribution underscores the varied perspectives among respondents regarding the SACCO's name change, with a significant proportion expressing agreement but a noteworthy segment holding differing views, contributing to the observed standard deviation.

The SACCO's choice to alter its corporate colors, evidenced by an average score of 3.48 and a standard deviation of 1.01, suggests a moderately mixed perception among respondents regarding this strategic decision. The standard deviation of 1.01 indicates a notable degree of variability in individual responses, highlighting diverse opinions among participants. Breaking down the responses, it is observed that 24.1 percent strongly concurred, 33.3 percent concurred, 9.3 percent were neutral, and 33.3 percent differed. This breakdown underscores the range of perspectives among respondents concerning the SACCO's shift in corporate colors, with a significant percentage in agreement but a noteworthy segment expressing differing views. This diversity in opinions contributes to the observed standard deviation.

On the other hand, the SACCO's initiative to open more branches in different geographical areas within Kenya, as indicated by an average score of 3.02 and a standard deviation of 1.42, suggests a generally moderate but somewhat mixed perception among respondents regarding this expansion strategy. The standard deviation of 1.42 implies a significant degree of variability in individual responses, indicating diverse opinions among respondents. More specifically, 9.3 percent strongly concurred, 48.1 percent concurred, 1.9 percent expressed neutrality, 16.7 percent differed, and 24.1 percent strongly differed. Exploring the reasons behind this variability and seeking feedback on specific aspects of the branch expansion could provide valuable insights for the SACCO. This information can guide the SACCO in refining its branch expansion strategy to better align with the preferences and needs of its members across different geographical areas. Table 1 on the next page displays the outcomes.

Table 1: Market Expansion Strategies Descriptive Statistics

Question	SA %	A %	N %	D %	SD %	Mean Statistic	Standard Deviation
The SACCO have changed its name to fit in all markets	33.3	38.9	0.0	27.8	0.0	3.78	1.19
The SACCO has changed its logo and slogan	33.3	44.4	7.4	14.8	0.0	3.96	1.01
The SACCO has changed its corporate colors so as to sell outside its boundaries	24.1	33.3	9.3	33.3	0.0	3.48	1.19
The SACCO has a website	38.9	46.3	1.9	11.1	1.9	4.09	1.01
Because a result of integrating technological advances, the SACCO has embraced internet-based access.	27.8	50.0	16.7	3.7	1.9	3.98	0.879
The SACCO membership is not restricted to any specialty	46.3	50.0	0.0	1.9	1.9	4.37	0.760
The SACCO has opened more branches in different geographical areas within Kenya	9.3	48.1	1.9	16.7	24.1	3.02	1.42

6. Market Expansion Strategies and Financial Sustainability

The research employed multiple linear regression analysis as the statistical method to explore the relationship between market expansion strategies and performance of Deposit-Taking SACCOs in Kenya. This approach was selected because it allows for a comprehensive examination of how various independent variables influence the dependent variable (Zikmund, et al., 2013). This approach facilitated a deeper understanding of the relationship between the predictor variable and financial sustainability.

Simple linear regression was conducted to assess the relationship between market expansion strategies and performance of Deposit-Taking SACCOs in Kenya. The analysis revealed a weak positive correlation ($r = 0.259$), indicating a weak relationship between these variables. The R-squared (R^2) value of 0.0669 suggests that approximately 6.69 percent of the variability in performance can be explained by the predictor variables. The adjusted R-squared (Adjusted R^2) value of 0.0489 reinforces this, indicating that 4.89 percent of the variations can be attributed to the studied variables.

To test the overall model's significance, an ANOVA test was conducted, and the results showed a significance value of 0.00, which is below the significance level of 0.05. This indicates that the model is statistically significant in predicting how market expansion strategies influence performance, making the general model significant. Additionally, the study variables were examined so as to compute the coefficient of the predictor variables. The results are as indicated in Table 2.

Table 2 Regression Coefficients

Model	Coefficients (β)	Std. Error	t	P
Intercept	11.112	6.660	1.67	0.101
Market Expansion Strategies	-0.477	0.247	-1.93	0.059

The multiple linear regression test established a prediction equation as highlighted below;

Performance = 11.112 – 0.477 Market Expansion

This equation indicates that for every unit increase in market expansion, performance decreases by 0.477, while the intercept is 11.112, representing the expected performance when market expansion strategies is zero. Further, the regression results indicate that market expansion strategies have a P value greater than 5 percent (0.059) and a coefficient (β) of -0.477. This indicates that there is a negative and insignificant relationship between market expansion strategies and performance. These findings are in agreement with the results of a study conducted Abolarinwa, et al. (2020). However, the results are in disagreement with the studies conducted by Sande (2019) and Ojwaka and Deya (2018) who found a positive and significant relationship between market expansion strategies and performance.

7. Conclusion and Recommendations

The study revealed that that there is a statistically insignificant negative relationship between market expansion strategies and performance of Deposit-Taking SACCOs in Kenya.

The SACCO's efforts to rebrand itself with a new name, logo, and slogan demonstrate a strategic approach to appeal to a broader audience. Additionally, the adoption of internet-based access and the development of a website reflect a commitment to leveraging technology for improved member services and accessibility. Furthermore, the SACCO's decision to expand its membership criteria and open branches in different geographical areas within Kenya underscores its dedication to inclusivity and geographic reach. While some challenges, such as resistance to change and geographical limitations, are apparent, the SACCO's overall mean scores indicate positive perceptions and acceptance of the changes implemented.

Based on these findings, it is recommended that organizations reconsider their approach to market expansion strategies. While expanding into new markets may seem like a promising avenue for growth, the results suggest that it may not always lead to improved performance. Instead, companies should focus on carefully evaluating the potential risks and benefits associated with market expansion initiatives. Additionally, further research is needed to better understand the underlying factors influencing the relationship between market expansion strategies and performance, allowing for more informed decision-making in the future. By taking a more strategic and nuanced approach to market expansion, organizations can better position themselves for sustainable success in an increasingly competitive business environment.

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